HIGHER EDUCATION
FACILITIES AUTHORITY
380 JACKSON ST., STE. 450
ST. PAUL, MN 55101-3899

OFFICIAL STATEMENT

NEW ISSUE

Rating: An application has been made to Moody's Investors Service, Inc.

In the opinion of Bond Counsel, the Bonds are exempt from taxation by the State of Minnesota and its subdivisions and municipalities and the interest to be paid on said Bonds is not includable in the gross income of the recipient for United States or State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by income) according to present federal and Minnesota laws, regulations, rulings and decisions.

$1,160,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

FIRST MORTGAGE REVENUE BONDS, SERIES TWO-B

(COLLEGE OF ST. SCHOLASTICA, INC.)

Bonds Dated: July 1, 1980

Interest Due: November 1 and May 1

The Bonds will be coupon bonds in the denomination of $5,000, registrable as to principal, or principal and interest, in accordance with the Mortgage Trust Indenture.

All Bonds maturing on or after May 1, 1989 are subject to redemption prior to maturity, in inverse order of stated maturity date, by lot within the same maturity date, on May 1, 1988, and any interest payment date thereafter, at a price of 103 and accrued interest, and, on any interest payment date in certain extraordinary events, as provided by the terms of the Mortgage Trust Indenture and Lease.

Bids must be for not less than $1,125,000. No bid will be considered which is not accompanied by a certified or cashier's check in the amount of $11,600. The Paying Agent may be named by the Purchaser. The Trustee will be Northern City National Bank of Duluth, Minnesota.

THE BONDS WILL BE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY, AND ONLY, OUT OF PROJECT REVENUES AND THE RESERVE ACCOUNTS ESTABLISHED FOR THE BONDS. THE BONDS WILL BE GUARANTEED BY THE COLLEGE OF ST. SCHOLASTICA, INC. LOCATED AT DULUTH, MINNESOTA, AND WILL NOT REPRESENT A DEBT OR PLEDGE OF THE FAITH OR CREDIT OF THE STATE OF MINNESOTA.

The Bonds will mature May 1 as follows:

$50,000	1982-1984	$ 90,000	1990
$60,000	1985-1986	$100,000	1991
$70,000	1987-1988	$110,000	1992
$80,000	1989	$370,000	1993

SEALED BIDS FOR THE BONDS WILL BE RECEIVED AT 11:00 A.M., CENTRAL TIME, ON TUESDAY, JUNE 10, 1980 FOR AWARD AT 3:00 P.M., CENTRAL TIME, OF THE SAME DAY.

These Bonds are offered for delivery when, as and if issued, subject to an approving legal opinion of Messrs. Faegre & Benson of Minneapolis, Minnesota. The Bonds will be available for delivery at a place mutually satisfactory to the Issuer and Purchaser within 40 days following the date of their award.

THE DATE OF THIS OFFICIAL STATEMENT IS MAY 23, 1980.

Further information may be obtained from SPRINGSTED Incorporated, Financial Advisor to the Issuer, 800 Osborn Building, Saint Paul, Minnesota 55102 612/222-4241.

TABLE OF CONTENTS

* *Separate documents not bound in the Official Statement but a part thereof.*

MEMBERS OF
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Earl R. Herring, Chairman

Vice President for Administrative Affairs, Moorhead State University
Moorhead, Minnesota

Maxwell O. Ramsland, Jr., Vice Chairman

President, Ramsland & Vigen, Inc.,
Real Estate Appraisers, Duluth, Minnesota

Dr. Clyde R. Ingle, Secretary

Executive Director, Minnesota Higher Education Coordinating Board

Frederick J. Bentz

President, Bentz-Thompson & Associates, Inc.,
Architects, Minneapolis, Minnesota

Bernard P. Friel

Member, Briggs and Morgan Professional Association,
Lawyers, Saint Paul and Minneapolis, Minnesota

*Leonard J. Rogge

Retired, formely Vice President for Business Affairs,
College of St. Thomas, Saint Paul, Minnesota

*Herbert M. Stellner, Jr.

Senior Vice President
Marquette Bank and Trust Company, Rochester, Minnesota

* *Terms commence June 3, 1980.*

Dr. Joseph E. LaBelle, Executive Director

This Official Statement (the "Statement") was prepared on behalf of the Issuer by its Financial Advisor, SPRINGSTED Incorporated, which will be compensated for its services solely by the Issuer, which compensation is, in part, contingent upon award of the Bonds. Unless otherwise indicated, the information contained in the Statement was furnished by the Issuer and the College and was the most current information available as of the date of the Statement.

No dealer, broker, salesman or other person has been authorized by the Issuer or the College to give any information or to make any representations with respect to the Bonds other than as contained in the Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer or the College. Certain information contained herein has been obtained from sources other than records of the Issuer and the College and is believed to be reliable, but is not guaranteed as to completeness and is not to be construed as a representation of the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer or the College since the date hereof.

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

DEFINITIONS OF TERMS AS USED IN THE STATEMENT

Authority Lessor Issuer	Whenever these words are capitalized they shall refer to the Minnesota Higher Education Facilities Authority.
BSBA	Benedictine Sisters Benevolent Association, a Minnesota non-profit corporation.
Fiscal Year	The Fiscal Year of the College, July 1 through June 30.
Institution School Lessee College	Whenever these words are capitalized they shall refer to the College of St. Scholastica, Inc. located at Duluth, Minnesota, also sometimes referred to herein as "St. Scholastica."
Issue Bonds Project Bonds	Whenever these words are capitalized they shall refer to this Issue, i.e., the $1,160,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series Two-B (College of St. Scholastica, Inc.)

Project Project Building Building	Whenever these words are capitalized they shall refer to the multi-purpose recreation building, and related outdoor facilities to be funded by the Issue.

For other definitions see Articles I of the Lease (Appendix II) and of the Mortgage Trust Indenture (Appendix III).

Further information concerning the Issue may be obtained from:

The Authority	Dr. Joseph E. LaBelle, Executive Director Minnesota Higher Education Facilities Authority Suite 278, Metro Square Building Saint Paul, Minnesota 55101 612/296-4690
The College	Harold D. Hultberg, Vice President of Finance College of St. Scholastica, Inc. 1200 Kenwood Avenue Duluth, Minnesota 55811 218/723-6037
Bond Counsel	John S. Holten Faegre & Benson 1300 Northwestern National Bank Building Minneapolis, Minnesota 55402 612/371-5307
Financial Advisor	Osmon R. Springsted Carolyn J. Ganz Nancy L. Langness Springsted Incorporated 800 Osborn Building Saint Paul, Minnesota 55102 612/222-4241

OFFICIAL NOTICE OF OFFERING

$1,160,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
FIRST MORTGAGE REVENUE BONDS, SERIES TWO-B
(COLLEGE OF ST. SCHOLASTICA, INC.)

Sealed bids for the Obligations shall be opened by Dr. Joseph E. LaBelle, Executive Director of the Minnesota Higher Education Facilities Authority (the "Authority") on Tuesday, June 10, 1980, at 11:00 A.M., Central Time, at 278 Metro Square Building, Saint Paul, Minnesota. Consideration of the bids for award of the Obligations shall be by the Authority at 3:00 P.M., Central Time, of the same day.

DETAILS OF THE OBLIGATIONS

The Obligations shall be dated July 1, 1980 and shall bear interest payable on November 1 and May 1 of each year, commencing November 1, 1980. The Obligations shall be special Obligations of the Issuer payable solely and only out of Project revenues and other income, charges and monies to be produced and received, including rentals under the Lease between the Authority and the College of St. Scholastica, Inc. (the "College"), relative to the ownership and operation of the Project for which the proceeds of the Issue will be used and the Reserve Accounts established thereto, and shall not constitute a debt for which the faith and credit or taxing powers of the Issuer or the State of Minnesota are pledged. The Obligations shall be in the denomination of $5,000 in coupon form registrable as to principal, or as to principal and interest, according to the terms of the Mortgage Trust Indenture, relative to the Issue. The proceeds shall be used for the construction and equipping of a multi-purpose recreation facility for the College.

The Obligations shall mature May 1, in the amounts and years as follows:

$50,000	1982-1984	$70,000	1987-1988	$ 90,000	1990	$110,000	1992
$60,000	1985-1986	$80,000	1989	$100,000	1991	$370,000	1993

The Issuer may elect on May 1, 1988, and on any interest payment date thereafter, to prepay Obligations due on or after May 1, 1989. Redemption may be in whole or in part of the Obligations subject to prepayment. If redemption is in part, those Obligations remaining unpaid which have the latest maturity date shall be prepaid first and if only part of the Obligations having a common maturity date are called for prepayment the specific Obligations to be prepaid shall be chosen by lot by the Trustee. Prepayment of Obligations shall be at a price of 103 and accrued interest. However, notwithstanding the foregoing provisions relative to prior redemption all Obligations are subject to redemption at par and accrued interest on any interest payment date, as a whole, but not in part, (i) in case of damage, destruction or taking of the Project to the extent provided in the Mortgage Trust Indenture or (ii) in case of the College's exercise of its option to purchase pursuant to the Lease, or (iii) in case interest on the Obligations shall be determined to be includable in the gross income of the holders of the Obligations as provided in the Lease.

TYPE OF BID

A sealed bid for not less than $1,125,000 and accrued interest on the total principal amount of the Obligations shall be filed with the undersigned prior to the time set for the opening of bids. Also prior to the time set for bid opening a certified or cashier's check in the amount of $11,600 shall have been filed with the undersigned or SPRINGSTED Incorporated, the Issuer's Financial Advisor; no bid will be considered for which said check has not been filed. Said check of the Purchaser shall be retained by the Issuer as liquidated damages in the event the Purchaser fails to comply with the accepted bid. No bid shall be withdrawn after the time set for opening bids, unless the meeting of the Issuer scheduled for consideration of the bids is adjourned, recessed, or continued to another date without award of the Obligations having been made. No rate for a maturity shall exceed the rate specified for any subsequent maturity by more than 1.00%. Obligations of the same maturity shall bear a single rate from the date of the Obligations to the date of maturity and additional coupons shall not be used.

AWARD

The Obligations shall be awarded to the Bidder offering the lowest dollar interest cost to be determined by the deduction of the premium, if any, from, or the addition of the discount, if any, to, the total dollar interest on the Obligations from their date to their final scheduled maturity. The Issuer's computation of the total net dollar interest cost of each bid, in accordance with customary practice, shall be controlling.

The Issuer shall reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Obligations, (ii) reject all bids without cause, and, (iii) reject any bid which the Issuer shall determine to have failed to comply with the terms herein.

PAYING AGENT

The Purchaser may name the Paying Agent but shall do so within two business days after the award of the Obligations. In the event of failure by the Purchaser to name the Paying Agent within said time the Issuer shall do so. The Issuer shall pay for the services of the Paying Agent. An alternate Paying Agent may be named by the Purchaser in the same manner as the principal Paying Agent is named, provided that there shall be no additional cost to the Issuer. The Trustee shall be named by the College with the consent of the Authority not later than May 15, 1980.

CUSIP NUMBERS

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

SETTLEMENT

Within 40 days following the date of their award the Obligations shall be delivered without cost to the Purchaser at a place mutually satisfactory to the Issuer and the Purchaser. Delivery shall be subject to receipt by the Purchaser of an approving legal opinion of Faegre and Benson, of Minneapolis, Minnesota, which opinion shall be printed on the Obligations, and of customary closing papers, including a no-litigation certificate. On the date of settlement payment for the Obligations shall be made in federal, or equivalent, funds which shall be received at the offices of the Issuer or its designee not later than 1:00 P.M., Central Time of the day of settlement. Except as compliance with the terms of payment for the Obligations shall have been made impossible by action of the Issuer, or its agents, the Purchaser shall be liable to the Issuer for any loss suffered by the Issuer by reason of the Purchaser's non-compliance with said terms for payment.

At settlement the Purchaser shall be furnished with a certificate signed by appropriate officers of the Issuer and the College to the effect that the Official Statement prepared for the Obligations did not as of the date of the Official Statement, and does not as of the date of settlement, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

OFFICIAL STATEMENT

Upon request to the Issuer's Financial Advisor prior to the bid opening underwriters may obtain a copy of the Official Statement. The Purchaser shall be provided with 25 copies and may obtain additional copies at the Purchaser's cost. Any other interested party may obtain a copy, if available, at a price of five dollars.

Dated April 22, 1980

BY ORDER OF THE
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

/s/ Clyde R. Ingle
Secretary

SCHEDULE OF BOND YEARS

$1,160,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
FIRST MORTGAGE REVENUE BONDS, SERIES TWO-B

YEAR	PRINCIPAL		BOND YEARS	CUMULATIVE BOND YEARS	
1982	$50,000		91.6667	91.6667	______
1983	$50,000		141.6667	233.3334	______
1984	$50,000		191.6667	425.0001	______
1985	$60,000		290.0000	715.0001	______
1986	$60,000		350.0000	1,065.0001	______
1987	$70,000		478.3333	1,543.3334	______
1988	$70,000		548.3333	2,091.6667	______
1989	$80,000	c	706.6667	2,798.3334	______
1990	$90,000	c	885.0000	3,683.3334	______
1991	$100,000	c	1,083.3333	4,766.6667	______
1992	$110,000	c	1,301.6667	6,068.3334	______
1993	$370,000	c	4,748.3333	10,816.6667	______

Average Maturity:	9.32 Years
Bonds Dated:	July 1, 1980
Interest Due:	November 1, 1980 and each May 1 and November 1 to maturity.
Principal Due:	May 1, 1982-93 inclusive.
Redemption:	Bonds maturing on or after May 1, 1989 are callable commencing May 1, 1988 and any interest date thereafter at 103. (See Official Notice of Offering.)

c: Callable

SUMMARY OF BOND TERMS

Dated:	July 1, 1980
Interest:	Each November 1, and May 1 to maturity, commencing November 1, 1980.
Principal Due:	May 1, 1982-1993 inclusive
Average Maturity:	9.325 years
Bond Years:	10,816.6667
Redemption:	All Bonds maturing on or after May 1, 1989 will be subject to redemption prior to maturity, at the option of the Issuer and in inverse order of maturity dates, and by lot as to bonds having the same maturity date, on May 1, 1988 and any interest payment date thereafter, at a price of 103 and accrued interest, except that all Bonds are subject to redemption at par and accrued interest on any interest payment date, as a whole, but not in part, in case of damage, destruction or taking of the Project as provided in Section 6.15 of the Mortgage Trust Indenture and in certain cases of change of law or circumstances as provided in Section 10.02 of the Lease, and in certain cases of interest on the Bonds becoming subject to federal income taxation as provided in Section 7.19 of the Lease.
Bids:	Bids must be for not less than $1,125,000 ($35,000 is the maximum discount).
	All Bonds of the same maturity must bear a single rate from the date of issue to maturity. No rate may exceed any subsequent rate by more than 1.00%. Additional coupons may not be used.
	Bids must be accompanied by a certified or cashier's check in the amount of $11,600.

RATING

An application for a rating of this Issue has been made to Moody's Investors Service, Inc. ("Moody's"), 99 Church Street, New York, New York.

If a rating is assigned, it will reflect only the opinion of Moody's. Any explanation of the significance of the rating may be obtained only from Moody's.

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

THE PROJECT

The College in February of 1979 completed construction of the 22,000 square foot multi-purpose recreation building and related outdoor facilities to be funded by this Issue. Construction was funded by interim financing consisting of College funds and a bank loan. This Issue will allow the College to completely pay the bank loan and reimburse the College funds used for construction. Financing through the Minnesota Higher Education Facilities Authority was in part delayed due to the necessity for first clearing title to the property on which the Project Building is situated from a mortgage in favor of the United States Government.

The College anticipates raising operating revenue for the Project Building from student fees and rentals from conferences and similar activities.

Use of Bond Proceeds

The proceeds of this Issue will be used as follows:

Construction, Furnishings, Architect Fees		$ 825,000
Capitalized Interest		113,000
Discount Allowance		35,000
Debt Service Reserve Accounts:		
General Reserve	$ 32,000	
Series Reserve	128,000	
		160,000
Issuance Costs (estimated):		
Authority Fees	$ 6,380	
Legal	6,860	
Fiscal	8,250	
Rating, Printing, Miscellaneous	5,510	
		27,000
	Total	$1,160,000

NOTE: The foregoing fees for the Authority, Bond Counsel and Financial Advisor are expected to be provided from Bond proceeds, except that the College has given the Authority an Indemnity Agreement by which it has agreed its application fee of $1,000 shall become the property of the Authority whether or not the Project shall be financed and the College has further agreed to pay the reasonable fees and expenses of the Authority's Financial Advisor and Bond Counsel and to pay any out-of-pocket expenses incurred by the Authority on account of the Project whether or not the Project is financed.

Estimated Debt Service Requirements

Interest due for the sixteen-month period July 1, 1980 through November 1, 1981 is expected to be made in major part from Bond proceeds.

The average annual net debt service of the Issue, after allowance for investment earnings, for the years 1982 through 1992 is expected to be approximately $130,000. The College anticipates that gifts of its current "The Scholastica Adventure" fund drive will be sufficient to pay the principal and interest of the Bonds but the College will not be obligated to apply such gifts to the payments of the Bonds (see Section 4.05, page 20, of the Lease, Appendix II). The College anticipates that on the first call date (May 1, 1988) gift proceeds will be used to call a major portion, if not all, of the Bonds. However, no covenant will be made to this effect. The average annual debt service of $130,000 represents 2.69% of the College's unrestricted current income for the fiscal year ending June 30, 1979, and 4.24% of the tuition fees received for Fiscal Year 1979.

ACCOUNTS

1. Revenue Fund Account (p. 32, Section 5.01 of the Mortgage Trust Indenture, Appendix III).	All pledged revenues will be deposited in this Account, to be expended and used by the Authority in the order set out in the section "Cash Flow" page 10 hereof.
2. Bond and Interest Sinking Fund Account (pp. 32 and 33, Section 5.02, <u>op.cit</u>.)	$113,000 will be deposited from Bond proceeds at settlement. Thereafter deposits from Base Rent payments or from the Debt Service Reserve Account shall be made as required by the Mortgage Trust Indenture.
3. Operation and Maintenance Account (pp. 33 and 34, Section 5.03, <u>op.cit</u>.)	No payments will be made to this Account so long as the Institution shall not be in default. But, in the event the Authority or Trustee assumes operation of the Project Building, revenues remaining after debt service will be paid into the Account to meet operational costs.
4. Debt Service Reserve Account (pp. 34 and 35, Section 5.04, <u>op.cit</u>.)	At delivery of the Bonds, the College will deposit $128,000 from Bond proceeds into this Account. Thereafter semi-annual deposits from Base Rent payments shall be made on or prior to each May 1 and November 1 sufficient (with amounts in the Bond and Interest Sinking Fund Account) to meet the next 13 months' debt service on the Bonds and to maintain the initial $128,000 reserve. Funds and investments in the Debt Service Reserve Account shall be irrevocably pledged to, and shall be used by the Trustee as may be required for, debt service of the Bonds. There will be a Surplus Sub-Account within the Debt Service Account to which deposits may be credited if necessary for purposes of limiting yields in compliance with arbitrage regulations.

5. Redemption Account (p. 35, Section 5.06 op.cit.)

Any revenues received which are not otherwise committed will be paid into this Account. Funds in it will be available to maintain required balances in other Accounts and to purchase or redeem Bonds. No specific amounts are required.

6. General Bond Reserve Account (pp. 36-37, Section 5.08, op.cit.)

This Account will be maintained by the Authority for debt service, if needed, for any Bonds of the Authority for which a deposit has been made in the Account. The amount of $32,000 will be placed in the Account at closing from Bond proceeds. No institution is responsible for replenishment of this Account except for withdrawals on such institution's behalf.

CASH FLOW

All pledged revenues shall be deposited in the Revenue Fund Account to be expended and used, as required, in the following order of priority.

First:	To the Bond and Interest Sinking Fund Account
Second:	To the General Bond Reserve Account
Third:	To the Debt Service Reserve Account
Fourth:	To the Redemption Account

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

INVESTMENT OF BOND ACCOUNTS

By the provisions of the Mortgage Trust Indenture the Trustee shall, upon request by the authorized Institution representative or the Authority, invest moneys on deposit in the: (i) Bond and Interest Sinking Fund Account, (ii) Debt Service Reserve Account, and (iii) Redemption Account. Investments for these Accounts may be in any of these: (i) direct obligations of, or obligations fully guaranteed by, the United States of America, and (iii) such other securities as are eligible for investment of public funds of the State of Minnesota or of municipalities of the State. All investments are limited by arbitrage provisions of the Internal Revenue Code and regulations thereunder.

Yield from funds invested by the Trustee may be used for abatement of Base Rent payments, but those from investment of the General Bond Reserve Account may not. The latter will remain in the General Bond Reserve Account, except that at such time as the bonds for an institution of a particular series have been fully retired and all amounts required to be paid by the institution have been paid, the Authority will rebate to the institution its proportionate share of both its original contribution and earnings of the General Bond Reserve Account in proportion to its contribution less a proportionate charge for unrecovered advances. In the event that the amount in the General Bond Reserve Account at any time exceeds the total sum of all debt service, for which the funds of the Account are pledged, in each subsequent year such excess may also be rebated proportionately.

SECURITY OF THE BONDS

The Bonds will be secured by:

1. The guarantee of the College of St. Scholastica, Inc.

2. A first mortgage on the land, building and equipment of the Project.

3. A first lien on the Base Rents and other income pursuant to the Lease, and in the event of the taking of possession of the Project by the Authority or the Trustee, a first lien on the net income of the Project. A security interest is created in tuition income only if tuition is needed to restore the balances required in the Bond and Interest Sinking Fund Account and Debt Service Reserve Account as of April 15 of each year.

4. A Debt Service Reserve of $128,000.

5. The General Bond Reserve Account of the Authority, which is pledged to the debt service of all bonds issued to date by the Authority and which will be pledged to all future bonds issued by the Authority for which a contribution is made to the General Bond Reserve.

It is not anticipated that there will be any revenues derived by the College from the Project Building for payment of the Base Rent to the Authority by the College. Therefore, payment of principal and interest of the Bonds will need to come from other sources. Although the College does anticipate use of gifts from its current $9.5 million The Scholastica Adventure campaign for payment of the Bonds, at least in major part, no specific pledge to do so will be made due to the inability of the College to precisely forecast the timing and amounts of such receipts. Therefore, the Issue has been structured upon the assumption that Base Rent will be paid from general funds of the College or such other moneys as may be available to the College for payment of Base Rent.

Payment of the Bonds will be guaranteed by the College backed by all of its unrestricted assets, except as there may be a prior lien upon those assets. The Bonds will be on a parity with all other indebtedness of the College with respect to unrestricted assets of the College upon which there is not a prior lien.

By the terms of the Lease between the College and the Authority the Board of Trustees of the College shall be required as of April 15 of each year to make a determination as to whether there is in the Bond and Interest Sinking Fund Account, established for the Bonds, a sum equal to the total of the debt service of the Bonds due May 1 and November 1 of the same year and on May 1 of the next year. The Trustees shall further determine whether as of said April 15 there is on deposit in the Debt Service Reserve Account the sum of $128,000 as required by the Trust Indenture. In the event there is a deficiency then the Trustees shall determine the percentage that such deficiency is of the total of all tuition revenues, exclusive of revenues for room and board, received by the College during the last completed Fiscal Year, and shall direct the College Administration to forthwith deduct from all tuition revenues, exclusive of revenues for room and board, as received, the amount of said percentage and to remit the same to the Trustee on the first working day of each month thereafter until there has been deposited in the Bond and Interest Sinking Fund Account an amount which together with the amount on deposit therein as of April 15 of the year of determination equals the sum of the principal of and interest on the Bonds for the period May 1 of the year of determination through May 1 of the following year, and there has also been deposited in the Debt Reserve Account such amount as may be necessary to restore said Debt Reserve Account to the sum of $128,000 as required by the Trust Indenture.

Also by the terms of the Lease, the College shall agree to charge such tuition fees, other fees, rentals and charges as may be necessary with the general funds or any other moneys legally available to the College to pay the Base Rent from which debt service of the Bonds will be paid.

The College will covenant that until May 1, 1988, or (if earlier) until no Project Bonds are outstanding, the College will not incur any long term debt of the College except (i) indebtedness outstanding at April 22, 1980, (ii) indebtedness for Base Rent and Additional Rent and for payment of the Project Bonds pursuant to the Guaranty Agreement, (iii) indebtedness for acquiring, improving and renovating student residence facilities and food service facilities, provided that the College charges room rents and board charges for student residence facilities and food service facilities sufficient to pay all operating expenses thereof and debt service relating thereto, (iv) indebtedness for other capital improvements not exceeding 60% of the cost of such other capital improvements, and (v) indebtedness incurred in connection with refunding indebtedness referred to in clauses (i), (ii), (iii) and (iv). The College will further covenant that until May 1, 1988 or (if earlier) until no Project Bonds are outstanding, the College shall not enter into any contract for the construction or acquisition of any capital improvement (other than student residence and food service facilities) unless, at the time that the contract shall be executed and delivered by the College, the College shall have or have had on hand and have appropriated unrestricted cash (including any temporary investments of cash) which are at least equal to 40% of the total estimated cost of the capital improvement and which have not been borrowed. "Long term debt" shall mean (A) indebtedness for borrowed money payable (according to the terms thereof or the terms of a loan agreement relating thereto) more than 12 months from the date of creation thereof, (B) indebtedness for borrowed money which may at the option of the debtor (pursuant to the terms thereof or a revolving credit agreement relating thereto) be paid more than 12 months from the date of creation thereof, and (C) lease obligations payable over a period more than 12 months which, under generally accepted accounting principles, are required to be set forth in the balance sheet of the lessee as long term indebtedness of the lessee and with respect to which the leased property is required to be set forth as an asset. "Capital improvement" shall mean a building, a building addition, building remodeling, and equipment, other than ordinary building repair and maintenance and replacement of ordinary and necessary furniture, furnishings, instructional and library materials.

If in fact the entire debt service of the Issue must be paid from current operating funds it is probable it will be necessary to increase tuition charges accordingly.

THE BONDS DO NOT REPRESENT A DEBT OR PLEDGE OF THE FAITH OR CREDIT OF THE STATE OF MINNESOTA.

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GENERAL BOND RESERVE ACCOUNT

Deposits of Principal

The sum of $32,000 will be taken from Bond proceeds at settlement and will be paid to the Authority to be deposited in the General Bond Reserve Account administered by the Authority. This Reserve is security for all currently outstanding bonds issued by the Authority, for these Bonds when issued, and for any future bonds issued by the Authority for which a contribution is made to the General Bond Reserve Account. To date the following contributions have been made to the General Bond Reserve Account:

Original Amount Of Issue	Issue	Contribution To General Bond Reserve	Final Maturity
$2,200,000	First Mortgage Revenue Bonds, Series A (Augsburg College)	$ 31,743.60	2012
$1,935,000	First Mortgage Revenue Bonds, Series B (Bethel College)	34,082.00	1997
$ 595,000	First Mortgage Revenue Bonds, Series C (St. Mary's College)	9,000.00	1998
$ 520,000	First Mortgage Revenue Bonds, Series D (College of St. Scholastica, Inc.)	8,643.40	1997
$1,030,000	First Mortgage Revenue Bonds, Series E (Gustavus Adolphus College)	19,308.00	1993
$1,610,000	First Mortgage Revenue Bonds, Series F (College of Saint Benedict)	21,304.00	1998
$8,450,000	First Mortgage Revenue Bonds, Series G (The Minneapolis Society of Fine Arts)	220,000.00	1984
$ 340,000	First Mortgage Revenue Bonds, Series H (College of St. Scholastica, Inc.)	6,000.00	1999
$1,600,000	First Mortgage Revenue Bonds, Series I (Augsburg College)	30,000.00	1995
$ 370,000	First Mortgage Revenue Bonds, Series J (College of Saint Benedict)	7,000.00	2002
$ 800,000	First Mortgage Revenue Bonds, Series K (College of St. Thomas)	14,000.00	1994
$2,280,000	First Mortgage Revenue Bonds, Series L (St. Mary's Junior College)	47,667.00	1994
$ 690,000	First Mortgage Revenue Bonds, Series M (College of Saint Catherine)	12,000.00	1996
$1,450,000	First Mortgage Revenue Bonds, Series N (College of Saint Benedict)	28,000.00	1994
$4,000,000	First Mortgage Revenue Bonds, Series O (Carleton College)	80,000.00	2000
$2,350,000	First Mortgage Revenue Bonds, Series P (St. Olaf College)	53,425.83	1989
$6,460,000	First Mortgage Revenue Bonds, Refunding Series 1975-I (Bethel College)	138,000.00	1994
$1,695,000	First Mortgage Revenue Bonds, Refunding Series 1976-I (College of Saint Teresa)	40,000.00	1991

Original Amount Of Issue	Issue	Contribution To General Bond Reserve	Final Maturity
$ 800,000	First Mortgage Revenue Bonds, Series Q (Concordia College, Moorhead, Minnesota)	17,000.00	1994
$ 795,000	First Mortgage Revenue Bonds, Series R (College of Saint Catherine)	15,000.00	1997
$2,070,000	First Mortgage Revenue Bonds, Series S (Golden Valley Lutheran College)	39,000.00	1997
$1,300,000	Mortgage Revenue Bonds, Refunding Series 1976-2 (St. Marys College)	22,800.00	2002
$2,385,000	First Mortgage Revenue Bonds, Series T (Carleton College)	30,000.00	2007
$ 685,000	Mortgage Revenue Bonds, Series U (College of St. Thomas)	11,200.00	2000
$2,360,000	First Mortgage Revenue Bonds, Series W (Bethel College)	40,000.00	2001
$1,800,000	First Mortgage Revenue Bonds, Series X (College of St. Thomas)	28,000.00	1999
$5,245,000	First Mortgage Revenue Bonds, Series Y (St. Olaf College)	84,000.00	2010
$6,500,000	First Mortgage Revenue Bonds, Series Z (The Concordia College Corporation)	120,000.00	2006
$6,000,000	First Mortgage Revenue Bonds, Series Two-A (Trustees of the Hamline University of Minnesota)	100,000.00	2008
	Subtotal	$1,307,173.83	
$1,160,000	This Issue	32,000.00	1993
	Total	$1,339,173.83	

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General Bond Reserve Account Sub-Account Balances (As of 3-31-80)

Bond Series		Amount Invested and Earned*
A		$ 54,002.67
B		57,960.47
C		15,304.30
D		14,601.43
E		32,605.92
F		35.975.92
G		358,688.67
H		9,172.37
I		46,189.45
J		10,621.46
K		20,407.73
L		67,580.48
M		17,006.27
N		39,694.71
O		109,035.50
P		73,221.24
Q		22,555.26
R		19,568.90
1975-1		187,113.12
1976-1		53,353.89
1976-2		28,449.02
S		48,931.46
T		35,988.64
U		13,363.41
W		45,809.92
X		31,658.18
Y		89,630.99
Z		126,697.46
Two-A		103,348.73
	Total General Bond Reserve Account	$1,768,537.57

* *As of 3-31-80; the amounts are accruals. Investments were calculated at cost, current market values are approximately 15% less than cost.*

Investments and Cash Balance (As Of May 14, 1980)

	Par Value	Security	Coupon Rate*	Due
1.	$ 60,000.00	U.S. Treasury Notes	8.500%	7/31/80
2.	$ 140,000.00	Federal Farm Credit Bank Bonds	12.250%	9/02/80
3.	$ 25,000.00	U.S. Treasury Bills	15.000%	9/04/80
4.	$ 26,000.00	U.S. Treasury Notes	6.875%	9/30/80
5.	$ 30,000.00	U.S. Treasury Bills	13.600%	10/09/80
6.	$ 125,000.00	Federal Farm Credit Bank Bonds	15.350%	12/01/80
7.	$ 35,000.00	Federal Land Bank Debentures	7.100%	1/20/81
8.	$ 45,000.00	Federal National Mortgage Association, Series SM-1981-1	6.850%	4/10/81
9.	$ 35,000.00	U.S. Treasury Notes, Series S-1981	9.750%	4/30/81
10.	$ 80,000.00	Federal Land Bank Debentures Series B-1931	7.450%	10/20/81
11.	$ 60,000.00	U.S. Treasury Notes Series AB-1981	11.375%	12/31/81
12.	$ 40,000.00	Federal Farm Credit Bank Bonds	8.900%	1/20/82
13.	$ 180,000.00	Federal Farm Credit Bank Bonds	8.450%	4/01/82
14.	$ 70,000.00	Federal National Mortgage Association Debentures	6.800%	9/10/82
15.	$ 110,000.00	Federal National Mortgage Association Debentures	9.000%	10/11/82
16.	$ 27,000.00	Federal Farm Credit Bank Bonds	10.950%	10/20/82
17.	$ 235,000.00	Federal National Mortgage Association Debentures	9.250%	4/11/83
18.	$ 130,000.00	U.S. Treasury Notes Series G-1983	11.625%	5/15/83

19.	$ 150,000.00	Federal Land Bank Debentures	8.650%	7/20/83
20.	$ 60,000.00	Federal National Mortgage Association Debentures	8.500%	9/12/83
21.	$ 32,000.00	U.S. Treasury Notes Series A-1984	7.240%	2/15/84
22.	$ 50,000.00	Federal National Mortgage Association Debentures	7.000%	3/10/92
	$1,745,000.00			
	8,221.80	Cash on Hand		
	$1,753,221.80	Total		

* *Interest rates shown are coupon rates.*

NOTE: The above securities may have been purchased at par, a premium or a discount on the basis of which the effective yield may differ from the coupon rate.

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ESTIMATED GENERAL BOND RESERVE ACCOUNT COMPARED WITH TOTAL DEBT SERVICE REQUIREMENTS OF ALL AUTHORITY BONDS AND REMAINING PRINCIPAL

Calendar Year	Estimated General Bond Reserve Account Balance (1)	Total Debt Service (2)	Coverage By General Bond Reserve (Times)	Principal Remaining (3)	Percentage that Estimated General Bond Reserve Balance is to Remaining Principal
1980	$1,600,165	$ 6,273,764.69	0.255	$ 63,315	2.53%
1981	1,728,175	6,145,048.77	0.281	60,065	2.88%
1982	1,831,865	6,309,251.27	0.290	59,370	3.09%
1983	1,941,777	7,409,988.77	0.262	57,040	3.40%
1984	1,664,298	5,177,080.02	0.322	53,455	3.11%
1985	1,764,155	5,180,651.27	0.341	51,870	3.40%
1986	1,870,004	5,214,371.27	0.359	50,475	3.70%
1987	1,982,206	5,236,597.52	0.378	48,330	4.10%
1988	2,101,137	5,223,470.02	0.402	46,335	4.53%
1989	2,227,205	5,564,881.27	0.400	44,215	5.04%
1990	2,240,047	5,053,852.52	0.443	41,605	5.38%
1991	2,374,450	5,235,533.77	0.454	39,325	6.04%
1992	2,421,056	4,842,132.52	0.500	36,695	6.60%
1993	2,566,317	5,128,631.90	0.500	34,285	7.49%
1994	2,590,119	5,584,999.40	0.464	31,415	8.24%
1995	2,005,633	3,520,325.02	0.570	27,875	7.20%
1996	2,023,983	3,416,704.39	0.592	26,155	7.74%
1997	2,104,628	3,480,686.26	0.605	24,430	8.61%
1998	1,873,561	2,791,206.26	0.671	22,520	8.32%
1999	1,855,914	2,713,781.26	0.684	21,195	8.76%
2000	1,846,329	6,465,516.26(4)	0.286	19,860	9.30%
2001	1,573,400	2,333,618.76	0.674	14,690	10.71%
2002	1,515,014	1,910,312.51	0.793	13,285	11.40%
2003	1,472,279	1,714,815.01	0.859	12,220	12.05%
2004	1,560,616	1,722,786.26	0.906	11,280	13.84%
2005	1,654,252	1,720,477.51	0.962	10,265	16.12%
2006	1,753,508	2,781,143.76	0.631	9,180	19.10%
2007	1,280,036	3,495,511.88(5)	0.366	6,920	18.50%
2008	1,184,535	1,884,156.25	0.629	3,775	31.38%
2009	713,768	562,500.00	1.269	2,085	34.23%
2010	756,593	1,382,758.75	0.547	1,640	46.14%
2011	290,589	172,920.00	1.681	320	90.81%
2012	308,024	174,240.00	1.768	165	186.68%
		$125,823,715.12			

Footnotes

The foregoing schedule is only a general indication of the ratio of reasonably anticipated General Bond Reserve Account balances to anticipated approximate annual debt service requirements, assuming no additional issues of the Authority, and should not be relied upon as a representation of actual future facts.

(1) *The estimated General Reserve Account Balance shown for each year as of January 1 of that year, was computed in the following manner:*

a. *Contributions made to the General Bond Reserve Account made during the previous year were added to the balance shown for the previous year and so were included for the first time in the year immediately following the year of contribution.*

b. *Interest on the sum arrived at per "a" above was computed at the rate of 6% per annum and added to said sum (to date, funds of the General Bond Reserve Account have been invested in federal government or agency securities at an average rate in excess of 6%), except that in the instance of an issue scheduled to be fully paid in the previous year, the sum of the original contribution to the General Bond Reserve Account for that issue, plus interest thereon at the annual compounded rate of 6% per annum from January 1 of the year that the contribution was made to January 1 of the year following the final maturity of the issue, was deducted.*

c. *The $32,000 for this issue has been included and is first reflected as of January 1, 1981.*

(2) *The amount of debt shown for each year is the total of all principal and interest of all issues which will come due January 1, or thereafter, for each calendar year.*

Debt service for this Issue has been included with interest computed at the rate of 7.50%.

No prepayment of any issue was assumed, except that it was assumed that for the Minneapolis Society of Fine Arts issue principal prepayments of $900,000 - 1980; $950,000 - 1981; $1,000,000 - 1982 and $2,100,000 - 1983, will be made, as they must be if funds are available, even though the bonds are not otherwise due until August 1, 1984. The 1976, 1977, 1978 and 1979 payments of $800,000, $900,000, $900,000 and $900,000 respectively, were paid.

(3) *The amount of "principal remaining" shown for each year is the amount outstanding as of January 1, assuming no prepayments and the schedule of payments described in "(2)" above for the bonds of the Minneapolis Society of Fine Arts.*

(4) *This reflects the $4,000,000 Series O issue for Carleton College which is due in its entirety in 2000. The Series O issue is collateralized in the amount of 110% of its outstanding principal.*

(5) *This reflects the $2,385,000 Series T issue for Carleton College which is due in its entirety in 2007. It is collateralized in the same manner as the Series O bonds referred to in "(4)" above.*

AGREEMENT

The Authority and the Institution will enter into an Agreement attached to which as exhibits will be the forms, subject to completion, of the Deed, the Lease, the Indenture, the General Bond Resolution, the Series Resolution, the Guaranty Agreement, referred to below, as well as the Official Statement, a Financing Statement for filing under the Uniform Commercial Code and a Schedule of Closing Documents. By the Agreement, the College represents among other things that the Application as amended, filed by the College and approved by the Authority, is true and complete in all respects. In the Application materials and in the Lease, the College represents, and the Authority has found, that the College is a non-profit institution of higher education eligible for financial assistance under Chapter 868, Minnesota Laws of 1971, as amended, that the Project is eligible for financing under the Act, and that the College is non-sectarian and does not discriminate in its admission policies or programs on account of religion, race, color, creed, age, sex or national origin.

The Agreement provides for: the award of sale of the Project Bonds by the Authority, at its discretion, provided the Institution concurs or does not object before the award is made; the execution of the closing documents; the issuance and sale of additional parity lien bonds, at the discretion of the Authority to complete the Project, and, with the consent of holders of 65% of outstanding bonds, to provide improvements to or alterations, repairs or replacements of the Building facilities, and the operation of the Building by the Institution under the Lease and as agent of the Authority pursuant to the Act. Under the Agreement, the Institution agrees to register or qualify the Bonds under the securities act of any state other than Minnesota, or to cooperate in the registration of qualification, at the request and expense of the underwriters. By the Agreement, the Institution grants to the Authority a security interest in the Leased Equipment, including any existing furnishings and equipment and the gross revenues of the Building, and under certain circumstances tuition if needed to restore balances in the debt service and reserve accounts.

DEED, LEASE, AND MORTGAGE TRUST INDENTURE

At or prior to closing, the Institution will execute, deliver and record a warranty deed conveying the Building and site thereof, except permitted encumbrances, to the Authority. At closing, the Institution shall procure and deliver to the Authority and Bond Counsel a title insurance binder (or unless otherwise required by the Authority, an opinion of the College's counsel as to title) satisfactory to the Authority and Bond Counsel covering the Building, subject only to the Lease.

At or prior to closing, the Authority as lessor and the College as lessee will execute and deliver a net Lease with repurchase options, for a lease term expiring at the last Bond maturity date, providing for Base Rent payments sufficient to pay principal of and interest on the Bonds. The Authority will also execute to the Trustee and record a Mortgage Trust Indenture mortgaging the Project lands and Building and Leased Equipment and also assigning the Authority's interest in the Lease (except for certain additional rent representing the Authority's annual fees) to secure the Bonds. The Lease and Mortgage Trust Indenture, Appendices II and III respectively subject to completion, will be executed in substantially the forms set out in said Appendices.

GENERAL BOND RESOLUTION, SERIES RESOLUTION AND GUARANTY

The General Bond Resolution of the Authority was adopted October 31, 1972 to create the General Bond Reserve Account and to establish the terms of the pledge of that Account to bonds of the Authority. At or prior to closing, the College will guarantee the prompt and full payment of the principal of and interest on the Bonds by execution of a Guaranty Agreement substantially in the form of Appendix IV. The Series Resolution, subject to completion, is to be adopted by the Authority when the sale of the Bonds is awarded in substantially the form set out in Appendix VI.

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 - 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education within the State in the construction and financing of projects. The Authority consists of six members appointed by the Governor with the advice and consent of the Senate and a seventh member who is the Executive Director of the Minnesota Higher Education Coordinating Board and is designated as the Secretary of the Authority.

Dr. Joseph E. LaBelle has been the Executive Director of the Authority since its inception.

Originally the Authority was given power to issue revenue bonds in a total amount not to exceed $45 million. The 1973 Legislature increased this limit to an aggregate of $62 million of principal outstanding at any time. In 1978 the amount was increased to $100 million. Bonds issued by the Authority can be payable only from the rentals, revenues and other income, charges and moneys pledged for their payments. <u>The bonds do not in any manner represent or constitute a debt or pledge of the faith and credit of the State of Minnesota</u>.

By the provisions of Chapter 868, Laws of Minnesota, 1971 "... neither the Authority nor its agent shall be required to pay any taxes or assessments upon or in respect of a project or any property acquired or used by the Authority or its agent under the provisions of this act or upon the income therefrom..."

Educational institutions eligible for assistance by the Authority are non-profit educational institutions authorized to provide a program of education beyond the high school level. Sectarian institutions are not eligible for assistance; however, the fact that 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 and other structures or facilities required or useful for the instruction of students, or conducting of research, in the operation of an institution of higher education.

A project for which bonds are issued by the Authority becomes the property of the Authority for as long as such bonds remain outstanding. Thereafter it may be subject to repurchase options. The project is leased by the Authority to the institution for operation. The revenues which are the primary security for the bonds are provided according to the terms of the lease between the Authority and the institution. Prior to delivery of an issue the Authority enters into a mortgage trust indenture with a trustee who administers the funds which are the security for the payment of the bonds, except, however, the funds of the General Bond Reserve Account are under the exclusive supervision of the Authority.

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.

In Minnesota Higher Education Facilities Authority v. Hawk, filed August 8, 1975, the Minnesota Supreme Court affirmed the constitutionality of the issuance of tax-exempt bonds by the Authority to refinance debts incurred by Minnesota private colleges in the construction of facilities used solely for nonsectarian educational purposes. In the opinion of Bond Counsel, this decision also confirms the legality of bonds issued by the Authority to finance original construction, improvement, and remodeling projects.

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

The Authority is financed solely from fees paid by the institutions. At the time of issuance, and usually from bond proceeds, the Authority is paid a percentage of the principal amount of the issue. Thereafter, commencing as of the date of issue, and payable in advance, the Authority receives an annual fee of a percentage of the original principal amount of each issue for its original term, regardless of whether the issue is prepaid, unless the Authority waives its right to such payment.

Bond issuance costs, including fees of bond counsel, the financial advisor and trustee, are paid by the institution. The fees of bond counsel and the financial advisor usually come from bond proceeds.

As a general policy, the Authority requires that the proceeds of each issue include a sum equal to approximately one year's debt service, after deduction of any interest subsidy grants, for the creation of debt service reserves. Of this sum, 80% is deposited with the trustee in a series reserve account; the remaining 20% is deposited by the Authority in the General Bond Reserve Account pledged to the payment of all bonds issued by the Authority for which such a deposit has been made. (See General Bond Resolution, Appendix V.) For this Issue the initial and annual fees of the Authority will be as follows:

Initial fee payable at the time of settlement (.35% of principal amount)	\$4,060
Annual fee payable in advance and commencing as of time of settlement (.2% of principal amount) (1)	2,320
	\$6,380

(1) *This annual fee shall continue to the final stated maturity of the Bonds regardless of prior redemption, if any, unless waived by the Authority.*

THE COLLEGE

Governance

The College of St. Scholastica, a coeducation, four-year, liberal arts college, was founded by the Benedictine Sisters Benevolent Association (the "BSBA") in 1912. In 1962 the College was incorporated under the laws of the State of Minnesota as a non-profit corporation with a perpetual life. In the event of dissolution of the College of St. Scholastica, Inc. its assets shall be assigned to the BSBA, a Minnesota non-profit corporation, or its successor or successors.

The current By-Laws of the College provide for a Board of Trustees of not less than 24 members (there are currently 32 members) of whom one shall be the President of the BSBA and one shall be the President of the College, neither of whom shall be eligible for election as Chairman of the Board. The President of the Alumni Association shall also be a member of the Board. The remaining members of the Board are elected by a majority vote of a quorum of the Board. At all times at least 40% of the members of the Board shall be members of the BSBA.

The operating officers of the College are the President, Treasurer and Secretary, each of whom hold office for a one year period or until his/her successor is elected and qualified.

Members of the Board of Trustees

Sr. Mary Durocher, O.S.B.
Principal
St. Rose School
Proctor, Minnesota

Sr. Verda Clare Eichner, O.S.B.
Vice President, Nursing Service
St. Mary's Hospital
Duluth, Minnesota

Sr. Joyce Fournier, O.S.B.
Sub-Prioress
St. Scholastica Priory
Duluth, Minnesota

Robert P. Fox
President
American Hoist & Derrick Co.
St. Paul, Minnesota

Sr. Maureen Harney, O.S.B.
St. Gertrude's School
Washington, D.C.

Bardon Higgins
Merill, Lynch, Pierce, Fenner & Smith
Duluth, Minnesota

Thomas E. Holloran*
Chairman of the Board
Inter-Regional Financial Group
Minneapolis, Minnesota

Sr. Mary Horgan, O.S.B.
St. Scholastica Priory
Duluth, Minnesota

Charles E. Johnson, Ph.D.
Secretary of Educational Affairs
Commonwealth of Massachusetts
Winchester, Massachusetts

Mrs. Max H. Lavine
President
Lavine Newspaper Group
Superior, Wisconsin

Joseph H. Leek, M.D.
Physician
Duluth Clinic
Duluth, Minnesota

Sr. Marybelle Leick, O.S.B.
President
St. Mary's Hospital
Duluth, Minnesota

Sr. Elaine Loubert, O.S.B.
St. Scholastica Priory
Duluth, Minnesota

Sr. Mary Paul Ludwig, O.S.B.
Pastoral Minister
Our Lady of Mercy Church
Duluth, Minnesota

Robert S. Mars, Jr.
Vice President
W. P. & R. S. Mars Co.
Duluth, Minnesota

Miss Julia N. Marshall
Civic Leader
Duluth, Minnesota

Sr. Marilyn Micke, O.S.B.
Director of Schools
Diocese of Duluth
Duluth, Minnesota

Miss Kathryn M. Noble
President, Alumni Association
Director of Social Services
St. Mary's Hospital
Duluth, Minnesota

Sr. Armella Oblak, O.S.B.
Administrator, Benedictine Health Center
Duluth, Minnesota

Sr. Sarah Ann O'Malley, O.S.B.
Pastoral Ministry
St. Clement's & St. Jean's
Duluth, Minnesota

George A. Rossman
Publisher
Grand Rapids Herald Review
Grand Rapids, Minnesota

Hanft, Fride, O'Brien & Harries PA, as counsel to the College, will furnish a title opinion for the Project and pass on certain other legal matters relative to the Project.

Benedictine Sisters Benevolent Association ("BSBA")

The BSBA holds title to all, except 34 acres, of the 160 acre College campus. The buildings situated on land owned by the BSBA include: (i) The Chapel and Library, (ii) Tower Hall (classrooms, offices and residential facilities), and (iii) the Home Management House. In March of 1974 the BSBA and the College entered into an Agreement by which the BSBA gave the College exclusive use of the classroom and office areas of Tower Hall and of certain other facilities owned by the BSBA on the Campus for a period of 25-years with an option for the College at any time after December 31, 1984, but prior to expiration of the Agreement, to enter into a renewable 99-year lease for use of said facilities. The Agreement also provides for a 25-year lease to the College of other facilities owned by the BSBA on the Campus to be mutually used by the College and the BSBA for which successive 25-year leases may be entered into at the option of the College in the event it elects to exercise its option with respect to additional lease periods for the facilities of which it shall have exclusive use. The Agreement provides for an annual rental of $1.00 in the event the College exercises its option for a lease beyond the 25-year period, and payment of certain maintenance costs by the College.

The BSBA furnishes approximately 23% of the full-time teaching staff of the College. The College charges the services of BSBA members as an operating expense at rates comparable to salaries for comparable positions but includes the sum thereof ("Contributed Services") as Current Revenue. For 1979-80 the amount of Contributed Services is expected to be approximately $481,282.

Of the 42 full and part-time Sisters on the faculty and staff, 37 will not reach the age of 70 years prior to 1984. The College is endeavoring to increase its endowment funds to offset the potential future loss of Contributed Services.

The BSBA has pledged its full faith and credit to the Minnesota Higher Education Facilities Authority $520,000 First Mortgage Revenue Bonds, Series D (College of St. Scholastica, Inc.) issued March 1, 1973 but did not make a pledge of its credit for the Minnesota Higher Education Facilities Authority $340,000 First Mortgage Revenue Bonds, Series H (College of St. Scholastica, Inc.) and did not make a pledge of its credit for this Issue. The BSBA has no legal commitment for financial support of the College.

Enrollments

Opening Fall Enrollments

	Full Time	Head Count
1975	1,119	1,215
1976	1,136	1,274
1977	1,148	1,306
1978	1,071	1,240
1979	1,062	1,164
	(Projected)	
1980	1,111	-
1981	1,107	-
1982	1,092	-
1983	1,064	-
1984	1,026	-

The College is engaged in a long range planning process in anticipation of declining enrollments. Some of the options being considered are: (i) combining of academic programs, (ii) elimination of low enrollment programs, (iii) decreasing support services, (iv) staff reduction through computerization, (v) centralization of administrative services, (vi) increased use of facilities by outside organizations (vii) development of larger endowment funds, and (viii) greater emphasis on non-traditional enrollment.

The service area of the College is primarily the State of Minnesota and more particularily Northeastern Minnesota. Its second primary area is Northwestern Wisconsin.

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Faculty Data

	1976/77	1977/78	1978/79	1979/80
FTE Student/Faculty Ratio	13.0	13.4	12.3	12.1
FTE Teaching Faculty	88.3	86	89.3	90
Number Part-Time	37	48	53	58
Number Full-Time	76	70	73	71
% on Leave/Not Returning	17.3	12.5	11.8	12.7
No. on Leave/Not Retired	13	10	11	12
Number Returning	62	62	65	64
Number New/Retired Leave	13	10	11	11
Average 9-Month Base Salary	$ 13,347	$ 14,114	$ 15,342	$ 16,297
Newly Hired	$ 12,058	$ 13,552	$ 13,674	$ 14,645
Total Teaching Faculty Salaries	$1,001,000	$1,025,842	$1,159,660	$1,241,995

Fees

Tuition, and room and board charges for past, the current, and the 1980-81 academic years are as follows:

	Tuition	Room	Board
1977/78	$2,460	$504 to $642	$ 825
1978/79	$2,685	$549 to $810*	$ 882
1979/80	$2,925	$588 to $771	$ 945
1980/81	$3,219	$675 to $810*	$1,041

* *Higher rate is for off-campus rented housing.*

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Financial Aid to Students

	1979/80	1978/79	1977/78	1976/77
National Direct Student Loan	$ 257,995	$ 179,840	$ 213,730	$ 136,336
Federal College Work Study	184,155	74,358	71,571	61,753
Minnesota College Work Study	28,513	24,866	24,804	7,493
Supplemental Education Opportunity Grant	133,777	97,630	87,411	72,217
Basic Educational Opportunity Grant	579,345	325,841	286,759	288,178
Minnesota State Grants and Scholarships	485,222	388,825	371,566	325,885
St. Scholastica and Benedictine Scholarships	286,543	357,476	417,675	341,610
Total	$1,955,550	$1,448,836	$1,473,516	$1,233,472
Athletic	-	61,908	61,375	53,320
Total	$1,955,550	$1,510,744	$1,534,891	$1,286,792

Academic Information

The College of St. Scholastica grants a Bachelor of Arts degree in programs of American Indian studies, biology, chemistry, dietetics, english, history, home economics, management, mathematics, media arts, medical record administration, medical technology, nursing, physical therapy, music, psychology, religious studies, sociology, social work, teacher education (pre-school, elementary and secondary) and youth ministry as well as certificate programs in library science and gerontology. Divisional majors of behavioral arts and sciences, humanities, health sciences and natural sciences, and pre-professional programs in engineering, dentistry, medicine, pharmacy, veterinary medicine and law are also given. The College grants a Master of Education degree.

The College is accredited by the American Dietetic Association, American Physical Therapy Association, American Medical Association (for medical record administration and medical technology), Council on Social Work Education, National League of Nursing and the North Central Association of Colleges and Secondary Schools.

The College is approved by the Minnesota Board of Nursing, Minnesota State Board of Vocational Education (for home economics) and State of Minnesota Department of Education (for early childhood, kindergarten, elementary and secondary programs).

Over 60% of the students are in one of the health science programs. All of these programs will be enhanced during 1980-81 with the opening on campus of the Benedictine Health Center, a 120 bed facility primarily for extended care which will also have day care programs for the elderly and children, and out-patient physical therapy programs.

The College of St. Scholastica offers the only baccalaureate nursing program in the area; the nearest like programs are in the Minneapolis/Saint Paul Metropolitan Area. St. Luke's Hospital in Duluth does have a three year diploma program with a total enrollment of approximately 200 students and with an annual cost of $1,360 to $1,950, for tuition, fees, books and uniforms.

The College of St. Scholastica claims a 100% placement of its nursing major graduates seeking employment for the past several years. This trend is expected to continue due to the severe nurse shortage in the Duluth area. Enrollment in the nursing department accounts for approximately 36% of the total full-time enrollment of the College.

100% of the dietetics seniors, who applied, were placed in internships of their choice this year.

The physical therapy program is one of three in the State. Entry into the last two years of the program is extremely competitive, with about 80 transfer applicants seeking 4 - 6 slots available after CSS students have been accepted.

The College of St. Scholastica developed the first baccalaureate program in medical record administration and the faculty continue to be leaders in this field, both at the state and national level. A progression program for accredited record technicians to advance to a degree is starting in the summer of 1980.

A certificate program in gerontology, developed through an Administration on Aging grant, was initiated in the winter of 1979 and is showing impressive strength. The need for this program is well documented by the high proportion of older adults living in the region of the College.

The College has a recent history of strength in obtaining foundation support for faculty and programs. The Natural Science division received a $151,000 National Science Foundation CAUSE grant used primarily for upgrading laboratory equipment and teaching. The Natural Sciences and Health Sciences received a five year grant of $164,000 to support a medical school affiliation. Three faculty development grants totaling $252,238, coupled with an endowment of $414,000 for faculty excellence, have resulted in an outstanding program of faculty development aimed at professional, individual and instructional advancement. The results of a marketing task force on unmet program needs of the region are being linked with a survey of faculty needs in developing a new comprehensive proposal for faculty development. A proposal currently before the National Endowment for Humanities (the "NEH") outlines a unique program for integration of humanities with the health sciences. This proposal is an outgrowth of an earlier grant from NEH.

Student Profile

For the 1979/80 academic year 33% of the entering freshmen ranked in the 90-99 percentile range of their high school classes. The average high school rank percentile was 63.98 for males and 77.58 for females for an average of 74.80.

Males have constituted about 25% of the enrollment during the past five years. Thirteen percent of the students are aged 25 and older.

Approximately 43% of the students live in campus housing. Less than ten percent live in non-college rental housing and about 40% reside at home.

In excess of 75% of the students in the 1979/80 academic year applied for financial aid. Approximately 50% of the students come from familys with incomes of $15,000 to $30,000.

Of the 1979/80 student body, 83% came from Minnesota of which Minnesota residents one-half were from St. Louis County (Duluth is the county seat), and eight percent came from Wisconsin.

Faculty (Excluding Those On Leave)

TOTAL TEACHING FACULTY 124

Full-Time	71	(57%)
Part-Time	53	(43%)

TENURED FULL-TIME TEACHING FACULTY 25 (38%)

ACADEMIC RANK (includes part-time tenured people)

Professors	7	(9%)
Associate Prof	16	(21%)
Assistant Prof	25	(33%)
Instructors	21	(28%)
Assistant Instructors	5	(6%)
Lecturer	1	(1%)
Artist-in-Residence	1	(1%)

LAY-OSB FACULTY

Full-Time		
Lay Faculty	56	(79%)
OSB Faculty	15	(21%)
Part-Time		
Lay Faculty	46	(87%)
OSB Faculty	7	(13%)
Total Faculty		
Lay Faculty	102	(82%)
OSB Faculty	22	(18%)

SEX

Full-Time Faculty		
Men	28	(39%)
Women	43	(61%)
Part-Time Faculty		
Men	20	(38%)
Women	33	(62%)
Total Faculty		
Men	48	(39%)
Women	76	(61%)

DEGREES - FULL-TIME FACULTY

Doctor's Degrees				
Lay Faculty	17	Total	23	(35%)
OSB Faculty	6			
Master's Degrees				
Lay Faculty	30	Total	39	(59%)
OSB Faculty	9			
Bachelor's Degrees				
Lay Faculty	3	Total	3	(4%)
No Degree	1	Total	1	(1%)

Pensions

The College participates in the Teachers Insurance and Annuity Association and College Equities Fund program (TIAACEF) which covers full-time faculty and staff employees. Contributions by the College equal 6% of eligible employees' salaries. Benefits are based upon amounts accumulated for the account of each individual employee at date of retirement. For the fiscal year ending June 30, 1980 the College has budgeted $62,640 for its contributions to the program.

Labor Relations

The College of St. Scholastica negotiates with one union which covers approximately 20 operating engineers and maintenance employees. These employees are represented by the Operating Engineers Local 36, affiliated with the American Federation of Labor. The current contract expires June 30, 1980; negotiations are underway.

Many of the faculty belong to the American Association of University Professors, and the College of St. Scholastica complies with AAUP guidelines with regard to promotion and tenure procedures as prescribed by this national association. AAUP is not utilized in salary and fringe benefit negotiations.

Budgets and salary levels are discussed with the College Council which is comprised of faculty, students and administrative staff members. The administrative staff works very closely with a faculty standing committee called the Faculty Welfare Committee which makes recommendations to the administration with reference to salaries and fringe benefit policies.

The Campus

The 160 acre campus is located on the north edge of the City of Duluth (1970 population 100,578). The campus is close to national forests and parks, ski areas, lakes and rivers making it an attractive student residence.

The President

Dr. Bruce W. Stender, 38 years of age, has been the President of the College since 1974. Before coming to St. Scholastica, Dr. Stender was Vice-President and Dean of the College at Maryville College at St. Louis, Missouri and Adjunct Associate Professor at Washington University.

Dr. Stender received his Ph.D. in higher education administration at Florida State University and did his undergraduate work at Marquette University.

Currently Dr. Stender is Chairman of the Minnesota Private College Fund and serves on multiple private and civic boards.

Existing Campus Facilities

	Facility	Year Built	Estimated Cost	1980 Building Value**	Use
1.	Tower Hall*	1910-1926	$2,054,016	$ 7,789,178	Classroom & Offices
2.	Gymnasium*	1925	47,000	193,916	Drama Theatre
3.	Greenhouse* (Stage Section)	1910	1,000	2,891	Greenhouse
4.	Greenhouse* (Glass Section)	1940	2,000	10,358	Greenhouse
5.	Home Economics Building*	1950	7,000	19,271	Home Economics Department
6.	Warming House*	1947	3,000	15,889	Field Sports
7.	Somers Hall	1964	2,195,795	5,176,815	Dormitory
8.	Science Building	1969	2,882,300	4,852,729	Classrooms
9.	Plastic Greenhouse	1968	Part of Science Bldg.	41,674	Greenhouse
10.	Grove Apartments	1973	425,070	556,092	Student Housing
11.	Chapel & Library*	1938	785,000	3,000,000	Library & Worship
12.	Pine Student Housing	1974	285,000	417,944	Student Housing
13.	Myles Reif Recreation Facility	1979	995,290	995,290	Recreation & Sports
		Total	$9,682,471	$23,072,047	

* *Owned by the BSBA and used by the College under an Agreement with the BSBA.*

** *Replacement value estimated by Marsh & McClennan and College Staff.*

Long-Term Debt

Outstanding Bonds	Original Amount	Outstanding As Of 1-1-80	Interest Rates	Final Maturity
1962 Bonds (1)	$2,000,000	$1,500,000	3.5%	2002
1968 Bonds (2)	1,084,000	828,000	3.0%	1998
1973 Bonds (3)	520,000	445,000	5.30% to 6.00%	1997
1974 Bonds (4)	340,000	315,000	6.00% to 6.40%	1999
	$3,944,000	$3,088,000		

* *Subsidized to 3% by the United States Department of Housing and Urban Development.*

(1) *College of St. Scholastica Dormitory and Dining Hall Bonds of 1962, purchased by the United States Department of Housing and Urban Development. The net operating revenues of the Somers Hall complex and the full faith and credit of the College are pledged. As of the end of fiscal year 1979 $34,085 was on deposit in the Repair and Replacement Reserve Account. Net operating revenues before debt service for fiscal year 1979 were $49,239 which were $60,011 short of the $109,250 required for the year for debt service and the deposit to the Equipment Renewal and Replacement Reserve; the deficiency was provided from other funds.*

(2) *College of St. Scholastica Science Building Bonds of 1968, purchased by the United States Department of Housing and Urban Development. The bonds are secured by a first mortgage on the Science Building, and, in addition to a pledge of the full faith and credit of the College, are guaranteed by the BSBA. Debt service is being paid from Current Funds. As of June 30, 1979 there was $62,032 deposited in the Debt Service Reserve Fund for the issue which Reserve Fund is funded by Endowment Fund assets.*

(3) *Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series D (College of St. Scholastica, Inc.). The bonds are secured by a first mortgage on the Grove Apartment complex owned by HEFA and leased to the College. The net operating revenues of the Grove Apartment complex and the full faith and credit of the College are pledged for payment of the bonds, and in addition prompt payment of the bonds is guaranteed by the BSBA. Interest is subsidized to 3% by the United States Department of Housing and Urban Development. For the fiscal year 1979 net operating revenues were sufficient to meet the lease payments. As of the end of the fiscal year 1979, $33,215 was on deposit in the Debt Service Reserve Account, $28,579 in the Repair and Replacement Reserve Account and $12,030 was allocated to the College in the General Bond Reserve Account.*

(4) *Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series H (College of St. Scholastica, Inc.). The bonds are secured by a first mortgage on the Pines Apartment complex owned by HEFA and leased to the College. The net operating revenues of the Pines Apartment complex and the full faith and credit of the College are pledged for payment of the bonds. Net operating revenues for the fiscal year 1979 were not sufficient to pay the lease payments by $9,742. As of the end of the fiscal year 1979, $24,000 was on deposit in the Debt Service Reserve Account and $8,353 was allocated to the College in the General Bond Reserve Account.*

Short-Term Debt

As of May 19, 1980 the College owed $525,889 to the Northern City National Bank of Duluth for interim financing of the Project. The interest rate for the loan is one-half percent over prime, but not to exceed 11%. This loan will be repaid from proceeds of the Issue.

Long-Term Debt Amortization Schedule
(Includes this Issue at an assumed rate of 7.50%)

Due In Calendar Year	1962 Bonds	1968 Bonds	1973* Bonds	1974 Bonds	1980** Bonds	Total
1980	$ 97,500	$ 57,840	$ 40,320.00	$ 29,220.00	$ 29,000	$ 253,880.00
1981	95,925	57,850	39,510.00	28,620.00	87,000	308,905.00
1982	94,350	57,830	38,700.00	28,020.00	135,125	354,025.00
1983	97,775	57,780	37,882.50	27,420.00	131,375	352,232.50
1984	96,025	57,700	41,920.00	26,820.00	127,625	350,090.00
1985	94,275	57,590	40,810.00	26,220.00	133,500	352,395.00
1986	97,525	57,450	39,690.00	25,620.00	129,000	349,285.00
1987	95,600	58,280	38,560.00	25,020.00	134,125	351,585.00
1988	93,675	58,050	42,277.50	29,270.00	128,875	352,147.50
1989	96,750	57,790	40,852.50	28,370.00	133,250	357,012.50
1990	94,650	57,500	39,415.00	27,462.50	136,875	355,902.50
1991	97,550	58,180	37,965.00	26,547.50	139,750	359,992.50
1992	95,275	57,800	41,355.00	25,625.00	141,875	361,930.00
1993	98,000	57,390	39,585.00	29,540.00	383,875	608,390.00
1994	95,550	57,950	42,650.00	28,290.00		224,440.00
1995	98,100	58,450	40,550.00	27,030.00		224,130.00
1996	95,475	57,890	38,450.00	30,600.00		222,415.00
1997	97,850	57,300	41,200.00	29,000.00		225,350.00
1998	95,050	57,680		27,400.00		180,130.00
1999	97,250			25,800.00		123,050.00
2000	94,275					94,275.00
2001	96,300					96,300.00
2002	93,150					93,150.00
Total	$2,207,875	$1,098,300	$721,692.50	$551,895.00	$1,971,250	$6,551,012.50

* *The debt service schedule for this issue was calculated at the coupon rates of the issue, however the College receives an interest subsidy from the United States Department of Housing and Urban Development which results in a net effective rate of 3%.*

** *This Issue.*

The St. Scholastica Adventure

In 1977 the College launched its first large raising campaign called "The Scholastica Adventure." The goal is $9.5 million over five years. As of March 10, 1980 $6,374,525 had been received in pledges of which $4,878,582 had been paid. The budget for use of the proceeds of the campaign is as follows:

New Program Resources	$ 589,500
New Building, Renovations & Equipment	4,705,500*
Endowment	2,250,000
Fund for Existing Buildings & Maintenance	455,000
Annual Fund Raising Commitment	1,500,000
Total	$9,500,000

* *Includes the Project.*

Future Capital Needs

The College has a pressing need for a new Library expected to cost approximately $3.5 million. However, the Board of Trustees has determined the Library project will not be undertaken until at least 85-90% of the cost is on hand in either cash or pledges. It is presently anticipated construction will commence within one year. The College anticipates it may bond for the cost of all or part of the construction in the same manner as it now is doing for the Project to be funded by this Issue.

The College also anticipates being able to purchase housing facilities for students at an adjoining U.S. Air Force Base at a cost of up to $500,000 for which the College expects to need to borrow funds.

The College is restricted as to the incurring of long-term debt as is explained at page 12, herein.

5-Year History Of Current Fund As Of The End Of The Fiscal Year

1980*	$ 29,759
1979	(119,389)
1978	(122,186)
1977	(186,401)
1976	(376,002)

* *Projected.*

The Current Fund Balance at the end of Fiscal Year 1973 was ($487,758.72).

5-Year History Of Unrestricted Endowment Fund As Of The End Of The Fiscal Year

1980*	$649,616
1979	636,879
1978	638,656
1977	638,656
1976	638,656

* *Projected (does not include The Scholastica Adventure Gifts).*

5-Year History Of Annual Unrestricted Gifts, Bequests And Donations
(Does not include gifts from The Scholastica Adventure)

1980*	$ 340,000
1979	354,067
1978	158,666
1977	124,486
1976	120,979

* *Projected.*

General Fund Income Percentage Budgeted For 1979-80

Tuition and Fees	70%
Contributed Services	11%
Governmental Grants and Contracts	2%
Other Gifts and Grants	14%
Other Income	3%
	100%

BONDHOLDER'S RISKS

No representations, guarantees or assurances are made that the receipts from The Scholastica Adventure campaign will be sufficient or will in fact be used to meet the payment of principal and/or interest on the Bonds or that assets pledged for payment of the Bonds will be sufficient to meet the payments when due.

Pursuant to Minnesota Statutes, all private non-profit, post-secondary schools, as well as certain other schools designated by Section 136A.62, Subdivision 3, Minnesota Statutes, as amended, operating in the State must annually register with the Minnesota Higher Education Coordinating Board. No school subject to such registration shall grant a degree without the approval of the MHECB. The College is currently duly registered.

Bondholders should be aware of predicted declining college enrollments after 1980 for institutions of higher education generally and of the competition of publicly supported higher education facilities with private schools whose tuition charges are generally higher.

In addition, Bondholders should consider that current levels of federal and State assistance to private post-secondary educational institutions may be adjusted.

LITIGATION

There is no threatened or pending litigation, of which the College is aware, affecting the validity of these Bonds or the College's ability to meet its financial obligations.

DEFAULT

The College has never defaulted in the payment of any of its obligations for borrowed money.

LEGAL OPINION

The issuance and sale of the Project Bonds shall be subject to the delivery of the approving legal opinion of Faegre & Benson, as Bond Counsel to the Authority, the Institution, the Trustee and the Purchaser of the Project Bonds, to the effects that: (i) the Authority has authority under the Act to issue the Project Bonds, to acquire and lease to the Institution the Project and site thereof, and to execute and deliver the Indenture to secure the Project Bonds, (ii) the Project Bonds, the Deed, the Lease, the Indenture, and the Guaranty Agreement have been duly authorized by all necessary proceedings and duly executed and delivered, (iii) the Project Bonds, the Lease, the Indenture, and the Guaranty Agreement are valid and binding instruments in accordance with their terms, subject to bankruptcy and similar laws affecting enforcement of creditors' rights generally, (iv) the Indenture provides a valid and direct mortgage lien on the Project and site thereof subject only to the Lease and encumbrances permitted by the Indenture, (v) the Project Bonds are further secured by the General Bond Reserve Account on a parity with bonds of other series as provided in the General Bond Resolution, (vi) the interest on the Project Bonds is exempt from federal and Minnesota State income taxes (other than Minnesota corporate franchise taxes measured by income) under present laws and rulings, and (vii) the Project Bonds are exempt from registration under the Securities Act of 1933 and Minnesota Statutes, Chapter 80A, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939.

TAX EXEMPT STATUS OF THE BONDS

It is intended that the interest paid on the Bonds will not be included in the gross income of the recipients of said interest by reason of Section 103(a) of the Internal Revenue Code of 1954, as presently in effect. However the Lease will provide that in the event the interest payable on the Bonds becomes subject to federal income taxes under the Internal Revenue Code and regulations as presently in effect, the Bonds shall be redeemable and shall be redeemed and the Institution shall purchase the Project at the earliest practicable interest payment date.

CERTIFICATION

As of the date of the settlement of these Bonds, the Purchaser will be furnished with the following certificate:

Certificate

As of the date of the Official Statement, May 23, 1980, prepared for the issuance of the Authority's $1,160,000 First Mortgage Revenue Bonds, Series Two-B (Scholastica College, Inc.), it did not and does not as of the date of this Certificate contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Witness our hands this ________ day of ________________________________, 1980.

FOR THE AUTHORITY

____
Joseph E. LaBelle
Executive Director

FOR THE COLLEGE

____
Harold D. Hultberg
Vice President of Finance

OFFICIAL BID FORM

TO: Dr. Joseph E. LaBelle, Executive Director
Minnesota Higher Education Facilities Authority
Suite 278, Metro Square Building
Saint Paul, Minnesota

DATE: June 10, 1980

RE: $1,160,000 First Mortgage Revenue Bonds, Series Two-B (College of St. Scholastica, Inc.)

For the Bonds of this Issue which shall mature and bear interest at the annual rate, as follows, we offer a price of $________________ and accrued interest to the date of delivery.

________% 1982	________% 1986	________% 1990
________% 1983	________% 1987	________% 1991
________% 1984	________% 1988	________% 1992
________% 1985	________% 1989	________% 1993

In making this offer we accept all of the terms and conditions of the Official Notice of Offering published in the Official Statement for the Issue dated May 23, 1980. In the event of failure to deliver these Bonds in accordance with the Official Notice of Offering as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Account Members

____
Account Manager

BY: ____________________________

- -

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

NET INTEREST COST $____________________

NET EFFECTIVE RATE ___________%

Received good faith check
for return to bidder as of
the date of this offer.
SPRINGSTED Incorporated by _____

. . . .

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

____
Secretary

____
Chairman

OFFICIAL BID FORM

TO: Dr. Joseph E. LaBelle, Executive Director
Minnesota Higher Education Facilities Authority
Suite 278, Metro Square Building
Saint Paul, Minnesota

DATE: June 10, 1980

RE: $1,160,000 First Mortgage Revenue Bonds, Series Two-B (College of St. Scholastica, Inc.)

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Account Members

____
Account Manager

BY: _______________________________

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

NET INTEREST COST $_______________

NET EFFECTIVE RATE _________%

Received good faith check for return to bidder as of the date of this offer.
SPRINGSTED Incorporated by _____

...

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

_______________________ Secretary

_______________________ Chairman

APPENDIX I

COLLEGE OF ST. SCHOLASTICA, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 1979 AND 1978

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Main Hurdman & Cranstoun

COLLEGE OF ST. SCHOLASTICA, INC.

TABLE OF CONTENTS

Main Hurdman & Cranstoun
certified public accountants

700 Missabe Building
Duluth, MN 55802
Duluth (218) 727-5025
Cloquet (218) 879-7743

Board of Directors
College of St. Scholastica, Inc.
Duluth, Minnesota

We have examined the balance sheets of the College of St. Scholastica, Inc. as of June 30, 1979 and 1978, and the related statements of changes in fund balances, and statement of current fund revenues, expenditures and other changes for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the College of St. Scholastica, Inc. at June 30, 1979 and 1978, and the changes in fund balances and the current fund revenues, expenditures and other changes for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. In making our examinations, no knowledge was obtained of default by the College in the fulfillment of any terms, covenants or provisions of bond issues or long-term leases.

Main Hurdman & Cranstoun

August 7, 1979

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEET

JUNE 30, 1979 AND 1978

ASSETS

	1979	1978
Current funds		
Cash	$ 199,153	$ 124,102
Due from custodial agencies	28,559	
Accounts and notes receivable		
Students and staff (less allowance for doubtful accounts ($41,968 and $38,241)	90,185	84,135
Government programs	102,143	58,863
Other	116,756	76,214
Inventory, bookstore (at lower of cost or market)	48,211	49,422
Corporate stock (market value $724)		1,208
Due from other funds, net	279,617	300,205
Prepaid expense and other assets	73,244	54,862
	$ 937,868	$ 749,011
Endowment funds		
College scholarship funds		
Cash	$ 180	$ 280
Savings account and certificates	50,880	47,219
Corporate bonds and commercial paper (market value $95,308 and $109,399)	99,592	112,531
Corporate stock (market value $59,111 and $46,372)	58,853	45,973
Federal government obligations (market value $33,358 and $21,320)	33,753	21,544
	$ 243,258	$ 227,547
Unrestricted endowment funds		
Cash	$ 548	$ 785
Savings certificates	29,226	28,590
Corporate bonds and commercial paper (market value $244,836 and $277,722)	255,840	285,865
Corporate stock (market value $137,939 and $137,939)	174,423	147,950
Federal government obligations (market value $144,707 and $111,715)	148,655	115,654
Due from Current Fund	27,176	58,801
Other assets	1,011	1,011
	$ 636,879	$ 638,656
Restricted endowment funds		
Cash	$ 26,102	$ 72
Due from custodial agencies	49,958	
Corporate bonds (market $133,125 and $162,448)	140,371	163,715
Corporate stock (market $107,261 and $26,723)	94,070	24,581
Federal government obligations (market value $74,508 and $25,063)	75,176	25,221
	$ 385,677	$ 213,589

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND FUND BALANCES

	1979	1978
Current funds		
Notes payable (Note 3)	$ 105,000	$
Accounts payable		
Trade	38,707	83,175
B.S.B.A.	514,806	540,469
Restricted funds	55,661	33,639
Accrued interest payable	19,925	20,508
Deferred revenue	170,863	124,834
Other liabilities	152,295	68,572
Fund deficit	(119,389)	(122,186)
	$ 937,868	$ 749,011
Endowment funds		
College scholarship funds		
Funds held for the Sr. Loretta Fund	$ 12,151	$ 10,323
Due to other funds	26,781	12,898
Fund balance	204,326	204,326
	$ 243,258	$ 227,547
Unrestricted endowment funds		
Fund balance	$ 636,879	$ 638,656
	$ 636,879	$ 638,656
Restricted endowment funds		
Fund balance	$ 385,677	$ 231,589
	$ 385,677	$ 213,589

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEET

JUNE 30, 1979 AND 1978

ASSETS

	1979	1978
Plant funds		
Renewal and replacement		
Cash and savings certificates	$ 10,235	$ 2,362
Corporate stock (market value $300)		300
Federal government obligations (market value $52,339 and $70,380)	52,429	71,731
	$ 62,664	$ 74,393
Retirement of indebtedness		
Cash and savings certificates	$ 79,513	$ 29,998
Federal government obligations (market value $129,942 and $218,003)	133,856	224,959
	$ 213,369	$ 254,957
Investment in plant		
Cash	$ 1,002	$
Land and land improvements	134,769	121,344
Buildings	8,683,766	7,813,027
Equipment, furniture and fixtures	1,227,121	1,155,053
Automotive equipment	45,851	44,599
Utility system	114,082	
	10,206,591	9,134,023
Less: Accumulated depreciation, autos	(21,616)	(16,770)
	10,184,975	9,117,253
	$10,184,975	$ 9,117,253
Capital Campaign (Scholastica Adventure)		
Cash	$ 9,709	$ 36,430
Savings account	118,626	128,892
Commercial paper (market value $46,064)		45,700
Corporate stock (market value $13,176)		7,758
Land, at appraisal value	340,000	340,000
Pledges receivable	720,983	
	$ 1,189,318	$ 558,780

LIABILITIES AND FUND BALANCE

	1979	1978
Plant funds		
Renewal and replacement		
Due to other funds	$	$ 5,833
Fund balance, restricted (Notes 4 and 5)	62,664	68,560
	$ 62,664	$ 74,393
Retirement of indebtedness		
Fund balance, restricted (Notes 4 and 5)	$ 213,369	$ 254,957
	$ 213,369	$ 254,957
Investment in plant		
Account payable, B.S.B.A. (1962 Revenue Fund)	$ 356,499	$ 350,271
Notes payable (Note 3)	688,000	
Bonds payable		
Dormitory and Dining Hall Bonds of 1962	1,540,000	1,580,000
Science Building Bonds of 1968	860,000	891,000
Lease capitalized - Grove Apartments	436,278	450,984
- Pines Apartments	307,358	312,226
Due to other funds	276,515	281,499
Fund balance, including $2,054,016 property leased from B.S.B.A. (Note 2)	5,720,325	5,251,273
	$10,184,975	$ 9,117,253
Capital Campaign (Scholastica Adventure)		
Due to other funds	$ 3,497	$ 58,776
Reserve for pledges receivable	720,983	
Fund balance		
Restricted	219,628	114,551
Unrestricted	245,210	385,453
	$ 1,189,318	$ 558,780

The accompanying notes are an integral part of these financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEET

JUNE 30, 1979 AND 1978

ASSETS

	1979	1978
Loan funds		
National Direct Student Loan Fund		
Cash	$ 61,470	$ 33,451
Loan funds advanced to students	1,996,124	1,816,284
Principal collected	(762,111)	(663,067)
Loan cancellations - employment	(197,368)	(188,266)
- death	(1,943)	(1,677)
- disability	(730)	
- bankruptcy	(10,976)	(7,549)
	1,022,996	955,725
	$1,084,466	$ 989,176
Nursing Student Scholarship and Loan Fund		
Cash	$ 50,387	$ 50,947
Loan funds advanced to students	593,094	547,024
Principal collected	(152,055)	(131,738)
Loan cancellations	(97,254)	(83,310)
	343,785	331,976
	$ 394,172	$ 382,923
Student work study program		
Cash	$ 475	$ 1,474
Federal funds receivable	774	
	$ 1,249	$ 1,474
Nursing Curriculum Grant		
Federal funds receivable	$ 1,765	$ 1,765

LIABILITIES AND FUND BALANCES

	1979	1978
Loan funds		
National Direct Student Loan Fund		
Accounts payable	$ 14,247	$ 11,338
Undistributed income		
Interest income on loans	119,730	101,533
Cost of principal and interest canceled		
Employment	(225,897)	(215,484)
Death	(1,958)	(1,692)
Disability	(758)	
Bankruptcy	(11,879)	(7,700)
Other collection costs	(54,052)	(46,858)
Fund balance		
U. S. Government	1,122,460	1,033,234
College	122,573	114,805
	1,070,219	977,838
	$1,084,466	$ 989,176
Nursing Student Scholarship and Loan Fund		
Undistributed income		
Interest income on loans	$ 37,030	$ 31,704
Cost of principal and interest canceled	(112,755)	(97,031)
Fund balance		
U. S. Government	600,664	572,236
College	45,027	45,027
Nursing scholarships granted	(175,794)	(169,013)
Net fund balance	394,172	382,923
	$ 394,172	$ 382,923
Student work study program		
Accounts payable	$ 1,249	$ 1,474
	$ 1,249	$ 1,474
Nursing Curriculum Grant		
Unexpended grant authorization	$ 1,765	$ 1,765

The accompanying notes are an integral part of these financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEET

JUNE 30, 1979 AND 1978

ASSETS

	1979	1978
Basic Educational Opportunity Grant		
Federal funds receivable	$ 19,567	$ 2,704
	$ 19,567	$ 2,704
Supplemental Educational Opportunity Grant		
Federal funds receivable	$ 4,029	$ 4,797
	$ 4,029	$ 4,797
Allied Health Grants		
Federal funds receivable	$ 10,817	$ 25,503
	$ 10,817	$ 25,503
Nursing Financial Distress Grant		
Federal funds receivable		$ 17,013
Talent Search		
Federal funds receivable		$ 254
Nursing Capitation Grant		
Federal funds receivable	$ 24,386	$ 35,263
	$ 24,386	$ 35,263
Nursing RN Track		
Federal funds receivable	$ 8,031	
	$ 8,031	
College Library Resource Program		
Federal funds receivable	$ 3,527	$ 2,388
	$ 3,527	$ 2,388
National Institute of Mental Health		
Federal funds receivable	$ 9,316	$ 10,578
	$ 9,316	$ 10,578
National Science Foundation "CAUSE"		
Federal funds receivable	$ 25,344	$ 33,408

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND FUND BALANCES

	1979	1978
Basic Educational Opportunity Grant		
Accounts payable	$ 2,268	$
Unexpended grant authorization	17,299	2,704
	$ 19,567	$ 2,704
Supplemental Educational Opportunity Grant		
Accounts payable	$ 3,553	$
Unexpended grant authorization	476	4,797
	$ 4,029	$ 4,797
Allied Health Grants		
Accounts payable	$ 891	$ 18,756
Unexpended grant authorization	9,926	6,747
	$ 10,817	$ 25,503
Nursing Financial Distress Grant		
Unexpended grant authorization		$ 17,013
Talent Search		
Unexpended grant authorization		$ 254
Nursing Capitation Grant		
Accounts payable	$ 1,201	$ 7,883
Unexpended grant authorization	23,185	27,380
	$ 24,386	$ 35,263
Nursing RN Track		
Accounts payable	$ 6,734	
Unexpended grant authorization	1,297	
	$ 8,031	
College Library Resource Program		
Accounts payable	$	$ 377
Unexpended grant authorization	3,527	2,011
	$ 3,527	$ 2,388
National Institute of Mental Health		
Accounts payable - College of St. Scholastica	$ 1,245	$ 2,843
Unexpended grant authorization	8,071	7,735
	$ 9,316	$ 10,578
National Science Foundation "CAUSE"		
Unexpended grant authorization	$ 25,344	$ 33,408

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENT OF CHANGES IN FUND BALANCES

YEARS ENDED JUNE 30, 1979 AND 1978

	Current Fund	College Scholarship Fund	Unrestricted Endowment Fund	Restricted Endowment Fund	Plant Funds: Renewal and Replacement	Plant Funds: Retirement of Indebtedness	Plant Funds: Investment in Plant	Capital Campaign: Restricted	Capital Campaign: Unrestricted
Year 1979									
Revenue and other additions									
Current Fund revenues	$5,604,318	$	$	$	$	$	$	$	$
Investment income		14,733	37,779	19,157	4,258	15,890			7,667
Contributed assets				168,572				354,884	31,996
Current funds expended for equipment							57,078		
Retirement of indebtedness, included in current expenditures							90,574		
Total revenues and other additions	5,604,318	14,733	37,779	187,729	4,258	15,890	147,652	354,884	39,663
Expenditures and other deductions									
Current Fund expenditures	5,503,665								
Retirement of indebtedness						90,575			
Interest on indebtedness						120,652			
Depreciation of autos							9,231		
Major repairs					22,469				
Capital Campaign, expenditures								1,093	96,548
Other expenses			1,777	1,386					
Total expenditures and other deductions	5,503,665		1,777	1,386	22,469	211,227	9,231	1,093	96,548
Transfers among funds, additions (deductions)									
Investment income transferred to Current Fund	86,915	(14,733)	(37,779)	(14,255)	(4,258)	(15,890)			
Mandatory transfers from Current Fund expenditures									
Principal and interest	(211,227)					211,227			
Repairs and replacement reserves	(15,000)				15,000				
Transfers within specific fund					1,573	(132)	(1,441)	(315)	315
Transfers from Capital Campaign							332,072	(305,712)	(26,360)
Transfer from Plant Fund reserve	41,456					(41,456)			
	(97,856)	(14,733)	(37,779)	(14,255)	12,315	153,749	330,631	(306,027)	(26,045)
Net increase (decrease) for the year	2,797		(1,777)	172,088	(5,896)	(41,588)	469,052	47,764	(82,930)
Fund balance at July 1, 1978	(122,186)	204,326	638,656	213,589	68,560	254,957	5,251,273	171,864	328,140
Fund balance at June 30, 1979	$ (119,389)	$204,326	$636,879	$385,677	$62,664	$213,369	$5,720,325	$219,628	$245,210
Year 1978									
Revenue and other additions	$5,217,910	$ 14,733	$ 34,646	$	$ 3,373	$ 22,386	$ 189,288	$260,863	$ 42,145
Expenditures and other deductions	(4,998,317)				(13,291)	(211,178)	(7,919)	(3,430)	(54,622)
Transfers among funds	(155,378)	(14,733)	(34,646)	213,589	13,376	194,695	(7,653)	(213,589)	
Net increase (decrease) for the year	64,215			213,589	3,458	5,903	173,716	43,844	(12,477)
Fund balance at July 1, 1977	(186,401)	204,326	638,656		65,102	249,054	5,077,557	128,020	340,617
Fund balance at June 30, 1978	$ (122,186)	$204,326	$638,656	$213,589	$68,560	$254,957	$5,251,273	$171,864	$328,140

The accompanying notes are an integral part of these financial statements.

COLLEGE OF ST. SCHOLASTIC, INC.

STATEMENT OF CHANGES IN FUND BALANCES
(Continued)

YEARS ENDED JUNE 30, 1979 AND 1978

Year 1979	National Direct Student Loan Fund	Nursing Student Scholarship and Loan Fund
Revenue and other additions		
Federal contributions	$ 89,226	$ 28,428
College contributions	7,768	
Interest added	18,197	5,326
Total revenues and other additions	115,191	33,754
Expenditures and other deductions		
Loan principal canceled	13,792	13,943
Loan interest canceled	1,824	1,781
Nursing scholarships granted		6,781
Net operating expenditures and collection costs	7,194	
Total expenditures and other deductions	22,810	22,505
Net increase for the year	92,381	11,249
Fund balance at July 1, 1978	977,838	382,923
Fund balance at June 30, 1979	$1,070,219	$ 394,172

Year 1978	National Direct Student Loan Fund	Nursing Student Scholarship and Loan Fund
Revenue and other additions	$ 110,672	$ 28,737
Expenditures and other deductions	19,953	21,643
Net increase for the year	90,719	7,094
Fund balance at July 1, 1977	887,119	375,829
Fund balance at June 30, 1978	$ 977,838	$ 382,923

The accompanying notes are an integral part of these financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENT OF CHANGES IN FUND BALANCES
(Continued)

YEARS ENDED JUNE 30, 1979 AND 1978

Year 1979	Student Work Study Program	Nursing Curriculum Grant	Basic Education Opportunity Grant Fund	Supplemental Educational Opportunity Grant Fund	Allied Health Grants	Nursing Financial Distress Grant	Talent Search	Nursing Capitation Grant	Nursing RN Track	College Library Resources Program	National Institute of Mental Health	National Science Foundation "CAUSE"
Revenue and other additions												
Federal contributions	$ 61,385	$	$	$ 97,630	$ 46,907	$	$	$ 41,579	$104,876	$ 3,906	$ 41,106	$ 12,238
College contributions	15,953											
Total revenue and other additions	77,338			97,630	46,907			41,579	104,876	3,906	41,106	12,238
Expenditures and other deductions												
Net expenditures	74,364			100,797	34,381			45,774	98,328	2,390	35,134	20,302
Administrative and collection costs	2,974			1,154	2,751				5,251		2,715	
Reduction of previous award					6,596	17,013	254				2,921	
Total expenditures and other deductions	77,338			101,951	43,728	17,013	254	45,774	103,579	2,390	40,770	20,302
Net increase (decrease) for the year	-0-		14,595	(4,321)	3,179	(17,013)	(254)	(4,195)	1,297	1,516	336	(8,064)
Unexpended grant authorizations at beginning of year	-0-	1,765	2,704	4,797	6,747	17,013	254	27,380	-0-	2,011	7,735	33,408
Unexpended grant authorizations at end of year	-0-	$ 1,765	$ 17,299	$ 476	$ 9,926	$ -0-	$ -0-	$ 23,185	$ 1,297	$ 3,527	$ 8,071	$ 25,344
Year 1978												
Revenue and other additions	$ 68,206	$	$286,759	$ 83,969	$ 53,153	$	$	$ 48,967		$ 3,855	$ 38,172	$
Expenditures and other deductions	68,207		320,552	79,538	53,001			59,895		1,844	44,439	50,999
Net increase (decrease) for the year	(1)		(33,793)	4,431	152			(10,928)		2,011	(6,267)	(50,999)
Unexpended grant authorizations at July 1, 1977	1	1,765	36,497	366	6,595	17,013	254	38,308		-0-	14,002	84,407
Unexpended grant authorizations at June 30, 1978	$ -0-	$ 1,765	$ 2,704	$ 4,797	$ 6,747	$ 17,013	$ 254	$ 27,380		$ 2,011	$ 7,735	$ 33,407

The accompanying notes are an integral part of these financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES

YEARS ENDED JUNE 30, 1979 AND 1978

	1979	1978
Revenues		
Educational and general		
Student tuition and fees	$3,065,548	$3,061,129
Current Fund investment income, including income transferred from Plant Fund reserve accounts	37,146	28,857
Endowment investment income	37,780	34,646
Federal government programs	210,610	163,870
College work study program	59,486	54,374
Grants	385,442	344,948
Contributed services	444,101	449,240
Less maintenance and education expense	(94,266)	(95,925)
Other sources	677,116	451,208
Total educational and general	4,822,963	4,492,347
Income from scholarship funds	14,733	10,395
Auxiliary enterprises	853,537	785,968
Total revenues	5,691,233	5,288,710
Expenditures and mandatory transfers		
Educational and general		
General administration	267,845	259,357
Student services	410,156	408,893
Public service and information	208,532	226,031
General institutional	332,140	229,694
Instruction	1,833,521	1,706,693
Library	164,923	164,802
Plant operations (includes $26,032 and $26,955 mandatory transfer for interest on long-term debt)	477,558	434,888
Federal government programs	265,217	213,766
Montessori	170,458	83,604
	4,130,350	3,727,728
Student aid	512,219	588,481
Auxiliary enterprises (includes $94,620 and $94,648 mandatory transfer for interest on long-term debt)	981,748	803,711
	5,624,317	5,119,920
Net Current Fund increase before mandatory transfers for principal payments, additions to equipment replacement and renewal reserves or other additions	66,916	168,790
Mandatory transfers for principal payments on long-term debt	(90,575)	(89,575)
Mandatory transfers for additions to equipment replacement and renewal reserves	(15,000)	(15,000)
Transfer from Plant Fund reserve	41,456	
Net increase in fund balance	$ 2,797	$ 64,215

The accompanying notes are an integral part of these financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1979 AND 1978

NOTE 1 - ACCOUNTING POLICIES

The financial statements of the College of St. Scholastica, Inc. have been prepared on the accrual basis except for depreciation accounting explained below. The Statement of Current Fund Revenues, Expenditures and Other Changes is a statement of financial activities of the Current Fund related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Institution, the accounts of the Institution are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified.

Investments are recorded at cost when purchased by the College. Investments received as gifts or bequests are recorded at fair market value when received.

Debt service requirements and additions to renewal and replacement funds for Dormitory Bonds and Science Building Bonds are charged to Current Fund expenditures as mandatory transfers.

Land, buildings and equipment are recorded at cost (see note below.) Depreciation has not been charged to current operations. However, investment in Plant Fund has been charged $9,231 ($7,919 for 1978) reflecting straight-line depreciation on automotive equipment owned by the College.

Current purchases of library books totaling $54,770 ($60,209 for 1978) are charged to Current Fund expenditures as incurred.

NOTE 2 - INVESTMENT IN PLANT - BUILDINGS

The following properties are included in the above category:

	June 30, 1979	1978
Tower Hall (see comments below)	$2,054,016	$2,054,016
Garage facilities	18,659	7,783
Dormitory Commons Complex - Somers Hall (pledged under provisions of the Dormitory and Dining Hall Bond of 1962)	2,195,795	2,195,795
Science Building (pledged under provisions of the Science Building Bonds of 1968)	2,808,321	2,808,321

(Continued)

NOTE 2 - INVESTMENT IN PLANT - BUILDINGS (Continued)

	June 30, 1979	June 30, 1978
Grove Apartments (owned by the Minnesota Higher Education Facilities Authority, pledged under provisions of their First Mortgage Revenue Bonds, Series D, College of St. Scholastica, operated under a long-term lease with option to purchase)	$ 425,070	$ 425,070
Pines Apartments (owned by the Minnesota Higher Education Facilities Authority, pledged under provisions of their First Mortgage Revenue Bonds, Series H, College of St. Scholastica, operated under a long-term lease with option to purchase)	316,327	316,327
Construction in progress		5,715
Recreation building	865,578	
Total	$8,683,766	$7,813,027

Under an agreement dated March 15, 1974, the College has agreed to lease from the Benedictine Sisters Benevolent Association, facilities currently used by the College for administration offices, classrooms and other educational purposes. The property includes Tower Hall and nine other facilities to be used on a shared basis with the B.S.B.A.

The initial lease term is 25 years. The College has the option during the period from December 31, 1984 to March 15, 1999, to enter a 99 year renewable lease of Tower Hall for a fee of $1.00 per year. Upon execution, a 25 year renewable lease of the other facilities also may be consummated at the option of the College.

Costs of operation of all leased buildings are to be shared by the College and the B.S.B.A. related to their respective use.

The B.S.B.A. further agrees it will not cause Tower Hall facilities to become subject to indebtedness in addition to amounts outstanding at March 15, 1974.

Lease agreements will terminate if the College ceases to operate as an educational institution.

Tower Hall is reflected in these financial statements at $2,054,016 for 1979 and 1978, the historical cost of the property.

(Continued)

NOTE 3 - NOTES PAYABLE

The College has short-term notes payable within both the Current Fund and Plant Fund as follows:

Current Fund	
12%, 90 day note due September 29, 1979, unsecured	$105,000
Plant Fund	
11.75%, 90 day notes due July 2, 1979, secured by recreation building and pledges	$688,000

NOTE 4 - BONDS PAYABLE

Plant Fund bonds payable consist of the following:

1. College of St. Scholastica Dormitory and Dining Hall Bonds of 1962, balance June 30, 1979, $1,540,000 are secured by a first mortgage on the Somers Hall complex. These 3 1/2 percent general obligation bonds of the College mature progressively from $40,000 on October 1, 1979 to $90,000 on October 1, 2002.

   Current Fund expenditures were charged $40,000 (1979 and 1978) debt retirement and $54,250 ($55,650 for 1978) interest paid or accrued and $15,000 equipment repair and replacement reserve additions.

   Somers Hall has accommodations for 17 single rooms at $219 ($202 for 1978) per quarter, 150 double rooms at $183 ($168 for 1978) and three triple rooms at $183 ($168 for 1978) per person. The facility was approximately 91 percent occupied for the three school quarters within the year ended June 30, 1979.

   Insurance is included in a blanket policy (co-insurance waived) at an agreed amount of $4,864,900. Boiler insurance carried is $2,000,000 liability with $10,000,000 umbrella excess liability coverage.

   Funds established under the indenture are:

   A. 1962 Bond and Interest Sinking Fund

	June 30, 1979	June 30, 1978
Balance, beginning of year	$174,673	$174,880
Current Fund transfers	95,899	97,820

(Continued)

NOTE 4 - BONDS PAYABLE (Continued)

	June 30, 1979	June 30, 1978
Investment income	$ 10,852	$ 12,011
Payment of principal and interest	(94,600)	(96,000)
Transfer of income to Current Fund	(10,852)	(12,011)
Fund transfer	(2,100)	(2,027)
Transfer to Current Fund	(41,456)	
Balance, end of year	$132,416	$174,673

B. 1962 Repair and Replacement Reserve Account

	1979	1978
Balance, beginning of year	$ 39,454	$ 35,718
Current Fund transfers	15,000	15,000
Investment income	2,100	2,027
Fund transfer	2,100	2,027
Transfer of income to Current Fund	(2,100)	(2,027)
Major repairs	(22,469)	(13,291)
Balance, end of year	$ 34,085	$ 39,454

2. College of St. Scholastica Science Building Bonds of 1968, balance June 30, 1979, $860,000 are secured by a first mortgage on the Science Building and are guaranteed by the Benedictine Sisters Benevolent Association. These 3 percent bonds mature progressively from $32,000 on October 1, 1979 to $56,000 on October 31, 1998.

Current Fund expenditures were charged $31,000 ($30,000 in 1978) debt retirement and $26,032 ($26,955 for 1978) interest paid or accrued.

Insurance is included in a blanket policy (co-insurance waived) at an agreed amount of $4,391,610. Boiler insurance carried is $2,000,000, liability and umbrella excess liability coverage is stated above.

The Debt Service Reserve Fund is funded by Endowment Fund assets (U. S. government obligations) placed in trust with a local bank. Cost value of this account is $62,032 (market $59,098) at June 30, 1979. The asset and resulting income are recorded in the Endowment Fund.

(Continued)

NOTE 5 - LONG-TERM LEASES

1. The Grove Apartment complex became operational in the fall of 1972. The complex is owned by the Minnesota Higher Education Facilities Authority, financed by their First Mortgage Revenue Bonds, Series D, College of St. Scholastica, Inc. and leased to the College until January 3, 1997. At the termination of the lease, the College may purchase the property for $500 assuming all bond obligations are paid.

   To reflect the property and lease obligation in the Plant Fund, the lease was capitalized at $509,808, the cash generated by the bond issue. At June 30, 1979, this obligation is $436,278.

   Lease terms require College payments of:

   A. All operating expenses.
   B. All principal and interest payments.
   C. $10,000 per year into Repair and Replacement Reserve Account to a balance of $30,000.
   D. Maintain a balance of $34,574 in the Series D Bond and Interest Sinking Fund Account.
   E. $650 per year payable to Minnesota Higher Education Facilities Authority.

   The Benedictine Sisters Benevolent Association guarantees prompt payment of all rent. The rent is in turn pledged on the bonds.

   Bond interest is subsidized to 3 percent by the U. S. Department of Housing and Urban Development. Bonds mature progressively from $15,000 on March 1, 1990 to $40,000 on March 1, 1997. Total outstanding is $445,000 at June 30, 1979.

   In addition to normal operating expenses, Current Fund expenditures were charged $35,136 ($33,465 for 1978) representing principal and interest payments and accruals and required additions to the Repair and Replacement Reserve Account.

   Grove Apartments has accommodations for 96 students at $195 ($180 for 1978) per quarter plus utilities. The facility was approximately 98 percent occupied for the year ended June 30, 1979.

   Insurance is included in a blanket policy (co-insurance waived) at an agreed amount of $512,300. Boiler insurance carried is $2,000,000, liability and umbrella excess liability coverage is stated in Note 4.

   Funds established under the indenture are:

(Continued)

NOTE 5 - LONG-TERM LEASES (Continued)

	June 30, 1979	June 30, 1978
A. General Bond Reserve Account		
Balance, beginning of year	$ 12,030	$ 8,643
Current Fund transfer		3,387
Investment income		3,387
Transfer of income to Current Fund		(3,387)
Balance, end of year	$ 12,030	$ 12,030
B. Series D Bond and Interest Sinking Fund Account		
Balance, beginning of year	$ 2,159	$ 1,709
Current Fund transfer	39,925	41,499
Investment income	440	639
Payment on principal and interest	(41,535)	(42,345)
Transfer of income to Current Fund	(440)	(639)
Fund transfer	3,214	1,702
Administration fees	(408)	(406)
Balance, end of year	$ 3,355	$ 2,159
C. Series D Debt Service Reserve Account		
Balance, beginning of year	$ 33,743	$ 33,822
Investment income	2,414	1,812
Transfer of income to Current Fund	(2,414)	(1,812)
Fund transfer	(528)	(79)
Balance, end of year	$ 33,215	$ 33,743
D. Repair and Replacement Reserve Account		
Balance, beginning of year	$ 29,107	$ 29,384
Current Fund transfer	2,158	1,346
Investment income	2,158	1,346
Transfer of income to Current Fund	(2,158)	(1,346)
Fund transfer	(2,686)	(1,623)
Balance, end of year	$ 28,579	$ 29,107

2. The Pines Apartment complex became operational in the fall of 1973. The project is owned by the Minnesota Higher Education Facilities Authority, financed by their First Mortgage Revenue Bonds, Series H, College of St. Scholastica, Inc. and leased to the College until June 1, 1999. At the termination of the lease, the College may purchase the property for $500 assuming all bond obligations are paid.

(Continued)

NOTE 5 - LONG-TERM LEASES (Continued)

To reflect the property and lease obligation in the Plant Fund, the lease was capitalized at $331,700, the cash generated by the bond issue. At the balance sheet date, this obligation is $307,358.

Lease terms require College payments of:

A. All operating expenses.

B. All principal and interest payments.

C. Maintain a balance of $24,000 in the Series H Debt Service Reserve Account.

D. $425 per year payable to Minnesota Higher Education Facilities Authority.

Bond interest varies from 6 percent to 6.4 percent on the various maturity issues. Bonds mature progressively from $10,000 on June 1, 1980 to $25,000 on June 1, 1999. Total outstanding is $315,000.

In addition to normal operating expenses, Current Fund expenditures were charged $24,807 ($25,108 for 1978) representing principal and interest payments and accruals for the current year.

Pines Apartments has accommodations for 44 students at $229 ($214 for 1978) per quarter plus utilities. The facility was approximately 93 percent occupied for the year ended June 30, 1979.

Insurance is included in a blanket policy (co-insurance waived) at an agreed amount of $378,230. Boiler insurance is $2,000,000, liability and umbrella excess liability coverage is stated in Note 3.

Funds established under this indenture are:

	June 30, 1979	June 30, 1978
A. General Bond Reserve Account		
Balance, beginning of year	$ 8,353	$ 6,000
Current Fund transfers		2,353
Investment income		2,353
Transfer of income to Current Fund		(2,353)
Balance, end of year	$ 8,353	$ 8,353

(Continued)

NOTE 5 - LONG-TERM LEASES (Continued)

	June 30, 1979	June 30, 1978
B. Series H. Bond and Interest Sinking Fund Account		
Balance, beginning of year	$	$
Current Fund transfers	24,873	25,174
Payment of principal and interest	(24,820)	(25,120)
Fees	(53)	(54)
Balance, end of year	$ -0-	$ -0-
C. Series H. Debt Service Reserve Account		
Balance, beginning of year	$ 24,000	$ 24,000
Investment income	2,184	2,184
Transfer of income to Current Fund	(2,184)	(2,184)
Balance, end of year	$ 24,000	$ 24,000

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES

On October 1, 1977, the College negotiated agreements for the purchase of two apartment buildings. These purchase agreements have since been terminated and as a result litigation has been threatened by the builder/owner of the buildings. The amount of the College's liability, determined to be $37,000, has been charged to operations in the current year.

NOTE 7 - RECLASSIFICATION

Amounts relating to the restricted and unrestricted fund balances for the Capital Campaign have been modified for the prior year to correctly reflect their nature.

SUPPLEMENTARY INFORMATION

ACCOUNTANTS' OPINION ON SUPPLEMENTARY INFORMATION

Our examinations of the basic financial statements presented in the preceding section of this report were made primarily to form an opinion on such financial statements taken as a whole. Supplementary information, contained in the following pages, is not considered essential for the fair presentation of the financial position of the College of St. Scholastica, Inc. or the results of their operations, or the changes in their fund balances. However, the following data were subjected to the audit procedures applied in the examination of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Main Hurdman & Cranstoun

CERTIFIED PUBLIC ACCOUNTANTS

Duluth, Minnesota
August 7, 1979

COLLEGE OF ST. SCHOLASTICA, INC.

DETAIL OF CURRENT INCOME

YEARS ENDED JUNE 30, 1979 AND 1978

		1979	1978
Educational and general			
Student fees			
Tuition		$2,928,326	$2,927,658
Extended programs		42,767	48,541
Instruction fees		61,669	59,794
Application and matriculation		23,008	18,624
Sundry		9,778	6,512
		3,065,548	3,061,129
Income from Current Fund investments and Plant Fund reserves		37,146	28,857
Income from endowment funds		37,779	34,646
Federal government programs		210,610	163,870
College Work Study Program		59,487	54,374
Grants			
Minnesota Contract Program	$195,550		
Minnesota Private College Fund	86,044		
Nursing per capita	45,773		
McKnight Faculty Excellence	58,075	385,442	344,948
Contributed services	444,101		
Less - maintenance expense	(94,266)	349,835	353,315
Other sources			
Administrative fees from governmental programs	21,750		
College Union	26,650		
Gifts and donations unrestricted	354,067		
Miscellaneous general income	95,692		
Montessori	163,429		
Print shop, allocations of costs to departments	15,528	677,116	451,208
Total educational and general		4,822,963	4,492,347
Student aid			
Income from scholarship funds		14,733	10,395
Auxiliary enterprises - schedule		853,537	785,968
Total current income		$5,691,233	$5,288,710

COLLEGE OF ST. SCHOLASTICA, INC.

DETAIL OF CURRENT EXPENDITURES

YEARS ENDED JUNE 30, 1979 AND 1978

	Salaries			Fringe		Travel Supplies and	Total	
	Lay	Contributed	Student	Benefits	Equipment	Other expense	1979	1978
Educational and general								
General administration								
Administrative services	$ 13,237	$	$	$	$ 2,621	$ 9,620	$ 25,478	$ 35,659
Business office	106,138	22,951		14,605	34	16,330	160,058	143,872
President's office	47,335	16,050		7,666	367	10,891	82,309	79,826
	166,710	39,001		22,271	3,022	36,841	267,845	259,357
Student services								
Admissions	80,965		11,868	8,689		66,562	168,084	157,924
Chaplain	7,710	10,207	976	2,107		1,789	22,789	19,014
College union	14,057		17,278	1,454	693	6,308	39,790	44,749
Counseling	16,980	4,851	25	2,490		1,088	25,434	31,850
Dean of Students	30,265		3,489	2,987		4,425	41,166	58,488
Financial aids	27,171		1,690	3,855		11,231	43,947	43,210
Health service	11,277		344	687		8,808	21,116	21,892
Residential life	14,000			1,386		909	16,295	
Registrar	11,914	13,226	28	1,689		4,678	31,535	31,766
	214,339	28,284	35,698	25,344	693	105,798	410,156	408,893
Public services and information								
Alumnae	12,500	2,624	11	1,596		9,859	26,590	18,514
Deferred giving	16,150			1,721		3,748	21,619	20,358
Development	15,272			5,375		3,808	24,455	59,651
Information service and publications	21,888		5,841	2,994	600	14,008	45,331	38,387
Printing						49,856	49,856	48,039
Regional awareness	25,073			3,323		12,285	40,681	41,082
	90,883	2,624	5,852	15,009	600	93,564	208,532	226,031
General institutional								
Academic vice president	8,535	34,500		789	889	3,666	48,379	40,793
Board of Trustees						2,436	2,436	1,960
Commencement						6,301	6,301	1,186
Computer center	12,578		922	1,075		15,857	30,432	16,307
Dues and fees						7,488	7,488	11,056
Employee benefits (allocated to departments)				24,729			24,729	11,861
General expenses						40,670	40,670	43,705
Interest, short-term						14,509	14,509	2,916
Photo machine, Science Building						5,038	5,038	4,017
Postage						871	871	1,982
Print shop	19,344		806	2,292		7,603	30,045	20,896
Radio station						16,500	16,500	16,500
Reserve for doubtful accounts						2,774	2,774	25,430
Staff and faculty recruitment						5,394	5,394	5,951
Faculty development	13,750			1,992	6,815	46,833	69,390	
Telephone						27,184	27,184	25,234
	54,207	34,500	1,728	30,877	7,704	203,124	332,140	229,694

COLLEGE OF ST. SCHOLASTICA, INC.

DETAIL OF CURRENT EXPENDITURES
(Continued)

YEARS ENDED JUNE 30, 1979 AND 1978

	Salaries			Fringe		Travel	Total	
	Lay	Contributed	Student	Benefits	Equipment	Supplies and Other expense	1979	1978
Educational and general (continued)								
Instruction								
Biology	$ 40,407	$ 13,695	$ 10,759	$ 4,458	$ 1,520	$ 17,430	$ 88,269	$ 92,231
Chemistry	19,726	41,588	622	1,764	831	11,287	75,818	58,762
Drama					1,360	3,951	5,311	2,623
Education	77,665	17,375	5,240	9,899		7,151	117,330	117,138
Extended programs	66,693		3,685	6,960		11,061	88,399	107,209
External degree program	1,012					16,461	17,473	16,749
Graduate program	9,790					3,409	13,199	15,527
Health Information Administration	50,184	8,410	368	6,965		4,853	70,780	62,076
Health Science (Division)	737			78		3,464	4,279	3,780
History	34,466	5,425		4,311	100	971	45,273	39,925
Home Economics	26,781	34,333	1,530	3,409		2,403	68,456	63,868
Humanities (Division)	1,180	10,464	2,896	49	132	1,009	15,730	24,668
Indian Studies	55,805		1,520	7,055	220	2,820	67,420	73,554
Language and Literature	63,145	39,367	5,626	8,197	303	2,833	119,471	106,158
Library Science						472	472	341
Management	48,509	8,259	144	4,308		3,725	64,945	59,178
Mathematics	11,250	15,919	625	1,103		260	29,157	32,196
Media Studies	23,790	6,249	4,420	2,222	3,704	10,487	50,872	55,445
Medical Technology	15,939	18,336	80	1,201		1,554	37,110	26,052
Music	53,198	25,396	5,891	5,466	1,805	4,622	96,378	87,565
Natural Science (Division)	7,673			820		223	8,716	5,510
Nursing	245,582	15,622	9,872	24,998	49	26,606	322,729	255,017
Philosophy	33,440			4,681	100	216	38,437	36,005
Physical and Computer Science	16,308	13,913	815	1,884	266	1,401	34,587	36,678
Physical Therapy	84,180		1,421	8,866	180	23,163	117,810	91,656
Psychology	58,206	13,100	2,063	6,280		3,981	83,630	80,471
Religious Studies	38,546	14,029		5,469	100	1,209	59,353	53,387
Respiratory Therapy								15,462
Sociology	40,687	22,149	978	4,333		1,752	69,899	63,856
Summer school	10,962					11,256	22,218	23,606
	1,135,861	323,629	58,555	124,776	10,670	180,030	1,833,521	1,706,693
Library								
Library	77,031		15,480	9,056	1,331	7,255	110,153	104,593
Books purchased						54,770	54,770	60,209
	77,031		15,480	9,056	1,331	62,025	164,923	164,802

COLLEGE OF ST. SCHOLASTICA, INC.

DETAIL OF CURRENT EXPENDITURES
(Continued)

YEARS ENDED JUNE 30, 1979 AND 1978

	Salaries			Fringe		Travel	Total	
	Lay	Contributed	Student	Benefits	Equipment	Supplies and Other expense	1979	1978
Educational and general (continued)								
Plant operations								
Science Building	$	$	$	$	$	$ 8,821	$ 8,821	$ 10,767
Mandatory transfers for principal and interest						57,032	57,032	56,955
Buildings and grounds	172,789		15,394			32,965	221,148	217,635
Electricity and water						55,038	55,038	45,899
Fringe benefits				21,869			21,869	19,471
General maintenance						11,524	11,524	7,108
Heat						82,699	82,699	66,748
Insurance						50,427	50,427	40,305
	172,789		15,394	21,869		298,506	508,558	464,888
Federal government programs	120,138			10,985	20,221	113,873	265,217	213,766
Montessori	105,222			9,299		55,937	170,458	83,604
Student aid								
C.S.S. grants						246,322	246,322	284,286
Discounts								
Religious						5,100	5,100	3,714
Faculty						39,286	39,286	30,623
Family						16,135	16,135	17,223
Federal Program allowance								7,770
Mandatory transfer for government loan fund programs						7,768	7,768	12,209
Resident assistants						21,606	21,606	20,557
Scholarships								
Athletic						61,908	61,908	66,205
Benedictine						111,154	111,154	143,269
Music						2,940	2,940	2,430
Scholarships granted from restricted funds in excess of receipts								195
						512,219	512,219	588,481
Auxiliary enterprises - schedule	125,704	16,063	45,562	8,756	9,139	851,099	1,056,323	878,286
Total current expenditures	$2,262,884	$444,101	$178,269	$278,242	$53,380	$2,513,016	$5,729,892	$5,224,495

COLLEGE OF ST. SCHOLASTICA, INC.

AUXILIARY ENTERPRISES

SCHEDULE OF REVENUES AND EXPENDITURES

YEARS ENDED JUNE 30, 1979 AND 1978

	Somers Hall and Food Services	Grove Apartments	Pines Apartments	Kenwood Apartments	Book store	Athletics	Recreation Building	Tower Hall Snack Bar	Total 1979	Total 1978
Revenues										
Room rental, students	$163,228	$60,970	$30,540	$135,104	$	$	$	$	$ 389,842	$ 368,987
Conferences and institutes	62,060								62,060	56,538
Board	259,281								259,281	256,395
Books and merchandise					196,428				196,428	196,606
Cost of sales					(140,363)				(140,363)	(153,116)
Other	10,713	3,190	2,681	20,320		9,534	432	39,419	86,289	60,558
	495,282	64,160	33,221	155,424	56,065	9,534	432	39,419	853,537	785,968
Expenditures										
Expense of operation										
Salaries, lay	65,382	7,597	4,623	7,880	12,367	20,712	7,143		125,704	98,218
Salaries, contributed	4,851				11,214				16,065	15,000
Salaries, student	27,964	805	379	1,981	2,399	5,866	6,168		45,562	27,671
Rent				160,795					160,795	99,906
Supplies, travel	15,513	18,413	11,233	3,617	5,293	58,246	9,426		121,741	77,169
Equipment and furniture		1,466	733	4,398		2,492	50		9,139	17,979
Utilities	51,608								51,608	41,589
Telephone	21,077								21,077	20,237
Payroll taxes	4,099								4,099	10,079
Fringe benefits	3,874	440	818	435	1,614	1,575			8,756	
Repairs, maintenance	7,108			1,947					9,055	11,255
Conferences and institutes	38,543								38,543	40,842
Food service contract	195,898								195,898	185,647
Other	10,126	1,608	370	23,170	2			43,812	79,088	63,471
	446,043	30,329	18,156	204,223	32,889	88,891	22,787	43,812	887,130	709,063
Other										
Mandatory transfers for										
Principal and interest	94,250			2,481					96,731	95,650
Equipment renewal, replacement reserve	15,000								15,000	15,000
Lease expense (interest and principal on Minnesota Higher Education Authority Bonds)		32,655	24,807						57,462	58,573
	555,293	62,984	42,963	206,704	32,889	88,891	22,787	43,812	1,056,323	878,286
Net income (loss)	$(60,011)	$ 1,176	$(9,742)	$(51,280)	$ 23,176	$(79,357)	$(22,355)	$(4,393)	$ (202,786)	$ (92,318)

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT made and entered into as of May 1, 1980, by and between the COLLEGE OF ST. SCHOLASTICA, INC., a Minnesota nonprofit corporation, located in the City of Duluth, St. Louis County, Minnesota (the "College"), and the ____________ ____________________, a corporation duly organized, existing and authorized to accept and execute agreements of the character herein set out under and by virtue of the laws of the __________ ___________, and having its main office and place of business in __________, Minnesota (the "Trustee"), together with any successor trustee, at the time serving as such under the Mortgage Trust Indenture dated as of the date hereof, and as the same may be amended or supplemented from time to time, between the Minnesota Higher Education Facilities Authority and Trustee (the "Indenture");

WITNESSETH:

WHEREAS, the Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota having its principal office at 278 Metro Square Building, in St. Paul, Minnesota (the "Authority"), intends to issue its Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series Two-B (College of St. Scholastica, Inc.) in the aggregate principal amount of $1,160,000 (the "Bonds"); and

WHEREAS, the Bonds are to be issued under and pursuant to the Indenture; and

WHEREAS, the Bonds are being issued to finance the construction and equipping of a multi-purpose recreational building and related outdoor recreational facilities on the campus of the College (the "Project"); and

WHEREAS, the Project is to be leased to the College by the Authority pursuant to the terms of a Lease dated as of the date hereof and as the same may be amended and supplemented from time to time (the "Lease"); and

WHEREAS, the College (hereinafter sometimes called the "Guarantor") is desirous that the Authority issue the Bonds and apply the proceeds as aforesaid and is willing to enter into this Guaranty Agreement in order to enhance the marketability of the Bonds and thereby achieve cost and other savings to itself and as an inducement to the purchase of the Bonds by all who shall at any time become holders of the Bonds;

NOW THEREFORE, in consideration of the premises and in order to enhance the marketability of the Bonds and thereby achieve cost and other savings to Guarantor and as an inducement to the purchase of the Bonds by all who shall at any time become holders of the Bonds, Guarantor hereby, subject to the terms hereof, covenants and agrees with Trustee as follows:

1. Guarantor hereby unconditionally guarantees to Trustee for the benefit of the holders from time to time of the Bonds and of the interest coupons appertaining thereto (a) the full and prompt payment of the principal of and premium, if any, on any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, and (b) the full and prompt payment of any interest on any Bond when and as the same shall become due.

2. The obligations of the Guarantor under this Guaranty Agreement shall be absolute and unconditional and shall remain in full force and effect until the entire principal of, premium, if any, and interest on the Bonds shall have been paid or funds sufficient for such payment shall have been deposited with the Trustee in trust for such purpose and such obligations shall not be affected, modified or impaired by any act, event or circumstance, including (without limitation) the following:

(a) Failure of notice of the acceptance hereof or of any action taken or omitted in reliance hereon or of any presentment, demand, protest or notice of any kind;

(b) Any default of the College, the Authority or the Trustee in the performance of any obligations under the Lease or Indenture;

(c) Amendment or modification or supplementation of the respective obligations of the College, the Authority and the Trustee under the Lease and Indenture, including without limitation the extension of the time for payment of the principal of and interest on the Bonds;

(d) The release of or failure of the Trustee or the Authority to realize upon or resort to any security given for the Bonds or by reason of the failure to pursue or enforce any right or remedy; or

(e) The invalidity or unenforceability of the Bonds, the Lease or the Indenture, including without limitation, any invalidity or unenforceability of the Bonds due to any law limiting the amount of interest payable on obligations of the Authority.

3. No set-offs, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature which the Guarantor has or may have against the Authority or Trustee shall be available hereunder to the Guarantor against the Trustee.

4. In the event of a default in the payment of principal of or premium, if any, on any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, or in the event of a default in the payment of any interest on any Bond when and as the same shall become due, the Trustee may, and if requested so to do by the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding, and upon indemnification as hereinafter provided, shall

be obligated to proceed hereunder, and the Trustee, in its sole discretion, shall have the right to proceed first and directly against the Guarantor under this Guaranty Agreement without proceeding against or exhausting any of the remedies which it may have and without resorting to any other security held by the Authority or the Trustee. The Trustee shall not be obligated to expend or risk its own funds or otherwise incur any financial liability in the taking of any action hereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken. The Guarantor agrees to pay all the costs, expenses and fees, including all reasonable attorney's fees, which may be incurred by the Trustee in enforcing or attempting to enforce this Guaranty Agreement following any default on the part of the Guarantor hereunder, whether the same shall be enforced by suit or otherwise.

5. The Guarantor hereby expressly waives notice from the Trustee or the holders from time to time of any of the Bonds or of the interest coupons appertaining thereto of their acceptance of and reliance on this Guaranty Agreement.

6. The Guarantor agrees that it will maintain its corporate existence under the laws of Minnesota and will not dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation; provided that the Guarantor may, without violating the agreement contained in this paragraph, consolidate with or merge into another corporation, or permit one or more other of such corporations to consolidate with or merge into it, or sell or otherwise transfer to another such corporation all or substantially all of its assets as an entirety and thereafter dissolve if such surviving, resulting or transferee corporation assumes in writing all of the obligations of the Guarantor herein and has a net worth at least equal to the net worth of the Guarantor immediately prior to such consolidation, merger, or transfer.

7. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Guarantor, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid (whether at stated maturity or by acceleration, call for redemption or otherwise) in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents, and counsel) and of the Bondholders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under paragraph 4 hereof. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

8. All rights of action and claims under this Guaranty Agreement may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the holders of the Bonds and coupons in respect of which such judgment has been recovered.

9. The Trustee undertakes to perform for the benefit of the holders of the Bonds such duties and only such duties as are specifically set forth in this Guaranty Agreement, and no implied covenants or obligations shall be read into this Guaranty Agreement against the Trustee. In case of a default under this Guaranty Agreement, the Trustee shall exercise such of the rights and powers vested in it by this Guaranty Agreement and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision in this Guaranty Agreement shall be construed to relieve the Trustee from liability for its own willful misconduct.

10. No waiver, amendment, release or modification of this Guaranty Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the Trustee. The Trustee shall not consent to any amendment or modification of this Guaranty Agreement without the written approval or consent of the holders of not less than fifty-one per centum (51%) in aggregate principal amount of Bonds at the time outstanding. Nothing contained herein shall permit or be construed as permitting any amendment, change or modification of this Guaranty Agreement which would (a) reduce the amount payable by the Guarantor hereunder, (b) change the time for payment of the amounts payable by the Guarantor hereunder, or (c) change the unconditional nature of the Guaranty Agreement herein contained.

Except as otherwise expressly provided in this Guaranty Agreement, the provisions of Article IX "Concerning the Bondholders" and Article XI "Supplemental Indentures, Amendments to General Bond Resolution" of the Indenture shall apply to amendments and modifications of this Guaranty Agreement to the extent reasonably possible.

11. Except as other definitions are provided in this Guaranty Agreement, definitions in the Lease and the Indenture shall apply to terms used in this Guaranty Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Guaranty Agreement to be executed in their respective corporate names by their respective officers, thereunto duly authorized, and their respective corporate seals to be hereto affixed as of the date first above written.

COLLEGE OF ST. SCHOLASTICA, INC.

By ______________________________
President

And

By ______________________________
Secretary

(Seal)

____

By ______________________________
Its Vice President

Attest:

____
Its ______________________________

(Seal)

STATE OF MINNESOTA)
) SS.
COUNTY OF ST. LOUIS)

On this ____ day of November, 1980, before me appeared Bruce W. Stender and Sr. Mary Odile Cahoon, to me personally known, who, being by me duly sworn did say that they are the President and Secretary of the College of St. Scholastica, Inc., a corporation; that the seal affixed to the foregoing instrument is the corporate seal of said corporation; and that said instrument was executed in behalf of said corporation by authority of its Board of Trustees; and the said Bruce W. Stender and Sr. Mary Odile Cahoon acknowledged said instrument to be the free act and deed of said corporation.

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STATE OF MINNESOTA)
) SS.
COUNTY OF)

On this ____ day of __________, 1980, before me appeared ______________________________ and ____________________________, to me personally known, who, being by me duly sworn did say that they are vice president and assistant secretary of ____________________ ________________, a corporation organized under the laws of Minnesota; that the seal affixed to the foregoing instrument is the official seal of said corporation; that said instrument was signed and sealed by authority of its Board of Directors; and the said ____________________and ____________________ acknowledged said instrument to be the free act and deed of said corporation.

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GENERAL BOND RESOLUTION OF THE
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
ADOPTED OCTOBER 31, 1972

BE IT RESOLVED by the MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY, as follows:

1. Purposes and Definitions. The Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota created and existing under Chapter 868 of the regular session Laws of Minnesota of 1971 (the "Act"), will issue and sell from time to time revenue bonds pursuant to the Act to finance the construction, reconstruction, acquisition, improvement, alteration, equipping and furnishing Projects (as such term is defined in the Act) and sites therefor at participating nonprofit institutions of higher education covered by the Act (an "Institution") and refinancing obligations incurred for such purposes and refunding such revenue bonds (the "Bonds"). The Authority will issue such Bonds in several series, and each series of such revenue Bonds will be issued pursuant to a series resolution (the "Series Resolution") and will be secured by a mortgage trust indenture (the "Indenture") between the Authority and a bank or other qualified corporate Trustee (the "Trustee") on the Project and site thereof and movable equipment (if any) acquired from the proceeds of the Bonds and will be payable primarily from rentals payable under a lease (the "Lease") by the Institution to the Authority for the use of the Project facilities. With respect to each series of bonds and Project, the Authority will enter into a preliminary Agreement with the Institution (the "Agreement") providing, among other things, for the conveyance of the Project site and/or facilities to the Authority, the sale of the Bonds of the series, construction or acquisition of the Project, and the form and terms of the Series Resolution, Indenture and Lease. The purpose of this General Bond Resolution is to provide the terms and conditions (unless amended as herein set forth) on which the Authority may pledge to the Bonds of a series, ratably and on a parity with Bonds of other series then outstanding or thereafter issued, the funds and investments in the General Bond Reserve Account and to provide the terms and conditions of such pledge to and covenants with the Trustee for the benefit of the holders of the Bonds and coupons. Revenue Bonds of the Authority secured by the General Bond Reserve Account, as provided in this General Bond Resolution, are herein called "common fund Bonds" and those not so secured are called "special series Bonds". The Authority has established and hereby confirms the policy to issue revenue Bonds as common fund Bonds to the extent possible in order to improve the marketability and security of the Authority's revenue Bonds but reserves the right to issue special series Bonds, from time to time, when it seems desirable or equitable to the Authority to do so.

2. General Bond Reserve Account. The Authority hereby determines and, so long as any of the common fund Bonds are outstanding, covenants and agrees with each Trustee under an Indenture securing common fund Bonds, as follows:

a. Establishment. The Authority shall establish and maintain a special and separate account and fund to be known as the "General Bond Reserve Account" in a bank or banks having a minimum capital and surplus of at least $5,000,000, qualified to act as a depository of state funds, qualified to act as a corporate trustee under the laws of the United States or State of Minnesota, and having an office or place of business in the State of Minnesota (herein sometimes called the "Bank"). The officers and representatives of the Authority authorized to deposit and withdraw

funds from the General Bond Reserve Account and to purchase, sell or transfer securities for the General Bond Reserve Account shall be bonded by fidelity bonds or insurance in such amounts and under such terms as the Authority shall determine with due regard to the amount of funds and investments in the General Bond Reserve Account and the several responsibilities of such officers and representatives and the Bank. The Authority may enter into such agreements with the Bank with respect to the investment and safekeeping of the funds and investments in the General Bond Reserve Account as the Authority shall deem appropriate.

b. Deposits. There shall be deposited in the General Bond Reserve Account, promptly when received, the following revenues of the Authority: (i) Proceeds from the sale of the common fund Bonds as provided in the applicable Series Resolution. (ii) All moneys received by the Authority from an Institution as consideration for the exercise of an option to purchase a Project or part thereof after the principal of common fund Bonds or special series Bonds, premium thereon (if any), interest thereon, advances and expenses of the Trustee and Authority (if any), and the fees of the Trustee with respect to such series of common fund Bonds or special series Bonds have been paid or provided for. (iii) The net revenues and income, as determined by the Authority, and after allowance for repairs, replacements and improvements in such amounts as the Authority shall from time to time deem necessary, realized from the operation of a Project by the Authority after expiration of the lease term with respect thereto and after payment of the Bonds issued on account of such Project, premium thereon (if any), interest thereon, advances and expenses of the Trustee and Authority (if any), and the fees of the Trustee with respect to such Project common fund Bonds or special series Bonds has been made or provided for. (iv) The net proceeds realized from the sale of a Project or part thereof, as determined by the Authority, after expiration of the lease term with respect thereto and after payment of the Bonds issued on account of such Project, premium thereon (if any), interest thereon, advances and expenses of the Trustee and Authority (if any) and fees of the Trustee with respect to such Project common fund Bonds or special series Bonds has been made or provided for. (v) All other funds received by the Authority except (A) application fees, the initial fee (1/3 of 1% of the original amount of Bonds sold, or such other percentage or amount as the Authority shall determine) and the annual administrative fee (1/8 of 1% of the original amount of Bonds sold, or such other percentage or amount as the Authority shall determine, to be collected as Additional Rent under a Lease) charged Institutions to provide operating funds for the Authority as authorized by Section 5(u) of the Act, (B) any taxes paid or appropriations of state funds made to the Authority, (C) revenues or income or other funds pledged to the payment of outstanding common fund Bonds or special series Bonds or for the payment of expenses or advances in respect of the Project or establishment or maintenance of reserves under the Indenture relating thereto and (D) any other revenues, income, funds or property restricted or dedicated to some other purpose.

c. Investments. Moneys in the General Bond Reserve Account may be invested and reinvested in direct obligations of the United States of America or in certificates of deposit or time deposits secured by direct obligations of the United States of America or in such other securities, if any, as the Authority may lawfully purchase and hold for investment purposes and which are then eligible for investment of public funds of the State of Minnesota or of municipalities of the State. The Authority covenants that investment of funds shall be limited as to amount and yield of investment in such manner that no part of any common fund Bonds shall be deemed "arbitrage bonds" under Section 103(d)(1) of the Internal Revenue Code of 1954 and regulations thereunder.

d. Advances. Whenever the principal of or interest on any common fund Bonds shall become due and there is not enough money (or investments from which money in the necessary amount can be realized) on deposit with the Trustee for payment of such principal or interest, the Authority pledges that it will advance to the Trustee from the General Bond Reserve Account amounts sufficient to pay such principal and interest. The Authority shall have the right, but not the obligation, to advance to the Trustee from the General Bond Reserve Account amounts not then due for principal or interest on any common fund Bonds but which is about to become due if, in the opinion of the Authority, it is necessary or desirable to make such advance to prevent a default of payment on the due date. For the purposes of this General Bond Resolution and any pledge of the General Bond Reserve Account to common fund Bonds (except as herein otherwise expressly provided) principal of any common fund Bond which has not reached its stated maturity date is not due regardless of any acceleration of the maturity date by reason of exercise of an option of prior payment by giving notice of redemption, or of an event of default, or for any other reason; the Authority may nevertheless, in its discretion, advance funds from the General Bond Reserve Account to pay the principal of any such Bonds which have been declared (and otherwise become) due and payable by reason of the giving of a notice of redemption, or event of default, or other reason, together with any premium due and accrued and unpaid interest. All advances by the Authority to the Trustee from the General Bond Reserve Account shall be promptly applied by the Trustee to the principal of and interest due on the Bonds and to the extent not so applied shall be returned to the Authority. All advances by the Authority under this paragraph shall bear interest at the rate of eight percent (8%) per annum until repaid by the Institution, or by the Trustee from funds received from the Institution or otherwise as part of the trust estate under the Indenture. All such moneys received by the Trustee from the Institution (except moneys paid to the Trustee for its expenses, advances and reasonable fees) and all revenues and income of the Project or proceeds from the sale or foreclosure of the Project received by the Trustee shall be applied, first, to the payment of any principal of or interest on the Bonds due or to become due within 30 days thereafter (including, if the trust estate has been foreclosed, principal which has been declared and has become due prior to stated maturity by reason of an event of default) and, second, to reimburse the Authority and the General Bond Reserve Account to the extent of the advance so made. Neither the Trustee nor the holders of any Bonds or coupons of common fund Bonds shall have any right to possession of the funds or investments of the General Bond Reserve Account or to direct the investment or reinvestment thereof or to sell or foreclose on the security interest and pledge granted to the common fund except to enforce advances in accordance with this General Bond Resolution and application of the moneys and investments in the General Bond Reserve Account ratably to the common fund Bonds and coupons from time to time issued and outstanding and observance of the covenants of the Authority contained in this General Bond Resolution in respect thereto.

e. Rebates to Institutions. Contributions from Bond proceeds (or other sources) to the General Bond Reserve Account by an Institution in accordance with the requirements of a Series Resolution applicable to a series of common fund Bonds remaining to the credit of a subaccount in the Institution's name, to be established on account of such series of common fund Bonds, shall be rebated to the Institution after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and after any advances, expenses, charges and fees of the Trustee and the Authority and all other amounts required to be paid under the Lease and the Indenture have been paid. At such time, the Institution shall also be entitled to receive its proportionate share of the earnings, if any, of the General Bond Reserve Account, as determined by the Authority. At such time or thereafter, the Authority shall further rebate to each Institution, when received, the Institution's proportionate share of any collections of advances made by the Authority from the General Bond Reserve Account and charged against the subaccounts of the Institution and other participating Institutions. No Institution shall be entitled to receive a rebate on account of any funds or investments derived from sources other than its contribution from Bond proceeds (or other sources) at the time of delivery of the Bonds, less charges against such contributions, plus a share of the earnings of the General Bond Reserve Account proportionate to its contribution, as provided in this General Bond Resolution.

f. Withdrawal of Excess Reserves. In the event the amounts of cash and investments in the General Bond Reserve Account exceed the amount of principal and interest to become due on common fund Bonds in any calendar year, the Authority may by resolution withdraw and expand for its general purposes moneys from the General Bond Reserve Account or rebate, prior to the end of the lease terms, proportionately to the several Institutions all or part of their contributions to the General Bond Reserve Account, provided that (i) the Authority shall not make withdrawals for its general purposes if, as a result thereof, the moneys and investments remaining in the Generl Bond Reserve Account shall not at least equal the aggregate of the contributions of the several Institutions and their respective shares of the earnings of such Account and (ii) after such withdrawal or rebate the amount of cash and investments remaining in the General Bond Reserve Account shall at least equal the maximum amount of principal and interest to come due in any calendar year on common fund Bonds.

g. Accounting and Other Binding Determinations by the Authority. The Authority shall have authority to determine all questions of (i) the availability and application of funds of the General Bond Reserve Account, (ii) the availability and sufficiency of the funds for the payment of principal and interest due on outstanding common fund Bonds, (iii) the investment and reinvestment of moneys in the General Bond Reserve Account, (iv) the collectibility and procedures to enforce the collection of advances made from the General Bond Reserve Account, (v) whether particular funds received by the Authority are required to be deposited in the General Bond Reserve Account, (vi) the amount of charges for advances and credits for earnings from investments to be made to the several subaccounts of the participating Institutions, (vii) the rates and fees to be charged by the Institution as agent for the Authority, the expenses to be incurred, insurance to be provided, equipment to be furnished and repairs and replacements to be made in connection with the operation of a Project by the Authority or an Institution, (viii) the option price, or prices, if any, to be charged by the Authority to an Institution for the sale or release of a Project or part thereof, (ix) the amount of any reserves or capitalized interest required (over and above the reserves required by paragraph 3(b) hereof) with respect to any Project or Bonds, (x) the cost and feasibility of any Project to be financed by common fund Bonds, (xi) adequacy of design, plans and specifications, performance and payment bonds, and procedures for construction of any Project and (xii) all other accounting questions and questions of interpretation and application of the requirements of the Act and this General Bond Resolution which determinations shall be binding upon each Institution, Trustee and holder of any Bonds or coupons unless made unreasonably or in bad faith or as a result of a mistake of fact or mathematical error. No member, officer, agent or counsel of the Authority shall be personally liable to the Authority or to any Institution, Trustee or holder of any Bonds or coupons by reason of any determination, recommendation or opinion relating to the operation of the General Bond Reserve Account made in good faith.

3. Issuance of Common Fund Bonds. Bonds, bond anticipation notes and other obligations of the Authority shall not be deemed common fund Bonds and shall not be secured by a pledge of the General Bond Reserve Account, unless:

a. The Authority shall specifically pledge to the Bonds of the series the General Bond Reserve Account by appropriate provision in the Series Resolution or the Indenture, and covenant to make advances in respect of the Bonds of such series in accordance with the terms of this General Bond Resolution; and

b. The Institution shall contribute from the proceeds of the Bonds of such series (or a series refunded by such series or other sources) in accordance with this General Bond Resolution and the Series Resolution (i) to the General Bond Reserve Account not less than twenty percent (20%) of the probable average annual principal and interest debt service requirements of the Bonds of such series after deducting the estimated annual interest subsidy, if any, to be provided by HUD, HEW or other federal department or agency, as determined or estimated by the Authority and (ii) to a debt service reserve fund to be held and used by the Trustee for payment of principal of and interest on the Bonds of such series not less than eighty percent (80%) of such probable average annual principal and interest requirements of the Bonds of such series as determined or estimated by the Authority; and

c. The Authority and the Institution enter into an Agreement and Lease whereby the Institution agrees to provide all funds (in addition to the Bond proceeds) needed for completion and operation of the Project and to pay base rent and additional rent sufficient to pay the principal of and interest on the Bonds of such series when due and all expenses of operation and maintenance of the Project and expenses of the Authority, Trustee and paying agent, in such form and with such additional provisions as the Authority may approve; and

d. The Authority executes and delivers to the Trustee an Indenture providing a first mortgage lien of record on the Project, subject to the Lease and such permitted encumbrances and in such form and with such terms and conditions and additional provisions and covenants as the Authority may approve; and

e. The Authority shall prescribe in the Series Resolution or Indenture: (i) The authorized principal amount of such series of Bonds, (ii) the name of the Institution and description of the Project for which such series of Bonds is being issued, (iii) the date, maturity dates and amounts of each maturity and the first and subsequent interest payment dates of the Bonds of such series, (iv) the interest rate or rates of the Bonds of such series, or the manner of determining such rate or rates, (v) the denomination or denominations of and the manner of numbering and lettering the Bonds of such series, (vi) the Trustee or the manner of appointing such Trustee for the Bonds of such series, (vii) the paying agent, if any, other than the Trustee, or the manner of appointing such paying agent, (viii) the redemption price or prices, if any, and the redemption terms, if any, for the Bonds of such series, (ix) provisions relating to the sale and delivery of such series, (x) directions for the application of the proceeds of the Bonds of the series, and (xi) any other provision deemed advisable by the Authority, which may include variations of this Resolution with respect to the Bonds to be issued under the Series Resolution and the Project financed thereunder; and

f. The Authority shall determine by the Series Resolution that the requirements of this General Bond Resolution have been met, which determination shall be binding on each Institution, Trustee and holder of the common fund Bonds then outstanding or thereafter issued as provided in paragraph 2(g).

4. Amendments and Consents.

a. The Authority reserves the right to amend this General Bond Resolution (i) at any time, in any respect, if no common fund Bonds are outstanding or if the holders of all the common fund Bonds consent thereto, (ii) at any time if the holders of at least sixty-five percent (65%) of the common fund Bonds of each series outstanding consent thereto in any respect except to extend the maturity or reduce the principal amount or redemption premium or rate of interest of any common fund Bonds, or to create a lien or pledge on the General Bond Reserve Account or any funds or investments therein ranking prior to any outstanding common fund Bonds or to give a preference or priority of any common fund Bond or Bonds outstanding with respect to the General Bond Reserve Account or funds or investments therein, and (iii) at any time, to cure any ambiguity or formal defect in this General Bond Resolution or amendment hereof or to grant any additional rights, remedies, powers, authority or security to the Trustee or Trustees for the benefit of the holders of the common fund Bonds.

b. Consents of holders of outstanding common fund Bonds may be evidenced by a consent or consents in writing of the holder or holders or adopted at a meeting of bondholders in the same manner as may be provided in the Indenture for the Bonds of such series for execution of instruments by bondholders or the holding of bondholders' meetings or, if not so provided, then in such manner as shall be deemed appropriate by the Authority, whose determination of the validity and sufficiency of any such consents shall be binding as provided in paragraph 2(g).

5. Issuance of Special Series Bonds. The Authority reserves the right and power in its discretion to issue special series Bonds at any time and from time to time not to be secured by the General Bond Reserve Account or the covenants and provisions of this General Bond Resolution. No special series Bonds so issued, or interest thereon, shall be entitled to any advance from or any lien on or security interest in the General Bond Reserve Account or cash or investments therein, but such special series Bonds and interest thereon shall be payable and shall be paid exclusively from the revenues of the Project and the Lease in respect of which such special series Bonds have been issued and as shall be provided in the Series Resolution, Indenture, Lease and Agreement in respect of such special series Bonds.

SERIES RESOLUTION

[Minnesota Higher Education Facilities
Authority, First Mortgage Revenue
Bonds, Series Two-B
(College of St. Scholastica, Inc.)]

BE IT RESOLVED by the Minnesota Higher Education Facilities Authority, as follows:

1. This Authority has received and considered bids for the sale of $1,160,000 First Mortgage Revenue Bonds, Series Two-B (College of St. Scholastica, Inc.), dated as of July 1, 1980 (herein called the "Bonds"), and it is hereby found and determined that the best bid providing the lowest net interest costs of _________% per annum is the bid of ____________________ ____________________ to purchase the Bonds at a price of $_________ plus accrued interest on the principal amount of $1,160,000 from the date of the Bonds to the date of bond delivery, the Bonds to bear interest at the rates per annum, according to years of maturity, as follows:

2. This Authority does hereby approve, and the College of St. Scholastica, Inc. (the "College") has heretofore approved and executed, an Agreement dated as of April 22, 1980 (the "Agreement"). As provided in paragraph 3 of the Agreement, the representatives of the College have requested the Authority to award the sale of the Bonds to the lowest and best bidder as found in paragraph 1. The Authority does hereby award the sale of the Bonds to the said bidder in accordance with the said bid, and the Chairman or the Vice Chairman and Secretary or Assistant Secretary of the Authority are authorized to execute the said Agreement and also to execute a contract of sale of the Bonds with the said bidder. The good faith checks of all unsuccessful bidders shall be returned forthwith.

3. The Authority does hereby approve, and the College has heretofore approved, the forms of the following Exhibits to the Agreement:

Exhibit 1 --	Deed of the Project site from the College to the Authority (the "Deed").
Exhibit 2 --	Lease of the Project from the Authority to the College, to be dated as of May 1, 1980, including as exhibits a description of the leased premises, a description of the leased equipment and permitted encumbrances (the "Lease").
Exhibit 3 --	Mortgage Trust Indenture to be dated as of May 1, 1980, including as exhibits a description of the mortgaged real estate and a description of the mortgaged leased equipment (the "Indenture"), with the ____________________ as Trustee.
Exhibit 8 --	Financing Statement from the College to secure the payment of the Base Rent under the Lease (the "Financing Statement").

The Chairman or the Vice Chairman and the Secretary or the Assistant Secretary of this Authority are authorized to accept the said Deed, to execute and accept the Financing Statement, and to execute, seal and deliver counterparts of the said Lease and Indenture for and in the name of the Authority, with all such changes and insertions therein as the officers executing the same shall approve.

4. The Bonds shall be in substantially the form set forth in the indenture, and when printed shall be executed, sealed and delivered by the facsimile signatures of the Chairman or Vice Chairman and Secretary or Assistant Secretary of the Authority and submitted to the Trustee for authentication, all as more fully provided in the said Indenture.

5. The proceeds of the Bonds shall be deposited in the following accounts:

Into the General Bond Reserve Account to be kept and maintained by the Authority, as provided in the General Bond Resolution adopted October 31, 1972 --	$ 32,000
Into the Series Two-B (College of St. Scholastica, Inc.) Bond and Interest Sinking Fund Account, to be kept and used by the Trustee under the Indenture, all accrued interest on the Bonds plus an amount sufficient to provide capitalized interest of --	$113,000
Into the Series Two-B (College of St. Scholastica, Inc.) Debt Service Reserve Account to be kept and maintained by the Trustee under the Indenture --	$128,000

All other proceeds of the Bonds shall be deposited into the Construction Account with the Trustee under the Indenture to be used and paid out by the Trustee for payment of the Project costs in accordance with the Indenture and Lease.

6. Based on information furnished by the College, the Authority hereby finds that the Project is not a major action with a potential for significant environmental effects, that the Project is not an action described in Regulation MEQC23B of the Environmental Quality Council requiring preparation of an Environmental Assessment Worksheet or publication of a negative declaration notice in the EQC Monitor, that the City of Duluth has issued a building permit for the construction for the Project, that the City of Duluth is the public agency with the greatest responsibility for supervising or approving the construction of the Project, and that the Authority need not and does not require the preparation or publication of an Environmental Assessment Worksheet or negative declaration notice or the preparation of an Environmental Impact Statement prior to the issuance and sale of the Bonds or the execution of the Lease.

7. As required by the provisions of Minnesota Statutes, Sections 136A.25 to 136A.42, as amended (the "Act"), the officers of the Authority authorized to sign checks or otherwise handle funds of the Authority, including funds in the General Bond Reserve Account, shall furnish a surety bond, executed by a surety company authorized to transact business in the State of Minnesota as surety and file the same in the office of the Secretary of State of Minnesota, subject to approval of the Attorney General, prior to delivery of the Bonds, which officers and the

amounts of the surety bonds shall be as set forth in the separate resolution adopted by the Authority on November 28, 1972.

8. The Authority hereby finds and determines that the opinion of Hanft, Fride, O'Brien & Harries, P.A., of Duluth, Minnesota, may be accepted to evidence title to the Project site, and title insurance shall not be required but may be furnished in lieu of said title opinion.

9. As required by paragraph 3 of the General Bond Resolution adopted by the Authority on October 31, 1972:

a) The Authority hereby pledges to the Bonds (including the interest thereon) the funds and investments in the General Bond Reserve Account and hereby covenants to make advances in respect of the Bonds in accordance with the terms of the General Bond Resolution and the Indenture.

b) By the provisions of this Series Resolution and the Indenture, and by the execution and performance of the Agreement, the Lease and the Indenture, all requirements of the General Bond Resolution, required to authorize the pledge and covenant of subparagraph (a), have been met.

10. The terms and provisions of the said Agreement, Lease and Indenture and each resolution of the Authority heretofore adopted by the Authority relating to the Bonds or the Project described therein and the application relating thereto are all hereby incorporated by reference and adopted, ratified and confirmed; and the officers of this Authority, Springsted Incorporated as fiscal consultants, and Messrs. Faegre & Benson as bond counsel are hereby authorized and directed to execute and deliver all closing documents and do every other thing necessary or convenient to carry out the terms and provisions of the said

Agreement and each exhibit thereto (including this Series Resolution) to the end that the Project shall be acquired, constructed and operated and that the Bonds shall be delivered, secured and serviced and to carry out the purposes and provisions of the Act with respect thereto without further resolution or other action by this Authority.

Adopted: June 10, 1980

Attest:

________________________ ________________________

Secretary Chairman