OFFICIAL STATEMENT DATED MAY 10, 1989

NEW ISSUE

Rating: Requested from 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 the Bonds is not includable in the gross income of the recipient for United States or State of Minnesota income tax purposes and is not an item of tax preference included in the computation of the alternative minimum tax imposed on individuals under the Internal Revenue Code. Interest on the Bonds is subject to Minnesota franchise taxes on banks and corporations measured by income and is includable in the calculation of certain federal and State of Minnesota taxes imposed on corporations. (See "TAX EXEMPTION" herein.)

$5,105,000

Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Two-T
(College of St. Scholastica, Inc.)

Dated Date: June 1, 1989

Interest Due: June 1 and December 1 commencing December 1, 1989

The Bonds will mature annually on December 1 as follows:

1990	$120,000	1997	$110,000	2003	$170,000	2009	$270,000
1991	$130,000	1998	$120,000	2004	$185,000	2010	$290,000
1992	$140,000	1999	$125,000	2005	$200,000	2011	$315,000
1993	$155,000	2000	$135,000	2006	$215,000	2012	$340,000
1994	$165,000	2001	$150,000	2007	$230,000	2013	$365,000
1995	$175,000	2002	$160,000	2008	$250,000	2014	$400,000
1996	$190,000						

At the option of the Authority all Bonds maturing on or after December 1, 2002 may be redeemed prior to maturity on any interest payment date commencing December 1, 2001. Redemption may be in whole or in part of the Bonds subject to prepayment, and if in part, in such order of maturity as the College of St. Scholastica, Inc. (the "College"), a Minnesota non-profit corporation and owner and operator of the College of St. Scholastica, Duluth, Minnesota, shall direct and by lot within a maturity in integral multiples of $5,000.

The Bonds will also be subject to optional redemption on any interest payment date in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture and in whole but not in part in the event of a Determination of Taxability, as described herein.

Bids must be for not less than $5,013,000, and accrued interet on the total principal amount of the Bonds and must be accompanied by a certified or cashier's check in the amount of $51,050, payable to the order of the Minnesota Higher Education Facilities Authority (the "Authority"). The check of the Purchaser will be retained as liquidated damages in the event the Purchaser fails to comply with the accepted bid. The Authority will deposit the check of the Purchaser, the amount of which will be deducted at settlement.

No basic rate of interest for any maturity shall be lower than any prior rate. Bonds of the same maturity shall bear a single basic rate of interest from the date of the Bonds to the date of maturity. The Bonds will bear additional interest at a rate of 2.00% per annum in the event of a Determination of Taxability as described in the Loan Agreement and the Indenture.

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

The Bonds will be issued in denominations of $5,000, and in integral multiples thereof not exceeding the amount maturing in any maturity, as requested by the Purchaser, and will be fully registered as to principal and interest. First Bank North, National Association, Duluth, Minnesota will act as Trustee, Registrar and Paying Agent for the Bonds.

The Bonds will be delivered without cost to the Purchaser within 40 days following the date of their award. Delivery of the Bonds is subject to receipt of an approving legal opinion by Faegre & Benson, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by its Counsel, Hanft, Fride, O'Brien, Harries, Swelbar & Burns, P.A., Duluth, Minnesota.

The Bonds will not be qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, relating to deductibility of interest incurred by financial institutions to purchase or carry tax-exempt obligations.

THE BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA NOR CONSTITUTE A DEBT FOR WHICH THE FAITH AND CREDIT OF THE AUTHORITY OR THE STATE OF MINNESOTA, OR THE TAXING POWERS OF THE STATE, ARE PLEDGED. THE AUTHORITY HAS NO TAXING POWERS.

BID OPENING: May 24, 1989 (Wednesday) at 11:00 A.M., Central Time

AWARD: May 24, 1989 (Wednesday) at 2:00 P.M., Central Time

SPRINGSTED

PUBLIC FINANCE ADVISORS

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

No dealer, broker, salesman or other person has been authorized by the Authority or the College to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by either the Authority or the College. The information contained herein, except as it relates to the Authority, has been obtained from the College and is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the College since the date hereof.

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

An application for registration of the Bonds under the Minnesota Securities Act, Minnesota Statutes, Chapter 80A, has been filed and the sale of the Bonds is contingent upon registration of the Bonds by the Minnesota Department of Securities.

The Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The registration or qualification of these securities in accordance with applicable provisions of securities laws of the jurisdictions in which the Bonds may be registered or qualified and the exemption from registration or qualification in other jurisdictions shall not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement was prepared for the information of bidders for the Bonds at public sale by the Authority. Only the Arabic numbered pages and the appendices of this Official Statement may be used or reproduced, in whole or in part, for distribution to investors. However, no assurance is given and no representation is made that no additional information will be required if the Bonds are reoffered by the purchasers of the Bonds from the Authority to investors or that this Official Statement states all facts material to an investor who purchases Bonds.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Earl R. Herring, Chairman	Retired, formerly Vice President for Administrative Affairs, Moorhead State University, Moorhead, Minnesota.
Catherine M. Warrick, Vice Chair	Instructor, Metropolitan State University, Saint Paul, Minnesota.
Carol A. Blomberg, Secretary	Vice President, Merchants & Miners State Bank, Hibbing, Minnesota.
Jack Amundson	Partner, McMahon, Hartman, Amundson & Co., Saint Cloud, Minnesota.
Kathryn D. Jarvinen	Hospital Administrator, Winona, Minnesota.
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota.
John A. McHugh	Attorney and Banker, Minneapolis, Minnesota.
David Powers (Ex Officio)	Executive Director, Minnesota Higher Education Coordinating Board, Saint Paul, Minnesota.
Steve Senich	Director of Physical Therapy, Leisure Hills Health Care Center, Hibbing, Minnesota.
John Young, Jr.	Salesman/Construction Foreman, Olson Pool Company, Hawley, Minnesota.

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

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OFFICIAL TERMS OF OFFERING

$5,105,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES TWO-T
(COLLEGE OF ST. SCHOLASTICA, INC.)

Sealed bids for the Bonds will be opened by Dr. Joseph E. LaBelle, Executive Director, Minnesota Higher Education Facilities Authority (the "Authority") on Wednesday, May 24, 1989 at 11:00 A.M., Central Time, at Suite 450, Galtier Plaza, 175 East Fifth Street, Saint Paul, Minnesota 55101, telephone (612) 296-4690. Consideration for award of the Bonds will be by the Board of the Authority at its meeting at 2:00 P.M., Central Time, of the same day.

DETAILS OF THE BONDS

The Bonds will be dated June 1, 1989, as the date of original issue, and will bear interest payable on December 1 and June 1 of each year, commencing December 1, 1989. Interest will be computed upon the basis of a 360-day year of 12 30-day months and will be rounded pursuant to rules of the MSRB. The Bonds will be issued in the denomination of $5,000 each, or in integral multiples thereof as requested by the Purchaser, and fully registered as to principal and interest. Principal will be payable at the main corporate office of the Trustee and interest on each Bond will be payable by check or draft of the Trustee mailed to the registered holder thereof at his address as it appears on the books of the Trustee as of the 15th day of the calendar month next preceding the interest payment.

The Bonds will mature annually on December 1 in the amounts and years as follows:

$120,000	1990	$110,000	1997	$170,000	2003	$270,000	2009
$130,000	1991	$120,000	1998	$185,000	2004	$290,000	2010
$140,000	1992	$125,000	1999	$200,000	2005	$315,000	2011
$155,000	1993	$135,000	2000	$215,000	2006	$340,000	2012
$165,000	1994	$150,000	2001	$230,000	2007	$365,000	2013
$175,000	1995	$160,000	2002	$250,000	2008	$400,000	2014
$190,000	1996						

The Bonds will bear additional interest at a rate of 2.00% per annum in the event of a Determination of Taxability as described in the Loan Agreement and the Trust Indenture.

OPTIONAL REDEMPTION

At the option of the Authority all Bonds maturing on or after December 1, 2002 may be redeemed prior to maturity on any interest payment date commencing December 1, 2001. Redemption may be in whole or in part of the Bonds subject to prepayment, and if in part, in any maturity or maturities as the College of St. Scholastica (the "College") shall direct and by lot within a maturity in integral multiples of $5,000.

The Bonds are also subject to redemption in whole or in part on any interest payment date in certain events of damage or destruction described in a Loan Agreement between the College and the Authority and a Trust Indenture between the Authority and the Trustee, and in whole but not in part in the event of a Determination of Taxability as defined therein. All prepayments shall be at a price of par and accrued interest.

SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College pursuant to the Loan Agreement or from other amounts pledged therefor pursuant to the Trust Indenture. Pursuant to the Loan Agreement, loan repayments sufficient to pay principal, premium (if any) and interest on the Bonds when due are a full faith and credit obligation of the College. The Bonds are additionally secured by a debt service reserve, a security interest in certain housing facility revenues and general tuition, and a mortgage on and security interest in certain property of the College. The debt service reserve will be in the amount of $510,500, unless such amount exceeds the lesser of 10% of the proceeds of the Bonds (par less original issue discount according to the reoffering scale) or maximum annual principal of and interest on the Bonds in which case the debt service reserve will be in the amount of such lesser sum. **The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority, or the State of Minnesota, or the taxing powers of the State, are pledged.** The Authority has no taxing powers. The proceeds will be used for construction of and improvements to College buildings and grounds and acquisition of telephone and computer equipment on the campus of the College in the City of Duluth, Minnesota

TYPE OF BID

A sealed bid for not less than $5,013,000 and accrued interest on the total principal amount of the Bonds 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 $51,050, payable to the order of the Authority, shall have been filed with the undersigned or SPRINGSTED Incorporated, the Authority's financial advisor. No bid will be considered for which said check has not been filed. The check of the Purchaser will be retained by the Authority as liquidated damages in the event the Purchaser fails to comply with the accepted bid. The Authority will deposit the check of the Purchaser, the amount of which will be deducted at settlement. Rates offered by Bidders shall be in integral multiples of 5/100 or 1/8 of 1%. No basic rate of interest specified for a maturity shall exceed the basic rate of interest specified for any subsequent maturity. Bonds of the same maturity shall bear a single basic rate from the date of the Bonds to the date of maturity.

AWARD

Subject to the Authority's reservation of rights as described below, the Bonds will 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 any amount less than par, to the total dollar interest on the Bonds from their date to their final scheduled maturity. The Authority's computation of the total net dollar interest cost of each bid, in accordance with customary practice, will be controlling.

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

TRUSTEE

The Trustee will be First Bank North, National Association, Duluth, Minnesota, which shall also act as Registrar and Paying Agent.

CUSIP NUMBERS

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

SETTLEMENT

It is expected that on or about June 26, 1989, the Bonds will be delivered without cost to the Purchaser at the office of the Authority or at such other place mutually satisfactory to the Authority and the Purchaser. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Faegre & Benson of Minneapolis, Minnesota, as to the validity and exemption of the Bonds from federal and State of Minnesota income tax, which opinion will be printed on the Bonds, and of customary closing papers, including a no-litigation certificate and a certificate pertaining to information in the Official Statement. Certain legal matters will be passed on for the College by its counsel. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the Trustee not later than 1:00 P.M., Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the Authority, or its agents, the Purchaser shall be liable to the Authority for any loss suffered by the Authority by reason of the Purchaser's non-compliance with said terms of payment.

OFFICIAL STATEMENT

Prospective bidders may obtain a copy of the Official Statement by request to the Authority's financial advisor. The Purchaser will be provided with 100 copies of the Official Statement.

Dated April 26, 1989

BY ORDER OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

/s/ Joseph E. LaBelle, Executive Director

SCHEDULE OF BOND YEARS

$5,105,000
REVENUE BONDS, SERIES TWO-T
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Year	Principal	Bond Years	Cumulative Bond Years
1990	$120,000	180.00	180.00
1991	$130,000	325.00	505.00
1992	$140,000	490.00	995.00
1993	$155,000	697.50	1,692.50
1994	$165,000	907.50	2,600.00
1995	$175,000	1,137.50	3,737.50
1996	$190,000	1,425.00	5,162.50
1997	$110,000	935.00	6,097.50
1998	$120,000	1,140.00	7,237.50
1999	$125,000	1,312.50	8,550.00
2000	$135,000	1,552.50	10,102.50
2001	$150,000	1,875.00	11,977.50
2002	$160,000 c	2,160.00	14,137.50
2003	$170,000 c	2,465.00	16,602.50
2004	$185,000 c	2,867.50	19,470.00
2005	$200,000 c	3,300.00	22,770.00
2006	$215,000 c	3,762.50	26,532.50
2007	$230,000 c	4,255.00	30,787.50
2008	$250,000 c	4,875.00	35,662.50
2009	$270,000 c	5,535.00	41,197.50
2010	$290,000 c	6,235.00	47,432.50
2011	$315,000 c	7,087.50	54,520.00
2012	$340,000 c	7,990.00	62,510.00
2013	$365,000 c	8,942.50	71,452.50
2014	$400,000 c	10,200.00	81,652.50

Average Maturity: 15.99 Years

Bonds Dated: June 1, 1989

Interest Due: December 1, 1989 and each June 1 and December 1 to maturity.

Principal Due: December 1, 1990-2014 inclusive.

Optional Call: Bonds maturing on or after December 1, 2002 are callable commencing December 1, 2001 and any interest payment date thereafter at par. (See Official Terms of Offering.)

c: subject to optional call

OFFICIAL STATEMENT

$5,105,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY REVENUE BONDS, SERIES TWO-T

(COLLEGE OF ST. SCHOLASTICA, INC.)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the College of St. Scholastica, Inc., Duluth, Minnesota, (the "College") in connection with the issuance of the Authority's $5,105,000 Revenue Bonds, Series Two-T (College of St. Scholastica, Inc.) (the "Bonds" or the "Issue").

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

The Bonds are also issued pursuant to the Trust Indenture between the Authority and First Bank North, National Association, Duluth, Minnesota, (also known as First Bank Duluth) as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Issue.

Pursuant to a Loan Agreement between the College and the Authority, the College will covenant as a general obligation of the College to make payments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the College by the Authority to finance the acquisition of space and renovation and construction of College buildings and acquisition of telephone and computer equipment, as more fully described under "THE PROJECT", pages 4 and 5.

The Bonds are secured by a mortgage on and security interest in the student residence facilities to be constructed with proceeds of the Bonds and by a security interest in certain dormitory revenues and certain Tuition revenues.

The Reserve Account will be funded from proceeds of the Issue in the amount of $510,500, unless such amount exceeds 10% of the proceeds of the Bonds (par less original issue discount according to the reoffering scale) or maximum annual principal of and interest on the Bonds, in any remaining Bond Year, in which case the debt service reserve will be in the amount of such lesser sum.

The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority or the State of Minnesota or the taxing powers of the State are pledged. The Authority has no taxing powers.

The foregoing Introductory Statement is a summary only. For more specific explanations, reference should be made to the following pages and appendices of this Official Statement.

THE BONDS

The Bonds will be dated June 1, 1989 and will mature each December 1, commencing December 1, 1990, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on June 1 and December 1, commencing December 1, 1989.

The Bonds will be registered at the office of First Bank North, National Association, Duluth, Minnesota, as Trustee; the Trustee will also be the Registrar and Paying Agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Owner thereof or the Owner's authorized attorney satisfactory to the Trustee, subject to such reasonable regulations as the Trustee may prescribe, and shall be without expense to the Owner, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for new Bonds of the same maturity which may be of any authorized denominations so long as the aggregate principal amount thereof equals the aggregate principal sum of the Bonds surrendered. Payment of principal will be at the corporate office of the Trustee and payment of interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Authority.

Transfers shall not be made with respect to any Bonds called for redemption or during any period within fifteen days next prior to the required date for mailing or publication of notice of such redemption.

Interest on any Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name the Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such interest payment date (the "Regular Record Date"). Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any interest payment date shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such defaulted interest may be paid by the Trustee on a "Special Record Date," as follows:

(a) Subject to the provisions of Article VII of the Indenture relating to application of money upon the occurrence of an Event of Default, upon receipt by the Trustee of any defaulted interest, the Trustee shall fix a Special Record Date for the payment of such defaulted interest which shall not be more than fifteen days nor less than ten days prior to the date of the payment set by the Trustee in its discretion, but not less than ten days after the receipt by the Trustee of such defaulted interest. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name of the Authority, shall cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed first class postage prepaid, to each Holder at his address as it appears on the registration books on a date determined by the Trustee, but not less than ten days prior to such Special Record Date. The Trustee may, in its discretion in the name of the Authority, cause a similar notice to be published at least once in a financial journal, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such defaulted interest and the Special Record Date therefor having been mailed as aforesaid, such defaulted interest shall be paid to the registered Owners on such Special Record Date and shall no longer be payable pursuant to the following paragraph (b).

(b) Subject to the provisions of Article VII of the Indenture, the Trustee may make payment of any defaulted interest on the Bonds in any other lawful manner, if after notice given to the Authority by the Trustee of the proposed payment pursuant to this paragraph (b), such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions, each Bond delivered under the Indenture upon transfer of, or in exchange for, or in lieu of, any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Prior Redemption

Bonds maturing on or after December 1, 2002 are subject to optional redemption, in whole or in part and if in part, in such order of maturity as the College shall direct and by lot within a maturity, in integral multiples of $5,000, on any interest date, commencing December 1, 2001 at par plus accrued interest.

The Bonds will also be subject to optional redemption at par and accrued interest, as a whole or in part, on any interest payment date, in certain cases of damage to or destruction or condemnation of the Project Facilities, and as a whole but not in part, upon a Determination of Taxability as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS - Loan Agreement").

<u>Partial Redemption</u>

In the case of Bonds of denominations greater than $5,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each $5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. If it is determined that one or more, but not all, of the $5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such $5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the $5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the registered Owner thereof, without charge therefor. If the Owner of any such Bond of a denomination greater than $5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the $5,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said $5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

<u>Notice of Redemption</u>

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than thirty days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance (as amended by H.R. 151, if enacted by Congress in substantially the form pending on May 1, 1989), the Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic rate from the date of taxability effective until the respective dates on which the principal of the Bonds is paid. See "Tax Exemption" at page 13 and Appendix III, "Definition of Certain Terms."

The College will have the option to prepay the Loan in full but not in part on any interest payment date after a Determination of Taxability at a price of par and accrued interest (including additional interest from the date of taxability).

USE OF BOND PROCEEDS

Bond proceeds will be used approximately as follows:

Project Costs	$4,492,400
Underwriters Discount and Issuance Costs	102,100
Estimated Debt Service Reserve	510,500
Bond Issue	$5,105,000

In the event the underwriting discount with issuance costs exceed 2% of the proceeds (par less original issue discount according to the reoffering scale), such excess issuance costs shall be paid by the College from other than Bond proceeds.

Accrued interest received at Bond Closing will be deposited into the Bond and Interest Sinking Fund Account and applied as a credit against the amount to be deposited in the Bond and Interest Sinking Fund on or before the next interest payment date. To the extent the purchase price exceeds the minimum price, the additional Bond proceeds will be deposited in the Construction Account and may be used for Project Costs.

THE PROJECT

The Project consists of the following components:

1. The construction, furnishing and equipping of three apartment-style residence facilities to house 46 students each, with appurtenant site improvements. The College currently is able to house approximately 25% of its student body on campus, and the occupancy rate for existing student housing has been 100% of capacity. Through analysis of retention statistics, a survey sent to 566 students living off campus, and the projected increase in students for the 1989 fall term, the College projects a need for up to 138 additional beds in apartment-style living quarters. The construction of the three

residence buildings will fulfill this need. The cost of the residences will be approximately $2,070,350 and construction of two of the units will be completed in time for the 1989 fall term. The student residence facilities will be constructed on property owned by the College.

2. The acquisition, construction and equipping of seven garage stalls to house grounds vehicles, repair shops and a carpenter shop at a cost of approximately $221,200.

3. The acquisition, renovation and equipping of space in Tower Hall for office, classroom and study lounge use at an estimated cost of $1,750,000. The space to be renovated is currently being utilized by the Benedictine Sisters Benevolent Association ("BSBA"). During the summer of 1989, 7,500 square feet will be renovated. An additional 25,000 square feet will be renovated for classrooms, offices and study/lounge space within the next two to three years.

4. The acquisition and installation of a new campus telephone system at a cost of approximately $300,000.

5. The acquisition and installation of computer hardware and software at a cost of approximately $150,000.

The Loan Agreement provides that the College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the Institution, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds.

THE LEASE

The College currently leases approximately 71% of Tower Hall, as well as certain other facilities, pursuant to a Lease dated June 11, 1987 between the College and the BSBA, which Lease is automatically renewable at the College's option for successive ninety-nine year terms. In connection with Bond Closing, the Lease will be amended to include additional space in Tower Hall to be acquired as part of the Project and the College will also lease or otherwise acquire from the BSBA the sites of the garages and shops to be constructed as part of the Project. Under the Lease, the College is obligated to pay, in addition to $1 per year base rent, its allocable share of real estate taxes and assessments, and certain maintenance and other expenses pursuant to a Maintenance Agreement executed in connection with the Lease. Prior to Bond Closing, the Lease will also be supplemented by an additional agreement relating to allocation of insurance proceeds or a condemnation award if Tower Hall should be damaged or destroyed by fire or other casualty or should be taken in a condemnation proceeding, and certain other matters.

SUMMARY OF SECURITY FOR THE BONDS

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including moneys and investments in the Reserve

Account. The Reserve Account will be fully funded from proceeds of the Bonds in an amount equal to the lesser of 10% of the proceeds of the Bonds (par less original issue discount according to the reoffering scale) or maximum annual principal of and interest on the Bonds, in any remaining Bond Year (the "Reserve Requirement"), initially expected to be approximately $510,500.

Pursuant to the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), the College will mortgage and grant a security interest to the Authority in the new student residence facilities, the sites thereof, and the furnishings and equipment from time to time located therein to secure its obligations to make timely Loan Repayments (see "SUMMARY OF DOCUMENTS - The Mortgage"). The Authority will, in turn, assign its interest in the Mortgage to the Trustee to be held by the Trustee as part of the Trust Estate.

Under the Mortgage the College will assign to the Trustee a first lien on the gross revenues of the new student residence facilities. The annual gross revenues of each, assuming 100% occupancy, are estimated to be as follows:

46 students at $1,396	$64,216
Summer rental	10,663
Total Gross Revenues	$74,879

The College will also assign to the Trustee, pursuant to the Security Agreement, a lien on all cash and rights to payment, including accounts receivable and general intangibles, in respect of Available Tuition and proceeds thereof in an amount not exceeding 4% of the Tuition payable to the College in the Fiscal Year of the Institution in which the Trustee first exercises its rights or remedies under the Security Agreement upon an Event of Default under such Security Agreement. This lien is subordinate to the lien and security interest in the first 2.2% of Tuition pledged to $1,065,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-L, which are dated December 1, 1985 and have a final maturity of December 1, 2001. Four percent of the College's Fiscal Year 1987/88 Tuition was $388,448.

The College will also covenant that:

a. At June 30, 1990 and at the end of each Fiscal Year thereafter, for at least two of the preceding three Fiscal Years (including such Fiscal Year), Current Fund revenues shall be not less than Current Fund expenditures, including mandatory transfers, according to the principles of accounting used in the preparation of the College's financial statements for the Fiscal Year ended June 30, 1988 prepared by Peat Marwick Main & Co. In the event that, following any Fiscal Year, the College shall not be in compliance with this paragraph (a), the College may cure such deficiency by making a deposit to the Current Fund, during or within 180 days of the close of such Fiscal Year, sufficient to cure the deficiency. Such deposit may be made from the unencumbered Board-controlled Unrestricted General Endowment Funds, if such Unrestricted General Endowment Funds may legally be transferred to the Current Fund by action of the Board of Trustees, but not if such deposit will cause the College's unencumbered Board-controlled Unrestricted General Endowment Fund Balance to be less than $800,000. No such deposit may be made from any proceeds of the Bonds or other borrowed funds.

b. At June 30, 1989 and at the end of each Fiscal Year thereafter, the Board-controlled unencumbered Unrestricted General Endowment Fund Balance shall not be less than $800,000. Within 30 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an authorized institution representative showing the unencumbered, Board-controlled Unrestricted

General Endowment Fund Balance, the investments thereof, the estimated valuations of such investments, and the amount thereof (if any), which is pledged to secure obligations of the College or is otherwise encumbered, all as of the end of the Fiscal Year. If at the end of any Fiscal Year, the unencumbered, Board-controlled Unrestricted General Endowment Fund Balance does not equal or exceed $800,000, the College shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) and cause to be credited to unencumbered Unrestricted General Endowment Fund Balance additional unencumbered, Board-controlled moneys or investments at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the College for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

c. For so long as the Bonds remain outstanding, the College shall incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt outstanding and further excepting indebtedness for capital projects for which the College has received funds on hand or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless at the end of the last Fiscal Year for which audited financial statements are available the Debt Service Coverage Ratio was at least 120% of Maximum Annual Debt Service of (A) then outstanding Funded Debt and (B) Funded Debt thereafter issued or proposed to be issued; provided that if the additional Funded Debt proposed to be issued is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service the estimated Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an independent management consultant to the College and the Trustee; and provided further that if the additional Funded Debt proposed to be issued is to finance other College facilities and if the Board of Trustees has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, for purposes of this paragraph (c), there shall be added to Net Income Available for Debt Service for the earlier Fiscal Year the amount of increase net of increased operating expenses, as estimated in a report of an independent management consultant to the College and the Trustee.

For purposes of (a), (b), and (c) above, all capitalized terms used but not otherwise defined herein shall have the meanings provided for audits of colleges and universities, as applied by Peat Marwick Main & Co. in the report of the College's financial statements for the Fiscal Year ended June 30, 1988.

The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority or the State of Minnesota, or the taxing powers of the State, are pledged. The Authority has no taxing powers.

The College will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds.

The Bonds will not be secured by the General Bond Reserve of the Authority (see "ACCOUNTS - General Bond Reserve Account").

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which the proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account, except that the amount of the Reserve Requirement (approximately $510,500) will be deposited into the Reserve Account and accrued interest will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account and the Redemption Account and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds when due and into the Reserve Account to maintain a debt service reserve in the amount of the Reserve Requirement.

Construction Account

There shall be deposited initially into the Construction Account the proceeds received from sale of the Bonds, exclusive of accrued interest and the Reserve Requirement which proceeds shall be approximately $4,594,500, less the amount of underwriters discount. In addition, the College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of available general funds all costs of issuance of the Bonds (including underwriting discount according to the reoffering scale) in excess of 2.00% of the proceeds of the Bonds (principal less original issue discount according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project. When the Project has been completed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account, or the Redemption Account.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from earnings on other accounts established under the Indenture and from Loan Repayments made by the College. The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the amount of the Reserve Requirement. All amounts paid by the College as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or Redemption Account will be deposited into the Reserve Account in order to maintain the Reserve Account in an amount not less than the Reserve Requirement, initially expected to be $510,500. All amounts in the Reserve Account are irrevocably pledged to the payment of principal of and interest on the Bonds.

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the College shall restore the deficiency forthwith. Investments in the Reserve Account are to be valued at the end of each Fiscal Year at par or (if purchased at a premium or discount) at amortized cost.

Interest and income of the Reserve Account shall be transferred to the Bond and Interest Sinking Fund Account if not necessary to maintain the balance in the Reserve Account as above provided, and when the moneys and investments in the Reserve Account shall be sufficient to pay the principal of and interest on all outstanding Bonds when due, such moneys and investments shall be transferred, as appropriate, into the Bond and Interest Sinking Fund Account or the Redemption Account; provided that the Trustee is authorized, in its discretion, to use funds and investments in the Reserve Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Redemption Account

Any amounts received which are not otherwise committed will be paid into the Redemption Account. Funds in this Account will be available to maintain required balances in other accounts and to purchase or redeem Bonds. No specific amounts are required. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College of the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

General Bond Reserve Account

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account, Bond and Interest Sinking Fund Account, the Reserve Account, or the Redemption Account shall be invested by the Trustee only in Authorized Investments described in Section 5.04 of the Indenture. Obligations so purchased shall be deemed at all times to be a part of the respective fund or account, but may from time to time be sold or otherwise converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to such fund or account. The type, amount and maturity of any such investments shall conform to any instructions of the Authorized Institution Representative. Any interest and income accruing on and any profit realized from such investment shall be credited against Loan Repayments to be deposited by the College under the Loan Agreement. Any such interest or other investment income or profit not credited to

Loan Repayments and deposits therefor under the Loan Agreement, and not needed to provide payments on the Bonds, shall be used as promptly as possible and in integral multiples of $5,000 for the redemption of Bonds or the purchase of Bonds on the market, it being intended that interest, income and profit shall not be permitted to accumulate but shall be used to provide for the payment of principal of and interest on the Bonds or for the prior redemption or retirement of Bonds. Investment of funds shall be limited as to amount and yield of investment in such manner that no part of the outstanding Bonds shall be deemed "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986 and regulations thereunder.

THE AUTHORITY

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

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $150 million. The Authority has had 49 issues (including refunded and retired issues) totaling $168,425,000 of which $106,985,000 (excluding the Bonds) is outstanding as of April 2, 1989. Additionally, one issue in the amount of $4,415,000 is in the process of issuance by the Authority. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. However, pursuant to special legislation, the Authority has once issued bonds on behalf of a State owned and operated post-secondary institution. 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.

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 education 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 bonds of the Authority then outstanding, including payment of any redemption premium thereon and any interest accrued or to accrue to the earliest or any subsequent date of redemption.

The Authority is financed solely from fees paid by the participating institutions; it has no taxing power.

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

RATING

An application for a rating of the Bonds 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 judgment of Moody's, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

LITIGATION

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

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Faegre & Benson of Minneapolis, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the College by Hanft, Fride, O'Brien, Harries, Swelbar & Burns, P.A., Duluth, Minnesota.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) a limitation of $150,000,000 on the aggregate principal amount of "tax-exempt nonhospital bonds" (generally defined as bonds for other than acute care, in-patient hospital facilities) that is allocated to the College or any 501(c)(3) organization under common management or control with the College as an owner or user of facilities financed with proceeds of such bonds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts and (3) provisions which require that certain investment earnings be rebated periodically to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the College, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. Certificates will be furnished by officers of the Authority and the College to Bond Counsel at closing to the effect that, at the date of issuance of the Bonds, not more than $150,000,000 of tax-exempt nonhospital bonds (including the Bonds) are outstanding allocable to the College and 501(c)(3) organizations under common management or control. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum from the date of taxability until the respective dates on which the principal of the Bonds is paid. (See "THE LOAN AGREEMENT- Determination of Taxability" in Appendix IV). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

Under present provisions of the Code, interest on the Bonds is exempt from federal income taxes, including the alternative minimum tax imposed with respect to individuals and corporations and the environmental tax imposed with respect to corporations, except that interest on the Bonds will be included in the computation of "adjusted net book income" (or, for taxable years beginning after 1989, "adjusted current earnings"), which may be an item of tax preference includable in alternative minimum taxable income used in calculating the alternative minimum tax that may be imposed with respect to corporations.

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (determined as described above) over $2 million. Regardless of whether a corporation is subject to the alternative minimum tax, the environmental tax applies with respect to taxable years beginning after December 31, 1986 and before January 1, 1992.

The Code imposes a 30% branch profits tax on the taxable income of a United States branch of certain foreign corporations attributable to its taxable income effectively connected (or treated as effectively connected) with a United States trade or business and a tax equal to 30% of the "dividend equivalent amount" which is measured by "earnings and profits" effectively connected to the United States, net of certain adjustments. Included in the earnings and profits of a United States branch of a foreign corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Bonds. Existing United States income tax treaties may modify, reduce or eliminate the branch profits tax except in cases of "treaty shopping."

In addition, interest on the Bonds is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of a property casualty or other insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year. In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of its gross receipts is passive investment income.

The Code further provides that interest on the Bonds is includable in the calculation of modified adjusted gross income in determining whether Social Security or railroad retirement payments are to be included in taxable income of individuals.

Bondholders should consult their tax advisors with respect to collateral consequences arising from the receipt of interest on the Bonds, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability, or the inclusion of social security or other retirement payments in taxable income.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Faegre & Benson, Bond Counsel, under present laws and rulings: interest on the Bonds is exempt from Federal and Minnesota income tax (other than Minnesota corporate and bank excise taxes measured by income). Interest on the Bonds is not treated as a preference item includable in alternative minimum taxable income for purposes of the Federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts, but is includable in "book income" or in "adjusted current earnings" for purposes of computing the alternative minimum tax and the environmental tax that may be imposed with respect to corporations.

There is pending in the Congress of the United States H.R. 151, introduced by Representative Brian Donnelly (D-Mass.). H.R. 151, if enacted, would impose certain low-income targeting requirements with respect to certain qualified 501(c)(3) bonds issued for housing purposes. Since the apartment-style student housing facilities will not be traditional dormitories, an inquiry was made of Rep. Donnelly whether he intended that H.R. 151 would apply to the Bonds. In a letter dated May 1, 1989 to Representative James Oberstar, representing the district in which the College is located, Rep. Donnelly stated that since student housing is not available to members of the general public, it is not "housing" within the meaning of H.R. 151 and that he does "not intend for H.R. 151 to apply to student housing similar to that contemplated for the College of St. Scholastica." Moreover, if H.R. 151 is enacted into law in substantially the form pending on May 1, 1989, and if the interest on the Bonds were determined to be taxable by reason of the provisions of H.R. 151, a Determination of Taxability would be deemed to have occurred under the Loan Agreement, requiring the payment of additional interest from the Date of Taxability and giving the Institution the right to redeem the Bonds at par plus accrued interest (including additional interest). See "The Bonds - Determination of Taxability" at page 4 and Appendix III, "Definition of Certain Terms."

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

CERTIFICATION

Officials of the Minnesota Higher Education Facilities Authority, and the College of St. Scholastica, Inc. for and on behalf of their respective entities only will, at Bond closing, furnish certificates to the effect that this Official Statement, as of its date, May 10, 1989, and the date of such certificate did not and does not contain any untrue statement of a 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.

THE COLLEGE

Governance

The College of St. Scholastica, originally founded as a women's college, is now a coeducational, four-year, liberal arts college. It was established 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 34 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 25% 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 and Officers of the Board of Trustees

President

Dr. Daniel Pilon, 46, became the ninth president of the College of St. Scholastica, Duluth, Minnesota, on August 1, 1981.

Dr. Pilon was previously employed as vice president for campus services for the Council for the Advancement of Small Colleges, Washington, D.C., where he held the responsibility for the Council's national consulting network.

He holds a bachelor's degree in philosophy from Sacred Heart Seminary, Detroit; a master's in education from Marygrove College, Detroit; and a doctorate in administration from the University of Michigan, Ann Arbor. He has done additional graduate work in theology, has led numerous workshops, and has served as a consultant in general college administration and management.

Formerly he served as assistant to the president at Aquinas College, Grand Rapids, Michigan, and taught at Shrine High School, Royal Oaks, Michigan.

An active member of any community in which he has resided, President Pilon is a member of the boards of directors of the Duluth-Superior Symphony Orchestra, the United Way of Greater Duluth, the Northeastern Minnesota Development Association, Minnesota Public Radio, and the Duluth-Superior Area Educational Television Corporation.

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 1987, the BSBA and the College entered into a Lease Agreement which superceded any prior agreement, and by which the BSBA gave the College exclusive use of the classroom and office areas of Tower Hall, of the Library and of certain other facilities owned by the BSBA on the Campus for a period of 99 years. (See page 5, "The Lease.")

Thirty-five BSBA members are employed full-time and part-time by 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 Fiscal Year 1987/88 the net amount of Contributed Services was $431,290, after maintenance services to BSBA of $270,564.

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 has made no commitment for payment of the Bonds to which this Official Statement relates. The BSBA has no legal commitment for financial support of the College.

The Campus

The 160 acre campus is located on the north edge of the City of Duluth (1988 population 83,065). The campus is close to national forests and parks, ski areas, lakes and rivers making it an attractive setting for students.

Campus Facilities

Facility		Year Built	Estimated Cost	1989 Replacement Value	Use
1.	Tower Hall* (in part)	1910-1926	$2,054,016	$11,277,577	Classroom & Offices
2.	Gymnasium*	1925	47,000	309,676	Drama Theatre
3.	Home Economics Building*	1950	7,000	27,848	Home Economics Department
4.	Warming House*	1947	3,000	24,507	Field Sports
5.	Somers Hall	1964	2,195,795	7,494,888	Dormitory
6.	Science Building	1969	2,882,300	7,026,764	Classrooms
7.	Plastic Greenhouse	1968	Part of Science Bldg.	60,152	Greenhouse
8.	Grove Apartments	1973	425,070	818,749	Student Housing
9.	Chapel* Library*	1938	2,785,000	1,712,605 3,324,468	Chapel Library
10.	Pine Student Housing	1974	285,000	605,985	Student Housing
11.	Myles Reif Recreation Facility	1979	995,290	1,344,531	Recreation & Sports
Total			$11,679,471	$34,027,750	

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

Academic Information

The College's academic year consists of fall, winter and spring quarters and four summer sessions. The full-time student quarterly load is 16 quarter credits. Satisfactory completion of a minimum of 192 quarter credits is needed for graduation. The College grants a Bachelor of Arts Degree (B.A.) The College also grants a Master of Education Degree (M.Ed.), a Master of Arts degree in the Psychology of Aging, a Master of Arts degree in Nursing, and a Master of Arts degree in management.

The College offers courses in more than 40 majors, five pre-professional programs, certificate programs in computer science/information systems and gerontology, and licensure programs in teaching and coaching.

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

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

The College is approved by the American Dietetic Association, 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).

Approximately 34% of degree-seeking students are in one of the health science programs. All of these programs were enhanced during 1980-81 with the opening on campus of the Benedictine Health Center, a 120 bed facility primarily for extended care which also has day care programs for the elderly and children, and out-patient physical therapy programs. The College also has affiliation agreements for clinical training with the three hospitals in Duluth.

Adult students who are 23 and over or who have been out of high school for three years or more may pursue a Bachelor of Arts Degree through the College's ENCORE! program. The program offers some late afternoon, evening and weekend classes to minimize conflict with full-time work schedules. ENCORE! is sensitive to the needs and aspirations of adults returning to college and is designed to ease the adult learner into the college experience with special entry courses. Personal, career guidance, study skills assessment workshops and placement services are provided.

The College has joined with six other schools to form the Lake Superior Association of Colleges and Universities to explore the sharing of faculties, courses, students, facilities and extracurricular activities. The other schools include: University of Minnesota-Duluth; University of Wisconsin-Superior; Northland College, Ashland, Wisconsin; University of Wisconsin Center, Barron County in Rice Lake, Wisconsin; Nicolet College and Technical Institute, Rhinelander, Wisconsin; and Mt. Senario College, Ladysmith, Wisconsin.

Student Body

The College's head count enrollment and full-time fall enrollment, actual and projected are:

	(Fall) Year	Headcount	Full-Time
Actual:	1984	1,431	1,157
	1985	1,449	1,130
	1986	1,535	1,182
	1987	1,653	1,272
	1988	1,849	1,440
Projected:	1989	1,950	1,540
	1990	2,000	1,580
	1991	2,050	1,619
	1992	2,100	1,659
	1993	2,150	1,698

The College's Board of Trustees has established the goal of enrolling 2,400 students by the year 2000, a 25% increase over the current enrollment. As of April 21, 1989, the College had received 695 applications for the 1989 fall term, compared to 601 at that same date in 1988; 136 enrollment deposits, compared to 110 last year at that date; and 208 signed housing contracts, compared to 160 last year at that date.

First-Time Traditional-Age, Applications, Acceptances and Enrollments

	1984/85	1985/86	1986/87	1987/88	1988/89
Applications	485	397	417	501	518
Acceptances	466	376	389	452	472
Enrollments	229	189	233	268	279

Tuition and Fees

The following table lists the schedule of charges for a full-time, resident student for the past five years:

	1984/85	1985/86	1986/87	1987/88	1988/89
Annual Tuition	$4,977	$5,676	$6,132	$6,594	$7,236
Room:					
Grove Apts.	957	996	996	1,035	1,077
Pines Apts.	1,128	1,173	1,173	1,221	1,269
Residence Hall	939	978	1,401	1,458	1,515
Board	1,449	1,506	1,143	1,176	1,200
Fees	126	126	135	45	45

In addition, students taking certain courses are charged laboratory fees.

Financial Aid

The following table is a five-year trend of financial aid by category received by students:

	1984/85	1985/86	1986/87	1987/88	1988/89
Federal:					
Work/Study	$ 166,303	$ 167,788	$ 169,151	$ 166,634	$ 168,947
Guaranteed Student Loans	2,270,886	2,345,653	2,266,846	2,676,251	3,091,596
NDSL	377,662	282,191	360,409	333,114	425,000
SEOG	148,118	157,172	155,506	161,307	157,172
Pell Grants	641,033	753,690	790,160	885,205	1,262,009
Miscell. Grants	180,029	181,293	130,623	192,260	291,854
State of Minnesota:					
Grants	1,107,043	1,247,829	1,737,784	2,197,415	2,270,000
Loans	19,500	55,015	190,905	253,439	243,484
Work/Study	25,521	27,560	30,731	28,989	36,763
College:					
Grants/Scholarships	875,077	879,820	1,030,787	1,101,795	1,537,597
Student Discount	100,497	163,527	170,138	210,415	205,670
Endowed Scholarships	27,994	20,686	29,216	34,601	44,940
Foundation Scholarships	139,138	143,079	148,854	158,001	153,784
Faculty/Staff Discounts	163,595	194,117	229,227	249,675	322,300
Work/Study	152,697	182,868	222,887	197,216	185,294
Total	$6,395,093	$6,802,288	$7,663,224	$8,846,317	$10,396,410

Faculty and Staff

The College employs a total of 228 persons full-time and 57 persons part-time, including 148 lay and religious faculty.

	Full-Time	Part-Time
Lay Faculty	89	40
Religious Faculty	17	2
Total	106	42

Thirty-seven full-time faculty members are tenured, or 35%. The faculty-student ratio is 1:13.9.

Unions

Four College employees and another twenty employees shared with the BSBA are members of the International Union of Operating Engineers. The current contract expires on June 30, 1989. No other employees are in organized bargaining units or are covered by union contracts.

Insurance

The College currently carries $1,000,000 base insurance with a deductible amount of $5,000 and an umbrella liability insurance in the amount of $10 million for each occurrence and $10 million yearly aggregate with a deductible amount of $10,000. By the Loan Agreement, the College is required to carry a minimum of $5 million for each occurrence and $5 million yearly aggregate, and the deductible amount may be no more than $50,000.

Pensions

The College participates in the Teachers Insurance and Annuity Association and College Retirement Equities Fund program (TIAA-CREF) which covers full-time faculty and staff employees. Benefits are based upon amounts accumulated for the account of each individual employee at date of retirement. For the Fiscal Year ending June 30, 1988, the College contributed $183,028.

Litigation

The College has litigation pending; however, such litigation is either covered by insurance or, in the opinion of the College, not of a material nature.

Endowment Funds

Following is a five-year history of fund balances of the College's endowment and similar funds.

Year Ending June 30	Unrestricted Endowment Funds	Restricted Endowment Funds
1988	$872,205	$2,244,529
1987	745,689	1,287,603
1986	643,556	1,006,960
1985	659,379	878,212
1984	652,885	833,128

Unrestricted Endowment Funds are funds designated by the College's Board of Trustees to be used for endowment purposes. Restricted Endowment Funds include both Board-restricted funds and donor-restricted funds.

Capital Campaign

In 1988, the College began a capital campaign drive with a goal of $10,000,000. One-half of the campaign is dedicated to increasing endowment and one-half is for physical facilities. As of May 1, 1989, $3,000,000 has been pledged.

Financial Statements

The College's fiscal year ends on June 30 of each year. Financial records are maintained on the fund accounting system and financial statements have been prepared on the accrual basis of accounting. Appendix V sets forth the financial statements of the College for the year ended June 30, 1988 with comparative to feels for 1987, which statements have been examined by Peat Marwick Main & Co. Peat Marwick Main & Co. has not read this Official Statement and expresses no opinion on its contents.

Page I-11 is the College's Current Fund summary of revenues, expenditures and other changes for Fiscal Years 1984 through 1988, taken from the annual financial statements. Page I-12 is a statement of Current Fund revenues, expenditures and other changes for the period July 1, 1988 through May 4, 1989, with projections to June 30, 1989 and the Current Fund budget for Fiscal Year 1989.

Long-Term Debt of the College as of June 30, 1988

1. College of St. Scholastica Dormitory and Dining Hall Bonds of 1962 at 3.5%; 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 1988 $121,356 was on deposit in the repair and replacement reserve account. $1,105,000 is outstanding with final maturity October 1, 2002.

2. College of St. Scholastica Science Building Bonds of 1968 at 3%; 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. As of June 30, 1988, there was $62,417 deposited in the debt service reserve fund for the issue which

reserve fund is funded by Endowment Fund assets. $535,000 is outstanding with final maturity October 1, 1998.

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 the Authority 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% under a grant agreement with the United States Department of Housing and Urban Development. As of the end of the Fiscal Year 1988, $34,902 was on deposit in the debt service reserve account, $52,554 in the repair and replacement reserve account. $280,000 is outstanding with a final maturity of March 1, 1997.

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 the Authority 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. As of the end of the Fiscal Year 1988, $33,389 was on deposit in the debt service reserve account. $220,000 is outstanding with a final maturity of June 1, 1999.

5. Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series Two-B (College of St. Scholastica, Inc.). The bonds are secured by a first mortgage lien on the Reif Recreation Facility owned by the Authority and leased to the College. The full faith and credit of the College are pledged for payment of the bonds. As of the end of the Fiscal Year 1988, $257,471 was on deposit in the debt service reserve account and $121,596 was deposited in the redemption account. $750,000 is outstanding with a final maturity of May 1, 1993.

6. A $566,205 share in the Minnesota Higher Education Facilities Authority Pooled Revenue Bonds, Series 1983-A. The full faith and credit of the College are pledged for payment of the bonds. $460,805 is outstanding, payable through September 1, 1991.

7. Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-L (College of St. Scholastica, Inc.). The bonds are secured by the full faith and credit of the College and a pledge of 2.2% of the annual student tuition receipts. As of the end of Fiscal Year 1988, $323,602 was on deposit in the debt service reserve account. $995,000 is outstanding with a final maturity of December 1, 2001.

8. The Bonds.

Total long-term debt excluding the Series Two-T Bonds as of June 30, 1988: $4,345,805

Long-Term Debt Service and Coverage

The following table sets forth the principal and estimated debt service on the Bonds and the College's outstanding debt service by Fiscal Year. Debt service coverage calculations use $1,325,956, which for Fiscal Year 1988 was the sum of Current Fund revenues less expenditures and mandatory transfers, excluding mandatory transfers for debt service.

Fiscal Year	The Bonds Principal	The Bonds Principal and Interest(a)	Outstanding Debt Service	Total Projected Debt Service(b)	Coverage
1989			$ 525,838	$ 525,838	2.52
1990		$ 398,373	594,534	992,907	1.34
1991	$ 120,000	513,963	596,979	1,110,942	1.19
1992	130,000	514,775	603,842	1,118,617	1.19
1993	140,000	514,853	744,225	1,259,078	1.05 (c)
1994	155,000	518,973	348,770	867,743	1.53
1995	165,000	517,091	346,065	863,156	1.54
1996	175,000	514,383	347,668	862,051	1.54
1997	190,000	515,648	347,248	862,896	1.54
1998	110,000	424,295	305,668	729,963	1.82
1999	120,000	425,555	301,635	727,190	1.82
2000	125,000	421,214	219,588	640,802	2.07
2001	135,000	421,235	215,143	639,378	2.08
2002	150,000	425,225	214,843	640,068	2.07
2003	160,000	423,173	46,575	469,748	2.82
2004	170,000	420,260		420,260	3.16
2005	185,000	421,326		421,326	3.15
2006	200,000	421,165		421,165	3.15
2007	215,000	419,773		419,773	3.16
2008	230,000	417,138		417,138	3.18
2009	250,000	418,058		418,058	3.17
2010	270,000	417,388		417,388	3.18
2011	290,000	415,128		415,128	3.19
2012	315,000	416,000		416,000	3.19
2013	340,000	414,800		414,800	3.20
2014	365,000	411,600		411,600	3.22
2015	400,000	416,000		416,000	3.19
	$5,105,000	$11,557,392	$5,758,621	$17,316,013	

(a) *At an assumed average interest rate of 7.90%.*

(b) *Reliance on Current Funds revenues to pay debt service will be reduced by the use, to the extent available, of investment earnings in the Construction Account and investment earnings on the bond reserves established for the College's various long-term debt issues.*

(c) *FY 1993 debt service includes final payment on the Authority's Series Two-B issue, for payment of which a dedicated reserve of $257,471 exists.*

SUMMARY OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEARS ENDING JUNE 30

	1988	1987	1986	1985	1984
Revenues:					
Educational and general:					
Student tuition and fees	$9,711,195	$8,217,382	$7,296,164	$6,625,897	$5,642,692
Current Fund investment income, including income transferred from Plant Fund reserve accounts	104,649	61,081	128,407	91,739	122,218
Endowment investment income:					
Unrestricted	136,574	117,418	117,121	87,396	86,247
Restricted	30,139	23,424	20,037	13,126	6,680
Federal Government programs	493,178	606,246	795,135	572,651	801,125
College work study program	213,233	200,337	200,985	193,933	192,193
Grants	668,898	641,895	667,125	400,546	311,026
Contributed services	431,290	471,886	469,720	457,147	435,517
Other revenues	344,523	394,766	440,793	812,701	628,184
Total Educational and General	12,133,679	10,734,435	10,135,487	9,255,136	8,225,882
Income from scholarship funds	73,036	62,760	55,918	51,138	46,711
Auxiliary enterprises	1,466,304	1,373,226	1,076,410	1,114,695	1,078,157
Total Revenues	13,673,019	12,170,421	11,267,815	10,420,969	9,350,750
Expenditures and Mandatory Transfers:					
Educational and general					
General administration	582,564	528,227	520,440	434,394	399,625
Student services	978,678	837,170	780,934	760,526	684,720
Public service and information	664,132	493,477	490,038	415,263	352,517
General institutional	866,296	766,077	731,681	745,609	727,279
Instruction	4,190,157	3,628,809	3,213,188	2,906,745	2,530,574
Library	324,801	300,142	260,537	227,821	204,614
Plant operations (includes mandatory transfers for interest on long-term debt)	1,227,649	1,202,182	1,361,630	1,489,716	1,130,221
Federal Government programs	519,172	573,461	838,090	548,537	784,931
Federal Government programs-College match	74,143	158,557	124,204	126,877	95,174
Other foundation projects	251,920	324,748	313,927	336,251	205,206
	9,679,512	8,812,850	8,634,669	7,991,739	7,114,861
Student aid	1,600,176	1,464,863	1,260,689	1,177,079	892,053
Auxiliary enterprises (includes mandatory transfer for interest on long-term debt)	1,228,646	1,187,030	1,039,389	978,575	958,456
	12,508,334	11,464,743	10,934,747	10,147,393	8,965,370
Net Current Fund increase before mandatory transfers for principal payments, additions to equipment replacement and renewals reserves or other transfers	1,164,685	705,678	333,068	273,576	385,380
Mandatory transfers for principal payments on long-term debt	(285,156)	(272,410)	(182,680)	(175,083)	(163,056)
Mandatory transfers to equipment replacement and renewal reserves	(25,000)	(25,000)	(15,000)	(15,000)	(15,000)
Transfer to plant fund	(520,000)	(174,654)	(84,000)	(55,000)	(187,000)
Transfer to endowment fund	(126,517)	(172,595)	-	-	-
Transfer to scholarship fund	(164,698)	(33,544)	-	-	-
Net increase in fund balance	$43,314	$27,475	$51,388	$28,493	$20,324

Source: College of St. Scholastica annual financial statements

STATEMENT OF CURRENT FUND, REVENUES, EXPENDITURES AND OTHER CHANGES FOR THE PERIOD JULY 1, 1988 THROUGH MAY 4, 1989

	1988-89		
	Total Year Budget	Year-To-Date Actual	Projected To 06/30/89
Revenues:			
Education and General			
Student Tuition and Fees	$11,595,799.00	$11,409,479.37	$11,620,582.00
Income from Current Fund Investments and Plant Fund Reserves	64,520.00	93,267.26	108,328.00
Endowment Income	294,747.00	63,742.18	294,747.00
Government Grants and Contracts	625,272.07	300,193.87	666,275.00
Gifts and Private Grants	1,822,583.28	1,488,930.77	1,821,982.90
Other Sources	480,935.00	403,844.56	523,282.00
Total Educational and General	$14,883,856.35	$13,759,458.01	$15,035,196.90
Auxiliary Enterprises	1,881,418.00	1,863,075.52	1,942,190.00
Total Revenues	$16,765,274.35	$15,622,533.53	$16,977,386.90
Expenditures and Mandatory Transfers:			
Educational and General			
General and Administration	$ 650,978.00	$ 543,044.55	$ 664,822.00
Student Services	1,161,039.00	932,667.29	1,158,759.00
Public Service and Information	788,914.00	669,094.57	799,393.00
General Institutional	1,420,546.00	1,066,508.44	1,486,155.00
Instruction and Research	5,257,688.92	4,170,407.96	5,018,408.92
Library	354,990.00	283,619.40	355,618.00
Operation and Maintenance of Plant	1,468,008.41	931,098.00	1,266,114.00
Federally Sponsored Research Programs	513,944.07	251,063.01	562,298.25
College Contributions to Federally Sponsored Programs	68,077.26	53,688.70	61,824.00
Other Sponsored Programs	451,363.65	215,666.45	468,424.59
Student Aid	2,242,876.25	2,220,421.00	2,264,291.00
Educational and General Mandatory Transfers	323,573.00	316,502.07	323,573.00
Total Educational and General	$14,701,998.56	$11,653,781.44	$14,429,680.76
Auxiliary Enterprises	$ 1,634,696.00	$ 1,435,715.75	$ 1,667,163.00
Mandatory Transfers of Auxiliary Enterprises	220,783.00	157,725.00	209,635.00
Total Auxiliary Enterprises	$ 1,855,479.00	$ 1,593,440.75	$ 1,876,798.00
Total Expenditures and Mandatory Transfers	$16,557,477.56	$13,247,222.19	$16,306,478.76
Other Transfers and Additions/Deductions			
Transfers	$ 165,798.00	$ 18,000.00	$ 165,798.00
Additions/Deductions	.00	.00	.00
Net Increase (Decrease) in Fund Balance	$ 41,998.79	$ 2,357,311.34	$ 505,110.14

PROPOSED FORM OF LEGAL OPINION

$5,105,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Two-T
(College of St. Scholastica, Inc.)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered Revenue Bonds, Series Two-T (College of St. Scholastica, Inc.), in the aggregate principal amount of $5,105,000 (the "Bonds"), dated June 1, 1989, in the denomination of $5,000 each and integral multiples thereof, maturing on December 1 in the years and amounts as follows:

1990	$120,000	2003	$170,000
1991	$130,000	2004	$185,000
1992	$140,000	2005	$200,000
1993	$155,000	2006	$215,000
1994	$165,000	2007	$230,000
1995	$175,000	2008	$250,000
1996	$190,000	2009	$270,000
1997	$110,000	2010	$290,000
1998	$120,000	2011	$315,000
1999	$125,000	2012	$340,000
2000	$135,000	2013	$365,000
2001	$150,000	2014	$400,000
2002	$160,000		

The Bonds are subject to optional redemption prior to the stated maturities thereof as provided in the Bonds. Interest on the Bonds is payable on each December 1 and June 1, commencing December 1, 1989, at the basic rates per annum, according to years of maturity, as follows:

In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds will bear additional interest at the rate of 2.00% per annum from the Date of Taxability (as defined). Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the office of First Bank North, National Association, in Duluth, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to College of St. Scholastica, Inc., a Minnesota nonprofit corporation, as owner and operator of the College of St. Scholastica, a nonprofit institution of higher education located in the City of Duluth, Minnesota (the "College"), in order to finance the costs of a project generally described as the acquisition, construction and equipping of three forty-six bed student residence buildings; the acquisition, renovation and equipping of space in Tower Hall for office, classroom and study lounge use; the acquisition, construction and equipping of seven garage stalls to house grounds vehicles, repair shops and a carpenter shop; the acquisition and installation of a new telephone system; and the acquisition and installation of computer hardware and software (as further described in the Loan Agreement and Indenture, the "Project"); provided that the description of the Project may be amended with the consent of the Authority as more fully set forth in the Loan Agreement. We have examined executed counterparts of the Loan Agreement between the Authority and the College, the Trust Indenture between the Authority and the Trustee, the Combination Mortgage, Security Agreement and Fixture Financing Statement from the College to the Authority and assigned by the Authority to the Trustee, and the Security Agreement from the College to the Trustee, all dated as of May 1, 1989, the opinion of Hanft, Fride, O'Brien, Harries, Swelbar & Burns, P.A., as counsel to the College, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Hanft, Fride, O'Brien, Harries, Swelbar & Burns, P.A., as to the Loan Agreement, the Mortgage and the Security Agreement having been duly authorized and executed and being binding upon the College, as to the corporate organization, good standing and powers of the College, and as to the title to and right of the College to the use of the Project Site (as defined in the Loan Agreement and Trust Indenture) without examining the records of the College or original title records or abstracts of title.

We have not been engaged or undertaken to verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only matters set forth as our opinion in the Official Statement).

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Authority is an agency of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, to issue the Bonds, to loan the proceeds thereof to the College and to execute and deliver the Loan Agreement, the Indenture and the assignment of the Mortgage to secure the Bonds.

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

3. The Bonds are secured by the assignment of the loan repayments payable by the College under the Loan Agreement, to the Trustee in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, by the pledge of the funds and investments held by the Trustee under the Indenture, by the pledge of the funds and rights to payment held by the Trustee under the Security Agreement, and by the mortgage lien on certain of the Project facilities and a security interest in the revenues and income arising therefrom provided by the Mortgage.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is excludable from gross income for purposes of Federal income taxation and is exempt from Minnesota income taxation (other than Minnesota corporate franchise and bank excise taxes measured by income) under present laws and rulings. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Code, but is includable in "book income" or in "adjusted current earnings" for the purpose of determining the "alternative minimum taxable income" of

corporations. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the environmental tax imposed on corporations, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture, the Loan Agreement, the Mortgage and the Security Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in accordance with general principles of law.

Dated at Minneapolis, Minnesota, _______, 1989.

DEFINITION OF CERTAIN TERMS

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

Additional Bonds: Any Additional Bonds issued by the Authority on behalf of the College pursuant to section 2.09 of the Indenture.

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the Institution and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chairman, Vice Chairman, Secretary or Executive Director. Such certificate may designate an alternate or alternates.

Authorized Institution Representative: The person at the time designated to act on behalf of the College by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the College by the President, any Vice President, or the Secretary of its Board of Trustees or the President or Vice President of the institution of higher education owned and operated by the Institution. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under Article V of the Indenture and described in Section 5.04 thereof.

Available Tuition: Tuition that (a) is not subject to the security interest granted by the College to Norwest Bank Duluth under the security agreement between the College and such bank data as of December 1, 1985, and (b) has not yet been paid to the College. Available Tuition also includes the proceeds of Tuition, until the point where such proceeds have been spent by the College or so commingled with other assets of the College as to lose their identity as proceeds under the Minnesota Uniform Commercial Code.

Board-controlled: When used with reference to Unrestricted General Endowment Funds, means funds designated by the Board of Trustees, and not by the donor, to function as Unrestricted General Endowment Funds and which may be transferred to the Current Fund by action of the Board of Trustees and used for the general purposes of the College.

Board of Trustees: The Board of Trustees of the College, including the Executive Committee authorized to act for such board.

Bond and Interest Sinking Fund Account: The account established pursuant to the Indenture into which the Authority and Trustee shall deposit certain moneys for payment of principal of and interest on the Bonds.

Bonds: $5,105,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-T (College of St. Scholastica, Inc.) and any Additional Bonds then outstanding.

Bond Closing: The original issuance, sale and delivery of the Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on May 24, 1989, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: The 12-month period ending December 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, shall be outstanding.

BSBA: Benedictine Sisters Benevolent Association, a Minnesota nonprofit corporation having its principal office in Duluth, Minnesota.

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

Business Day: Any day other than Saturday, Sunday, a legal holiday in the State of Minnesota, or any other day that banks in Minnesota are not open for business.

College: College of St. Scholastica, Inc., a Minnesota nonprofit corporation, its successors and assigns, as owner and operator of the College of St. Scholastica, a Minnesota non-profit institution of higher education located in Duluth, Minnesota.

College-Owned Property: That portion of the Project Site owned by the College, as described in Parcel 1 of Exhibit A of the Loan Agreement.

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

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

Determination of Taxability: A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction determining that the interest payable on the Bonds is includable in gross income for purposes of federal income taxation by reason of the application of the provisions of Section 103 of the Internal Revenue Code, related sections and regulations thereunder, in effect on the date of issuance of the Bonds, (as amended by the Donnelly Bill, H.R. 151, if H.R. 151 shall be enacted in substantially the form pending in Congress on May 1, 1989 as more fully provided in the Loan Agreement.) A determination that interest on the Bonds is includible in the computation of any alternative minimum tax is not a Determination of Taxability.

Event of Default: An Event of Default described in the Indenture or Loan Agreement and summarized in this Official Statement in the sections entitled "THE INDENTURE -Events of Default" and "THE LOAN AGREEMENT - Events of Default."

Financial Journal: Northwest Financial Review, The Daily Bond Buyer, or any other newspaper or journal devoted to financial news published in the English language in Minneapolis or St. Paul, Minnesota, or in the City of New York, New York.

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

Funded Debt: Indebtedness for borrowed money having a maturity date of more than one year and as defined in Section 6.13 of the Loan Agreement.

General Bond Resolution: The General Bond Resolution adopted by the Authority on October 31, 1972, and any amendments thereto.

Holder, Bondholder, or Owner: The person in whose name a Bond is registered.

Indenture: The Trust Indenture between the Authority and First Bank North, National Association, Duluth, Minnesota, as Trustee, dated as of May 1, 1989, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: The College.

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

Issue: The Bonds.

Lease: The lease dated June 11, 1987 between the College and BSBA, which Lease is automatically renewable at the College's option for successive ninety-nine year terms, as from time to time amended or supplemented.

Leased Property: That portion of the Project Site which is subject to the Lease, as described in Parcel 2 of Exhibit A of the Loan Agreement.

Loan Agreement: The Loan Agreement between the Authority and the Institution dated as of May 1, 1989, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the College to the Trustee pursuant to Section 4.02 of the Loan Agreement.

Maximum Annual Debt Service: The largest total amount of principal of and interest on Funded Debt payable by the College in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates) be outstanding, and as further defined in Section 6.13 of the Loan Agreement.

Mortgage: The Combination Mortgage, Security Agreement and Fixture Financing Statement, dated as of May 1, 1989 from the College to the Authority, and assigned by the Authority to the Trustee, as amended or supplemented from time to time.

Mortgaged Buildings: The new student residence facilities, and any other buildings of the College situated on the land included in the Mortgage.

Mortgaged Property: The Mortgaged Buildings, the sites thereof and Building Equipment and Project Equipment located therein, as the same may at any time exist.

Net Income Available for Debt Service: The excess of Current Fund revenues over Current Fund expenditures but excluding depreciation, amortization and interest from expenditures, all as determined by generally accepted accounting principles.

Net Proceeds: When used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the Institution or the Trustee as secured party, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority.

Permitted Encumbrances: As of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities and as do not in the aggregate, in the opinion of independent counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Institution, (iv) the Mortgage and (v) those additional encumbrances set forth in Exhibit C of the Mortgage, with respect to College-owned Property, and Exhibit C to the Loan Agreement, with respect to the Leased Property.

Project: Except as the description of the Project may be amended in accordance with the Loan Agreement, the Project consists of the acquisition, construction and equipping of three forty-six bed student residence buildings; the acquisition, renovation and equipping of space in Tower Hall for office, classroom and study lounge use; the acquisition, construction and equipping of seven garage stalls to house grounds vehicles, repair shops and a carpenter shop; the acquisition and installation of a new telephone system; and the acquisition and installation of computer hardware and software; all to be located on the campus of the College in Duluth, Minnesota.

Project Buildings: Those portions of Tower Hall which are to be acquired or renovated as part of the Project and the student residence facilities and garages and shops to be constructed as part of the Project.

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

Project Equipment: All furnishings, furniture, fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds and installed and located in or as part of the Project Buildings or elsewhere on the Project Site as part of the Project.

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

Project Site: The land on which the Project Buildings are and are being located.

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account, (ii) to create and maintain the required reserve in the Reserve Account, and (iii) to redeem or prepay outstanding Bonds or to purchase outstanding Bonds for redemption and cancellation. Moneys in the Redemption Account may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College or the Authority fails to provide for payment of any rebate.

Regular Record Date: The 15th day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Reserve Account: The Reserve Account established under the Indenture, into which at Bond closing will be placed Bond proceeds in the amount of the Reserve Requirement (approximately $510,500.) Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient therefor and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College or the Authority fails to provide for payment of any rebate.

Reserve Requirement: If no Additional Bonds are outstanding, the maximum amount of principal of and interest on the Bonds payable in any remaining Bond Year or (if less) 10% of the proceeds (par value less original issue discount according to the reoffering scale) received from the issuance and sale of the Bonds or (ii) if Additional Bonds are outstanding, the sum of (A) the amount set forth in subsection (i) plus (B) the maximum amount of principal of and interest on Additional Bonds payable in any remaining Bond Year of (if less) 10% of the proceeds (par value less original issue discount according to the reoffering scale) received from the issuance and sale of the Additional Bonds.

Security Agreement: The Security Agreement dated as of May 1, 1989, between the College and the Trustee.

Special Record Date: The record date set by the Trustee for the purpose of paying defaulted interest.

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

Trustee, Registrar, Paying Agent: First Bank North, National Association, Duluth, Minnesota.

Tuition: Tuition or fees of every kind payable by students to the College, and the proceeds thereof, regardless of whether such tuition, fees and proceeds may constitute accounts receivable, instruments, general intangibles, or other personal property under the Minnesota Uniform Commercial Code, provided, however, that tuition does not include fees payable or paid for room and board or laboratory fees.

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The College represents that the acquisition, construction and improvement of the Project are to be substantially completed by no later than May 1, 1992 subject only to "force majeure," as provided in the Loan Agreement, provided that the College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the Institution, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs are not met from proceeds of the Bonds in the Construction Account.

Loan Repayments

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

(a) At least 10 business days prior to each June 1 and December 1, commencing December 1, 1989, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest, or as principal and interest, on the Series Two-T Bonds on the next succeeding interest payment date, provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.01, 5.02, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

(b) prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Two-T Bonds called for redemption from the Redemption Account; and

(c) forthwith into the Bond and Interest Sinking Fund Account or Redemption Account, as appropriate, the amount of any deficiency in the event that the funds on deposit in the Bond and Interest Sinking Fund Account or Redemption Account on any Bond principal or interest payment date are for any reason insufficient to pay principal, premium (if any) and interest on the Series Two-T Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

(d) into the Reserve Account forthwith any amounts then required to be deposited therein by Section 5.02 of the Indenture; and

(e) into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture.

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

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

Use of Project Facilities

The College agrees to use the Project Facilities as educational facilities, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with a program of a school or department of divinity for any religious denomination. The College agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501(c)(3) of the Code.

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation; provided that the College shall not be obligated to maintain or replace the telephone or computer equipment to be acquired beyond its useful life, as set forth in a certificate to be provided to the Authority and the Trustee at the time of such failure to maintain or replace such Project Equipment. The College may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities, so long as the tax-exempt status of the Bonds will not be affected thereby and such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, the Mortgage, the Security Agreement, the Lease, or the Act.

Title to Property and Liens

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

Taxes and Other Governmental Charges

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

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

Insurance

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

(a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Buildings.

(b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $5,000,000 and against liability for property damage in the minimum amount for each occurrence of $100,000.

(c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College.

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

The College is required to furnish to the Trustee policies or certificates or binders evidencing the required insurance. Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the Board and the Trustee at least thirty days before the cancellation or modification becomes effective.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds, or both, as more fully provided in the Loan Agreement. If the Bonds are redeemed in part, the available Net Proceeds (or, if less, the pro rata portion) in respect of any Project Building or site thereof which the Institution elects not to repair, rebuild or restore shall be used for redemption or purchase of outstanding Bonds.

For purposes of this provision, "pro rata portion" shall mean 13.7% of the principal amount of outstanding Bonds in the case of each student residence facility; 34.2% of the principal amount of outstanding Bonds in the case of those portions of Tower Hall which are to be acquired or renovated; and 4.3% of the principal amount of outstanding Bonds in the case of the garages and shops to be constructed.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to one or more of the Project Buildings and site thereof shall be taken in any proceeding involving the exercise of the right of eminent domain, the College shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, in whole or in part, or both, as more fully provided in the Loan Agreement. If the Bonds are redeemed in part, the available Net Proceeds (or, if less, the pro rata portion) in respect of any Project Building and site thereof which the Institution elects not to repair, rebuild, restore or replace shall be used for the redemption or purchase of outstanding Bonds. For purpose of this provision, "pro rata portion" shall be defined as set forth above under "Damage or Destruction."

Indemnification

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

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

Institution to Maintain its Existence and Accreditation

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and a nonprofit institution of higher education under the laws of Minnesota and its accreditation as an institution of higher education by recognized accrediting agencies and that it will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution except upon the conditions provided in the Loan Agreement. The conditions are the following: (i) if the surviving, resulting or transferee corporation, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement, the Mortgage and the Security Agreement and the Lease, and shall be either a state university or college or a nonprofit corporation and a nonprofit institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against discrimination and requiring that the institution be nonsectarian; and (ii) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

$150,000,000 Limitation on Outstanding Nonhospital Bonds

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt nonhospital bonds issued on behalf of or for the benefit of the College and BSBA and all organizations under common management or control with the College (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000.

College To Be Nonsectarian

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

Federal Income Tax Status

The College represents that it presently is and agrees that it shall take all appropriate measures to assure that it remains an organization described in Section 501 (c) (3) of the Internal Revenue Code, exempt from income taxes under Section 501 (a) of such Code.

Determination of Taxability

In the event a Determination of Taxability is made that interest payable on the Bonds is includible in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds (as amended by the Donnelly Bill, H.R. 151, if H.R. 151 shall be enacted substantially in the form pending on May 1, 1989), the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, as a whole and not in part, on the next practicable interest payment date and any interest payment date thereafter and the redemption price therefor shall be equal to par plus accrued interest.

Financial Covenants

The Institution covenants and agrees, so long as the Bonds shall remain outstanding, to comply with the following provisions:

(a) At June 30, 1991 and at the end of each Fiscal Year thereafter, for at least two of the preceding three Fiscal Years, Current Fund revenues shall be not less than Current Fund expenditures, including mandatory transfers, according to the principles of accounting used in the preparation of the College's financial statements for the fiscal year ended June 30, 1988 prepared by Peat Marwick Main & Co. In the event that, following any Fiscal Year, the College shall not be in compliance with this paragraph (a), the College may cure such default by making a deposit to the Current Fund, within 180 days of the close of such Fiscal Year, sufficient to cure the deficiency. Such deposits may be made from unencumbered, Board-controlled Unrestricted General Endowment Funds, if such Unrestricted General Endowment Funds may legally be transferred to the Current Fund by action of the Board of Trustees; but not if such deposit will cause unencumbered Board-controlled Unrestricted General Endowment Fund Balance to be less than $800,000. No such deposit may be made from proceeds of the Bonds or other borrowed funds.

(b) At June 30, 1989 and at the end of each Fiscal Year thereafter, the Board-controlled unencumbered Unrestricted General Endowment Fund Balance shall not be less than $800,000. Within 30 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an authorized institution representative showing the unencumbered, Board-controlled Unrestricted General Endowment Fund Balance, the investments thereof, the estimated valuations of such investments, and the amount thereof (if any), which is pledged to secure obligations of the College or is otherwise encumbered, all as of the end of the Fiscal Year. If at the end of any Fiscal Year, the unencumbered, Board-controlled Unrestricted General Endowment Fund Balance does not equal or exceed $800,000, the College shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) and cause to be credited to unencumbered Unrestricted General Endowment Fund Balance additional unencumbered, Board-controlled moneys or investments at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the College for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

(c) Following the date hereof, and for so long as the Bonds remain outstanding, the College shall incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt now outstanding and further excepting indebtedness for capital projects for which the College has secured funds on hand or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless in each of the last two preceding Fiscal Years for which audited financial statements are available, the Debt Service Coverage Ratio was at least 120% of Maximum Annual Debt Service of (a) then outstanding Funded Debt and (b) Funded Debt thereafter issued or proposed to be issued. Reference should be made to the heading "Summary of Security for the Bonds" of the Official Statement, paragraph (c), for an explanation of possible additions to Net Income Available for Debt Service in computing the Debt Service Coverage Ratio test for additional Funded Debt. In addition, the Loan Agreement includes provisions governing the calculation of Maximum Annual Debt Service covering, among other things, variable rate indebtedness, guarantees, balloon indebtedness, put indebtedness, refunded debt, subordinated debt, and capital appreciation bonds and notes.

Other Covenants

The College further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Coordinating Board, subject to the right of contest.

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

Events of Default

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

(a) If (i) the College shall fail to make any Loan Repayment when due and either (ii) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account or Redemption Account, as the case may be, on a Bond principal or interest payment date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (iii) such failure shall continue for 5 days after notice from the Trustee or the Authority to the College that such payment has not been made; or

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

(c) If the College shall default in the observance of any of the covenants set forth in Section 6.13 of the Loan Agreement (relating to financial covenants), provided that failure to comply with Section 6.13(a) (relating to the ratio of Current Fund Revenues to Current Fund expenditures) or Section 6.13(b) (relating to maintaining $800,000 in endowment funds) shall not become an Event of Default unless the College fails to restore the deficiency thereunder within a period of 180 days, from the close of the Fiscal year in which such deficiency; or

(d) If the College shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement, provided failure to comply with such requirement shall not become an Event of Default unless the College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or

(e) If the College shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under this Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the College by the Authority or the Trustee; or

(f) If there shall occur an event of default (as defined therein) under the Mortgage or Security Agreement; or

(g) If the College shall default (as defined in the Lease) under the Lease, or if any portion of the Lease shall be terminated by the College or BSBA other than in connection with the redemption of outstanding Bonds as a whole or in part pursuant to the Loan Agreement; or

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

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

(j) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Institution or of the whole or any substantial part of its property, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control.

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

Remedies on Default

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

(a) The Trustee may declare all or any amount of Loan Repayments thereafter to become due and payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due or to foreclose the Mortgage or enforce the Security Agreement or to enforce performance and observance of any obligation, agreement or covenant of the Institution under the Mortgage, the Security Agreement or the Loan Agreement.

(c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement, the Mortgage, the Security Agreement or the Indenture in accordance with the provisions thereof.

Amendments

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

THE INDENTURE

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

Granting Clauses

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

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

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

(3) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the College or by anyone in behalf of them or with their written consent, to the Trustee, including, but not limited to, the Mortgage and the Security Agreement.

Accounts

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

Trustee's Right to Payment

The Trustee shall have a lien, with right of payment prior to payment of interest on or principal of the Bonds for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee).

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or Bond proceeds.

Events of Default

The following are Events of Default under the Indenture:

(a) If payment of the principal of any of the Bonds, when the same shall become due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), shall not be made; or

(b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or

(c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the Institution (giving the Institution the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

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

Remedies

Upon the occurrence of an Event of Default, the Trustee may, and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding shall, by notice in writing delivered to the Authority, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable subject, however, to the right of the Holders of a majority in aggregate principal amount of Bonds then outstanding, by written notice to the Authority and to the Trustee, to annul such declaration and destroy its effect at any time if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds outstanding and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other indebtedness secured by the Indenture (except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last interest payment date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

In the case of the breach of any of the covenants or conditions of the Loan Agreement, the Mortgage, the Security Agreement or the Indenture, the Trustee, anything therein contained to the contrary notwithstanding and without any request from any Bondholder (subject, however to its rights to indemnity and notice provided in the Indenture) shall be obligated to take such action or actions for the enforcement of its rights and the rights of the Bondholders and the rights of the Authority under the Loan Agreement, the Mortgage and Security Agreement as due diligence, prudence and care would require and to pursue the same with like diligence, prudence and care.

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to foreclose the Mortgage, to enforce the Security Agreement, and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to its reference rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of $10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court.

Concerning the Bondholders

No Bondholder shall have any right to institute any proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement, the Mortgage or the Security Agreement unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all Bonds outstanding.

The Trustee, upon the written request of the Holders of a majority in principal amount of the Bonds at the time outstanding, shall waive any default under the Indenture and its consequences, except a default in the payment of the principal of the Bonds at the date of maturity specified therein; provided, however, that a default in the payment of interest on the Bonds shall not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same. In case of any such waiver, the Authority, the Trustee and the Holders of the Bonds shall be restored to their former positions and rights respectively. No waiver of any default or Event of Default, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Provision is made for meetings of Bondholders, proof of ownership of Bonds and execution of consents and other instruments by Bondholders.

Defeasance

If the Authority and the College shall:

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

(b) provide for the payment of principal and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all Bonds outstanding, or

(c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the Institution for the Authority under its official seal and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or

(d) surrender to the Trustee for cancellation all Bonds,

and shall also pay all other sums due and payable under the Indenture by the Authority, and shall also pay or provide for the payment of the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148 of the Internal Revenue Code, then at the request of the Authority or the College all the Trust Estate shall revert to the Authority and the Institution as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

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

Supplemental Indentures

The Authority and the Trustee may enter into such supplemental indentures as shall by them be deemed necessary or desirable for any one or more of the following purposes, among others:

(a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;

(b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority;

(c) to evidence the succession of any other department, agency, body or corporation to the Authority;

(d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental indentures or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same; and

(e) to create a series of and authorize Additional Bonds.

In addition and subject to the provisions set forth below, the Holders of not less than 65% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture (except as provided in Section 2.09 of the Indenture), or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture.

Amendments to the Loan Agreement, the Mortgage and the Security Agreement

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement, the Mortgage or the Security Agreement as may be required (a) by the provisions of the Loan Agreement, the Mortgage, the Security Agreement or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission, or (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, the Mortgage, or the Security Agreement or (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement, the Mortgage or the Security Agreement without the written approval or consent of the Holders of not less than 65% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the loan repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

The Bonds shall be fully registered as to principal and interest at the office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic interest rate of any authorized denominations. Payment of principal will be at the corporate office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee.

THE MORTGAGE

At or prior to the closing, the College will execute and deliver to the Authority, and the Authority will assign to the Trustee, a Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), to be dated as of May 1, 1989, to secure the Bonds. The following is a summary of certain provisions of the Mortgage.

Under the Mortgage, in order to secure its obligations under the Loan Agreement, including payment of Loan Repayments in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Bonds, the College grants to the Authority a security interest in the Mortgaged Equipment described therein and a first mortgage lien on its right, title and interest in and to the land described in Exhibit A to the Mortgage (the "Mortgaged Land"), and any buildings now standing or hereafter constructed or placed upon the Mortgaged Land, including the new student residence facilities, as described in Section 1.04 of the Loan Agreement (the "Mortgaged Buildings"). The Mortgaged Land, Mortgaged Buildings and

Mortgaged Equipment together are herein referred to as the "Mortgaged Property." The Authority is also granted a security interest in all of the general intangibles, rents, issues, condemnation awards, insurance proceeds and similar revenues and income (the "Revenues and Income") arising from the ownership of the Mortgaged Property.

The Loan Agreement provides that the College may remove Project Equipment and Building Equipment from the Mortgaged Property, and release such Equipment from the lien of the Mortgage, where applicable, upon the following conditions:

(a) the College may substitute equipment and related property for any Project Equipment and Building Equipment, provided that such property so substituted shall not materially impair the character or revenue producing significance of the Project Facilities, and such substituted property shall be subject to the lien of the Mortgage in place of the replaced Equipment if such replaced Equipment was subject to the lien of the Mortgage prior to the substitution;

(b) the College may remove any Project Equipment without substitution therefor provided that the College pay into the Redemption Account a sum equal to the then value of such Project Equipment;

(c) the College shall have the privilege of removing any Building Equipment without substitution therefor, provided that such removal does not impair the character or revenue producing significance of the Project Facilities.

THE SECURITY AGREEMENT

At or prior to the closing, the mortgage and the Security Agreement in an aggregate amount equal to 4.0% of the Tuition payable to the Institution in the Fiscal Year in which the Trustee first exercises its rights or remedies under the Security Agreement upon an Event of Default under such Security Agreement (the "Obligations"), the College will execute and deliver to the Trustee a Security Agreement (the "Security Agreement") to be dated as of May 1, 1989, to secure the Bonds. The following is a summary of certain provisions of the Security Agreement.

To secure its obligations under the Loan Agreement, the Mortgage and the Security Agreement in an aggregate amount equal to 4.0% of the Tuition payable to the Institution in the Fiscal Year in which the Trustee first exercises its rights or remedies under the Security Agreement upon an Event of Default under such Security Agreement (the "Obligations"), the College pledges and assigns to the Trustee a security interest in the Available Tuition and the proceeds thereof (the "Collateral"). The Security Agreement is subordinate to that certain Security Agreement between the Institution and Norwest Bank Duluth, National Association, dated as of December 1, 1985, which creates a security interest in the first 2.2% of the Tuition payable to the Institution payable in each Fiscal Year.

From and after the occurrence of an "event of default" under the Loan Agreement or the Security Agreement, the Trustee may collect the Collateral, and shall deposit any amounts collected which are not applied directly to the Obligations into a Collateral Account and may apply moneys in the Collateral Account to the payment of Obligations which shall have become due and payable. In so doing, the Trustee may exercise any rights and remedies available to it under the Loan Agreement, the Indenture and the Security Agreement; exercise and enforce any and all rights and remedies available after default to a secured party under the Uniform Commercial Code, including the right to offer and sell the Collateral; and exercise or enforce any and all other rights and remedies available by law against the Collateral pledged in the Security Agreement, the College or any other person or property; provided, however, that any

Collateral collected by the Trustee in any Fiscal Year in excess of four percent of the Tuition due and payable in the Fiscal Year of the Institution in which the Trustee first exercises its rights or remedies under the Security Agreement upon an Event of Default under such Security Agreement or which is not necessary to pay the Obligation which shall have become due and payable shall, after deduction therefrom of the fees and expenses of the Trustee incurred in their collection, be returned to the College or whoever is legally entitled thereto; provided that in the case of non-monetary Events of Default, the Trustee may hold any Collateral collected until such event of Default is cured, at which time such Collateral shall be returned to the College.

COLLEGE OF ST. SCHOLASTICA, INC.
DULUTH, MINNESOTA

AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1988 AND 1987

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KPMG Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.
700 Missabe Building
Duluth, MN 55802

Independent Auditors' Report

The Board of Directors
College of St. Scholastica, Inc.

We have audited the accompanying balance sheet of College of St. Scholastica, Inc. as of June 30, 1988, and the related statements of changes in fund balances, and current fund revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College of St. Scholastica, Inc. at June 30, 1988, and the changes in fund balances and the current fund revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

Peat Marwick Main & Co.

August 26, 1988

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEET

June 30, 1988
With Comparative Totals for 1987

	1988	1987
ASSETS		
Current funds:		
Cash (Note 2)	$ 556,579	$ 89,789
Accounts and notes receivable:		
Students and staff (less allowance for doubtful accounts $89,526 and $105,145)	283,734	361,174
Government programs and grants	92,365	192,372
Other	2,910	3,954
Inventories (Note 3)	113,458	72,166
Corporate stock (market value $8,901 and $5,950)	10,173	5,950
Due from other funds, net	266,488	718,332
Prepaid expense and other assets	93,508	72,691
	$1,419,215	$1,516,428
Endowment funds:		
College scholarship funds:		
Savings account and certificates	$ 361,123	$ 186,163
Corporate bonds and commercial paper (market value $25,889 and $39,960)	29,743	37,590
Corporate stock (market value $416,461 and $439,206)	364,789	273,122
Federal government obligations (market value $442,905 and $271,246)	430,295	255,822
	$1,185,950	$ 752,697
General endowment funds:		
Savings account and certificates	$ 343,798	$ 139,299
Corporate bonds and commercial paper (market value $39,487 and $74,867)	45,366	70,426
Corporate stock (market value $635,572 and $822,880)	556,759	511,711
Federal government obligations (market value $737,959 and $508,196)	720,589	479,300
	$1,666,512	$1,200,736
Restricted endowment funds:		
Cash	$	$ 1,000
Savings	45,667	28,066
Foreign bonds (market $48,820 and $49,508)	49,045	49,045
Corporate bonds (market $56,875 and $64,788)	58,746	59,049
Corporate stock (market $362,953 and $446,898)	312,993	271,451
Federal government obligations (market value $266,781 and $270,183)	261,072	261,072
	$ 727,523	$ 669,683
Annuity funds:		
Corporate stock (market $105,570 and $103,965)	$ 108,368	$ 106,714
	$ 108,368	$ 106,714

See accompanying notes to financial statements.

	1988	1987
LIABILITIES AND FUND BALANCES		
Current funds:		
Accounts payable:		
Trade	$ 186,430	$ 117,771
B.S.B.A.	471,212	512,945
Major repairs		47,866
Restricted funds	86,884	94,769
Accrued expenses	51,070	48,482
Deferred revenue	220,343	301,580
Other liabilities	64,142	97,195
Fund balance	339,134	295,820
	$1,419,215	$1,516,428
Endowment funds:		
College scholarship funds:		
Due to other funds	$ 165,000	$ 291,293
Fund balance	1,020,950	461,404
	$1,185,950	$ 752,697
General endowment funds:		
Due to other funds	$ 363,172	$ 364,172
Restricted fund balance	431,135	90,875
Unrestricted fund balance	872,205	745,689
	$1,666,512	$1,200,736
Restricted endowment funds:		
Due to other funds	$ 720	$ -0-
Fund balance	726,803	669,683
	$ 727,523	$ 669,683
Annuity funds:		
Accounts payable	$ 42,727	$ 41,073
Fund balance	65,641	65,641
	$ 108,368	$ 106,714

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEET

June 30, 1988
With Comparative Totals for 1987

ASSETS	1988	1987
Plant funds:		
Unexpended:		
Cash	$ 50,254	$ 4,463
Savings	733,814	728,630
	$ 784,068	$ 733,093
Renewal and replacement:		
Cash	$ 144	$ 109
Savings	149,827	195,117
Federal government obligations (market value $101,550 and $54,275)	101,550	52,807
Due from other funds, net		10,000
	$ 251,521	$ 258,033
Retirement of indebtedness:		
Cash	$ 161	$ 220
Savings	693,056	636,716
Federal government obligations (market value $300,658 and $301,454)	297,874	297,874
	$ 991,091	$ 934,810
Investment in plant:		
Real estate investment	$ 164,406	$ 164,406
Due from other funds	262,401	
Land and land improvements	560,135	614,115
Buildings	11,836,973	11,808,912
Equipment, furniture and fixtures	2,869,531	2,681,147
Automotive equipment	231,508	197,383
	15,924,954	15,465,963
Less accumulated depreciation, automotive equipment	(134,320)	(111,517)
	$15,790,634	$15,354,446
Capital Campaign:		
Real estate, at appraised value (less $82,076 valuation reserve)	$ 117,924	$ 117,924
	$ 117,924	$ 117,924

See accompanying notes to financial statements.

LIABILITIES AND FUND BALANCES	1988	1987
Plant funds:		
Unexpended:		
Fund balance, restricted (Notes 4 and 5)	$ 784,068	$ 733,093
	$ 784,068	$ 733,093
Renewal and replacement:		
Fund balance, restricted (Notes 4 and 5)	$ 251,521	$ 258,033
	$ 251,521	$ 258,033
Retirement of indebtedness:		
Fund balance, restricted (Notes 4 and 5)	$ 991,091	$ 934,810
	$ 991,091	$ 934,810
Investment in plant:		
Account payable, B.S.B.A. (1962 Revenue Fund)	$ 435,102	$ 446,097
Accrued interest	7,544	7,544
Loan payable	403,990	487,795
Bonds payable:		
Dormitory and Dining Hall Bonds of 1962	1,105,000	1,160,000
Science Building Bonds of 1968	535,000	576,000
Library bonds	977,476	1,011,179
Lease capitalized - Grove Apartments	274,511	299,022
- Pines Apartments	214,693	229,332
- Reif facility	738,444	806,133
Due to other funds, net		72,866
Fund balance, including $2,071,199 property leased from B.S.B.A. (Note 4)	11,098,874	10,258,478
	$15,790,634	$15,354,446
Capital Campaign:		
Fund balance (Note 6):		
Unrestricted	$ 117,924	$ 117,924
	$ 117,924	$ 117,924

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEET

June 30, 1988
With Comparative Totals for 1987

ASSETS

	1988	1987
Loan funds:		
Perkins Loan Fund:		
Cash	$ 102,330	$ 81,815
Accounts receivable	49,503	40,299
Loans receivable from students	2,184,459	2,124,636
	$2,336,292	$2,246,750
Nursing Student Scholarship and Loan Fund:		
Cash	$ 38,146	$ 50,127
Loans receivable from students	275,506	264,691
	$ 313,652	$ 314,818
Student Work Study Program:		
Cash	$ 36	$ 34
Accounts receivable		2,157
	$ 36	$ 2,191

See accompanying notes to financial statements.

	1988	1987
LIABILITIES AND FUND BALANCES		
Loan funds:		
Perkins Loan Fund:		
Accounts payable	$ 36,196	$ 48,508
Fund balance:		
Federal contributions	2,228,625	2,143,922
College contributions	247,626	238,215
Cost of principal and interest cancelled net of undistributed income	(225,658)	(224,194)
Unexpended grant authorization	49,503	40,299
	2,300,096	2,198,242
	$2,336,292	$2,246,750
Nursing Student Scholarship and Loan Fund:		
Accounts payable	$ -0-	$ 6,813
Fund balance:		
Federal contributions	627,406	627,406
College contributions	48,950	48,950
Cost of principal and interest cancelled net of undistributed income	(171,157)	(176,804)
Nursing scholarships awarded	(191,547)	(191,547)
	313,652	308,005
	$ 313,652	$ 314,818
Student Work Study Program:		
Accounts payable	$ 36	$ 34
Unexpended grant authorization		2,157
	$ 36	$ 2,191

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEET

June 30, 1988
With Comparative Totals for 1987

	1988	1987
ASSETS		
Pell Grant:		
Federal funds receivable	$ -0-	$ 2,231
	$ -0-	$ 2,231
Supplemental Educational Opportunity Grant:		
Federal funds receivable	$ -0-	$ 14,405
	$ -0-	$ 14,405
Institutional Aid Program:		
Federal funds receivable	$ 167,709	$ 373,189
	$ 167,709	$ 373,189
Parent Caring Program:		
Federal funds receivable	$ -0-	$ 6,111
	$ -0-	$ 6,111
Nursing RN Track:		
Federal funds receivable	$ -0-	$ 5,174
	$ -0-	$ 5,174
Gerontology Career Preparation:		
Federal funds receivable	$ -0-	$ 11,441
	$ -0-	$ 11,441

(Continued)

	1988	1987
LIABILITIES AND FUND BALANCES		
Pell Grant:		
Accounts payable	$ 10,919	$ 6,151
Unexpended grant authorization	(10,919)	(3,920)
	$ -0-	$ 2,231
Supplemental Educational Opportunity Grant:		
Accounts payable	$ -0-	$ 14,405
	$ -0-	$ 14,405
Institutional Aid Grant:		
Accounts payable	$	$ 21,392
Unexpended grant authorization	167,709	351,797
	$ 167,709	$ 373,189
Parent Caring Program:		
Unexpended grant authorization	$ -0-	$ 6,111
	$ -0-	$ 6,111
Nursing RN Track:		
Accounts payable	$ -0-	$ 5,174
	$ -0-	$ 5,174
Gerontology Career Preparation:		
Unexpended grant authorization	$ -0-	11,441
	$ -0-	$ 11,441

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEET
(Continued)

June 30, 1988
With Comparative Totals for 1987

	1988	1987
ASSETS		
National Institute of Mental Health:		
Federal funds receivable	$ -0-	$ 1
	$ -0-	$ 1
Indian Bilingual Education:		
Federal funds receivable	$ 80,148	$ 99,557
	$ 80,148	$ 99,557
Graduate Nursing in Rural Region:		
Federal funds receivable	$ 58,273	$ 129,189
	$ 58,273	$ 129,189
Professional Nurse Traineeship:		
Federal funds receivable	$ -0-	$ 6,034
	$ -0-	$ 6,034

See accompanying notes to financial statements.

	1988	1987
LIABILITIES AND FUND BALANCES		
National Institute of Mental Health:		
Unexpended grant authorization	$ -0-	$ 1
	$ -0-	$ 1
Indian Bilingual Education:		
Accounts payable	$ 8,164	$ 20,805
Unexpended grant authorization	71,984	78,752
	$ 80,148	$ 99,557
Graduate Nursing in Rural Region:		
Accounts payable	$	$ 22,093
Unexpended grant authorization	58,273	107,096
	$ 58,273	$ 129,189
Professional Nursing Traineeship:		
Accounts payable	$ -0-	$ 6,034
	$ -0-	$ 6,034

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENT OF CHANGES IN FUND BALANCES

Year Ended June 30, 1988
With Comparative Totals for 1987

Year 1988	Current Fund	College Scholarship Fund	General Endowment Fund	Restricted Endowment Fund	Annuity Fund	Plant Funds: Unexpended	Plant Funds: Renewal and Replacement	Plant Funds: Retirement of Indebtedness	Plant Funds: Investment in Plant	Capital Campaign: Restricted	Capital Campaign: Unrestricted
Revenues and other additions:											
Current Fund revenues	$13,378,303	$	$	$	$	$	$	$	$	$	$
Investment income	54,967	102,281	148,290	88,259	8,103	51,144	12,006	121	11,831		
Contributed assets		178,256	132,930			40,002					452,658
Current funds expended for equipment									279,547		
Retirement of indebtedness, included in current expenditures								158,739			
Gain on sale of assets					1						
Total revenues and other additions	13,433,270	280,537	281,220	88,259	8,104	91,146	12,006	158,860	291,378		452,658
Expenditures and other deductions:											
Current Fund expenditures	12,439,802										
Retirement of indebtedness								116,066			
Interest on indebtedness								202,598			
Indebtedness for annuity payments					1,653						
Major repairs							175,448				
Depreciation of autos									49,410		
Loss on sale of assets		59							25,480		
Other expenses				1,000	6,451		11,575				
Total expenditures and other deductions	12,439,802	59		1,000	8,104		187,023	318,664	74,890		
Transfers among funds, additions (deductions):											
Investment income and gains transferred to Current Fund	239,749	(73,036)	(136,574)	(30,139)							
Mandatory transfers from Current fund expenditures:								353,688			
Principal and interest	(353,688)						25,000				
Repairs and replacement reserves	(25,000)										
Transfers within specific fund						(40,171)	143,505	(137,603)	34,269		
Transfer to Scholarship Fund	(164,698)	164,698									
Transfer to Plant Fund	(520,000)								589,639		(69,639)
Transfer to Endowment Fund	(126,517)	187,406	322,130								(383,019)
	(950,154)	279,068	185,556	(30,139)		(40,171)	168,505	216,085	623,908		(452,658)
Net increase (decrease) for year	43,314	559,546	466,776	57,120	-0-	50,975	(6,512)	56,281	840,396		-0-
Fund balance at July 1, 1987	295,820	461,404	836,564	669,683	65,641	733,093	258,033	934,810	10,258,478		117,924
Fund balance at June 30, 1988	$ 339,134	$1,020,950	$1,303,340	$726,803	$ 65,641	$784,068	$251,521	$991,091	$11,098,874	$ -0-	$117,924

See accompanying notes to financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENT OF CHANGES IN FUND BALANCES
(Continued)

Year Ended June 30, 1988
With Comparative Totals for 1987

Year 1987	Current Fund	College Scholarship Fund	General Endowment Fund	Restricted Endowment Fund	Annuity Fund	Plant Funds: Unexpended	Plant Funds: Renewal and Replacement	Plant Funds: Retirement of Indebtedness	Plant Funds: Investment in Plant	Capital Campaign: Restricted	Capital Campaign: Unrestricted
Revenues and other additions	$11,963,807	$ 87,240	$ 141,193	$ 80,322	$111,560	$ 14,983	$ 16,916	$ 60,925	$ 471,477	$ 301,999	$157,261
Expenditures and other deductions	11,110,072	29,216	976	25,428	45,919	252	119,910	376,921	183,454		4,838
Transfers among funds	(826,260)	7,209	52,791	1,000		342,998	222,677	334,319	1,469,243	(1,038,376)	(565,601)
Net increase (decrease) for the year	27,475	65,233	193,008	55,894	65,641	357,729	119,683	18,323	1,757,266	(736,377)	(413,178)
Fund balance at July 1, 1986	268,345	396,171	643,556	613,789	-0-	375,364	138,350	916,487	8,501,212	736,377	531,102
Fund balance at June 30, 1987	$ 295,820	$461,404	$ 836,564	$669,683	$ 65,641	$ 733,093	$258,033	$ 934,810	$10,258,478	$ -0-	$117,924

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENT OF CHANGES IN FUND BALANCES
(Continued)

Year Ended June 30, 1988
With Comparative Totals for 1987

	Perkins Loan Fund	Nursing Student Scholarship and Loan Fund
Year 1988		
Revenues and other additions:		
Federal contributions	$ 84,703	$
College contributions	9,411	
Interest added	52,742	11,767
Reimbursements	7,970	
Unexpended grant authorization	9,204	
Total revenues and other additions	164,030	11,767
Expenditures and other deductions:		
Loan principal cancelled	5,464	1,116
Loan interest cancelled	545	
Net operating expenditures and collection costs	56,167	5,004
Total expenditures and other deductions	62,176	6,120
Net increase for the year	101,854	5,647
Fund balance at July 1, 1987	2,198,242	308,005
Fund balance at June 30, 1988	$2,300,096	$313,652
Year 1987		
Revenues and other additions	$ 231,263	$ 10,670
Expenditures and other deductions	44,025	5,157
Net increase (decrease) for the year	187,238	5,513
Fund balance at July 1, 1986	2,011,004	302,492
Fund balance at June 30, 1987	$2,198,242	$308,005

See accompanying notes to financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENT OF CHANGES IN FUND BALANCES
(Continued)

Year Ended June 30, 1988
With Comparative Totals for 1987

	Student Work Study Programs	Pell Grant Fund	Supplemental Educational Opportunity Grant Fund	Institutional Aid Program	Parent Caring Program	Nursing RN Track	Gerontology Career Preparation	National Institute of Mental Health	Indian Bilingual Foundation	Graduate Nursing in Rural Region	Professional Traineeship
Year 1988											
Revenue and other additions:											
Federal contributions	$242,222	$878,960	$161,307	$	$	$	$	$	$193,907	$	$23,930
College contributions	59,800							1			
Total revenue and other additions	302,022	878,960	161,307					1	193,907		23,930
Expenditures and other deductions:											
Net expenditures	304,179	885,959	161,307	184,088	6,111	5,174	11,441	1	200,675	48,823	23,930
Total expenditures and other deductions	304,179	885,959	161,307	184,088	6,111	5,174	11,441	1	200,675	48,823	23,930
Net increase (decrease) for the year	(2,157)	(6,999)	-0-	(184,088)	(6,111)	(5,174)	(11,441)	(1)	(6,768)	(48,823)	-0-
Unexpended grant authorizations at July 1, 1987	2,157	(3,920)	-0-	351,797	6,111	5,174	11,441	1	78,752	107,096	-0-
Unexpended grant authorizations at June 30, 1988	$ -0-	$(10,919)	$ -0-	$167,709	$ -0-	$ -0-	$ -0-	$ -0-	$ 71,984	$ 58,273	$ -0-
Year 1987											
Revenue and other additions	$257,024	$792,960	$155,506	$318,122	$	$	$	$	$214,824	$ 83,979	$19,446
Expenditures and other deductions	257,024	789,566	155,506	227,273					162,393	115,672	19,446
Net increase (decrease) for the year	-0-	3,394	-0-	90,849					52,431	(31,693)	-0-
Unexpended grant authorizations at July 1, 1986	2,157	(7,314)	-0-	260,948	6,111	5,174	11,441	1	26,321	138,789	-0-
Unexpended grant authorizations at June 30, 1987	$ 2,157	$ (3,920)	$ -0-	$351,797	$ 6,111	$ 5,174	$11,441	$ 1	$ 78,752	$107,096	$ -0-

See accompanying notes to financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES

Year Ended June 30, 1988
With Comparative Totals for 1987

	1988	1987
Revenues:		
Educational and general:		
Student tuition and fees	$ 9,711,195	$ 8,217,382
Current Fund investment income, including income transferred from Plant Fund reserve accounts	104,649	61,081
Endowment investment income:		
Unrestricted	136,574	117,418
Restricted	30,139	23,424
Federal Government programs	493,178	606,246
College work study program	213,233	200,337
Grants	668,898	641,895
Contributed services (less maintenance expenses of $270,564 and $253,746)	431,290	471,886
Other revenues	344,523	394,766
Total educational and general	12,133,679	10,734,435
Income from scholarship funds	73,036	62,760
Auxiliary enterprises	1,466,304	1,373,226
Total revenues	13,673,019	12,170,421
Expenditures and mandatory transfers:		
Educational and general:		
General administration	582,564	528,227
Student services	978,678	837,170
Public service and information	664,132	493,477
General institutional	866,296	766,077
Instruction	4,190,157	3,628,809
Library	324,801	300,142
Plant operations (includes $112,426 and $122,046) mandatory transfers for interest on long-term debt)	1,227,649	1,202,182
Federal Government programs	519,172	573,461
Federal Government programs - college match	74,143	158,557
Other foundation projects	251,920	324,748
	9,679,512	8,812,850
Student aid	1,600,176	1,464,863
Auxiliary enterprises (includes $73,845 and $75,281 mandatory transfer for interest on long-term debt)	1,228,646	1,187,030
	12,508,334	11,464,743
Net Current Fund increase before mandatory transfers for principal payments, additions to equipment replacement and renewals reserves or other transfers	1,164,685	705,678
Mandatory transfers for principal payments on long-term debt	(285,156)	(272,410)
Mandatory transfers to equipment replacement and renewal reserves	(25,000)	(25,000)
Transfer to plant fund	(520,000)	(174,654)
Transfer to endowment fund	(126,517)	(172,595)
Transfer to scholarship fund	(164,698)	(33,544)
Net increase in fund balance	$ 43,314	$ 27,475

COLLEGE OF ST. SCHOLASTICA, INC.

NOTES TO FINANCIAL STATEMENTS

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, Science Building Bonds, Recreation Building Bonds and Pooled 1983 Improvement Project Debt are charged to Current Fund expenditures as mandatory transfers.

Land, buildings and equipment are recorded at cost. Depreciation is not charged to current operations; however, the investment in Plant has been reduced by $49,410 ($41,026 for 1987) reflecting straight-line depreciation on automotive equipment.

Current purchases of library books totaling $116,545 ($86,878 for 1987) are charged to Current Fund expenditures as incurred.

2 - Cash

Current Fund cash consists of the following:

	1988	1987
Cash on hand	$ 6,275	$ 5,675
Checking	184,631	76,908
Savings	11,473	3,006
Money market trust fund	354,200	4,200
	$556,579	$ 89,789

3 - Inventories

Current Fund inventories consist of the following:

	1988	1987
Bookstore	$103,337	$61,851
Food Service	10,121	10,315
	$113,458	$72,166

Inventories are valued at the lower of cost or market.

4 - Investment in Plant - Buildings

The following properties are included in the above category:

	1988	1987
Tower Hall (see comments below)	$ 2,080,706	$ 2,071,199
Garage facilities	18,659	18,659
Dormitory Commons Complex - Somers Hall (pledged under provisions of the Dormitory and Dining Hall Bond of 1962)	2,207,751	2,207,751
Science Building (pledged under provisions of the Science Building Bonds of 1968)	2,808,321	2,808,321
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, Inc. 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, Inc. operated under a long-term lease with option to purchase)	316,327	316,327
Recreation building (owned by the Minnesota Higher Education Facilities Authority, pledged under their First Mortgage Revenue Bonds Series Two-B, College of St. Scholastica, Inc., operated under a long-term lease with option to purchase)	950,363	950,363
Building improvements	621,250	621,250
Library renovation	1,889,305	1,870,751
Chapel renovation	519,221	519,221
Total	$11,836,973	$11,808,912

4 - Investment in Plant - Buildings (Continued)

Under an agreement dated June 11, 1987, 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 ten other facilities or areas to be used on a shared basis with the B.S.B.A. The lease term is 99 years for a fee of $1.00 per year.

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 $2,080,706 for 1988 ($2,071,199 for 1987) the historical cost of the property.

5 - 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, 1988, $1,105,000 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 $55,000 on October 1, 1988 to $90,000 on October 1, 2002.

   Current Fund expenditures were charged $55,000 ($55,000 for 1987) debt retirement and $39,079 ($41,081 for 1987) interest paid or accrued and $30,000 ($35,000 for 1987) equipment repair and replacement reserve additions.

   Somers Hall has accommodations for 17 single rooms at $486 ($467 for 1987) per quarter, 150 double rooms at $486 ($467 for 1987) and 3 triple rooms at $486 ($467 for 1987) per person. The facility was approximately 88 percent occupied for the year ended June 30, 1988.

   Insurance is included in a blanket policy (co-insurance waived) at an agreed amount of $7,139,989. Boiler insurance carried is $25,000,000 with $10,000,000 umbrella excess liability coverage.

5 - Bonds Payable (Continued)

Funds established under the indenture are:

	1988	1987
A. 1962 Bond and Interest Sinking Fund:		
Balance, beginning of year	$ 95,499	$ 97,528
Current Fund transfers	93,246	74,108
Investment income	5,397	5,100
Payment of principal and interest	(91,748)	(76,137)
Transfer of income to Current Fund	(5,397)	(5,100)
Balance, end of year	$ 96,997	$ 95,499
B. 1962 Repair and Replacement Reserve Account:		
Balance, beginning of year	$ 88,719	$104,440
Current Fund transfers	40,855	91,137
Investment income	10,357	11,448
Major repairs	(18,575)	(118,306)
Balance, end of year	$121,356	$ 88,719

2. College of St. Scholastica Science Building Bonds of 1968, balance June 30, 1988, $535,000 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 $41,000 on October 1, 1988 to $56,000 on October 31, 1998.

   Current Fund expenditures were charged $41,000 ($39,000 in 1987) debt retirement and $16,434 ($17,573 for 1987) interest paid or accrued.

   Insurance is included in a blanket policy (co-insurance waived) at an agreed amount of $6,692,152. Boiler insurance carried is $25,000,000 with $10,000,000 umbrella excess liability coverage.

   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 $62,417 (market $62,417) at June 30, 1988. The asset and resulting income are recorded in the Endowment Fund.

5 - Bonds Payable (Continued)

3. The renovation of the library began in the summer of 1985, is being financed in part through the Minnesota Higher Education Facilities Authority by their Revenue Bonds, Series Two-L, College of St. Scholastica, Inc. The bonds are secured by a pledge of 2.2 percent of the annual student tuition receipts.

The bond issue obligation is reflected in the Plant Fund as the amount of bonds outstanding less unamortized discount. At June 30, 1988, the total amount of the obligation is $977,476, which represents total bonds outstanding of $995,000 less unamortized discount of $17,524.

Bond interest varies from 6 percent to 8.9 percent on the various maturity issues. Bonds mature progressively from $35,000 on December 1, 1988 to $115,000 on December 1, 2001.

Funds established under this indenture are:

	1988	1987
A. Series Two-L Debt Service Reserve account:		
Balance, beginning of year	$299,527	$310,970
Current fund transfer		84,000
Investment income	24,075	24,582
Fund transfer		(120,025)
Balance, end of year	$323,602	$299,527
B. Series Two-L Bond and Interest Sinking Fund account:		
Balance, beginning of year	$ 1,117	$ 40
Current fund transfer	117,324	
Fund transfer		120,022
Investment income	121	523
Payment of principal and interest	(117,324)	(119,468)
Balance, end of year	$ 1,238	$ 1,117
C. Series Two-L Construction account:		
Balance, beginning of year	$	$347,013
Investment income		14,164
Fund transfer		3
Construction draws		(361,180)
Balance, end of year	$ -0-	$ -0-

6 - 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 obligations in the Plant Fund, the lease was capitalized at $509,808, the cash generated by the bond issue. At June 30, 1988, the amount of the obligation is $274,511.

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 payment of all rent. The rent is pledged for payment of the bonds.

Bond interest is subsidized by the U.S. Department of Housing and Urban Development to an effective rate of 3 percent. Bonds mature progressively from $25,000 on March 1, 1989 to $40,000 on March 1, 1997. Total bonds outstanding at June 30, 1988 is $280,000.

In addition to normal operating expenses, Current Fund expenditures were charged $42,773 ($38,930 in 1987) representing principal and interest payments and accruals, and $30,000 ($10,000 for 1987) equipment repair and replacement reserve additions and accrual.

Grove apartments has accommodations for 95 students at $345 ($332 for 1987) per quarter plus utilities. The facility was approximately 98 percent occupied for the year ended June 30, 1988.

Insurance is included in a blanket policy (co-insurance waived) at an agreed amount of $779,761. Boiler insurance carried is $25,000,000 with $10,000,000 umbrella excess liability coverage.

Funds established under the indenture are:

6 - Long-term Leases (Continued)

	1988	1987
A. General Bond Reserve Account:		
Balance, beginning of year	$ 29,111	$ 26,802
Investment income	2,619	2,309
Balance, end of year	$ 31,730	$ 29,111
B. Series D Bond and Interest Sinking Fund Account:		
Balance, beginning of year	$ 8,485	$ 5,784
Current Fund transfer	40,087	40,158
Investment income	987	710
Payment on principal and interest	(42,988)	(39,130)
Transfer of income to Current Fund	(987)	(710)
Fund transfer	4,825	1,991
Administration fees	(284)	(318)
Balance, end of year	$ 10,125	$ 8,485
C. Series D Debt Service Reserve Account:		
Balance, beginning of year	$ 35,027	$ 35,056
Current Fund transfer	2,502	1,962
Investment income	2,198	1,962
Transfer of income to Current Fund		(1,962)
Fund transfer	(4,825)	(1,991)
Balance, end of year	$ 34,902	$ 35,027
D. Repair and Replacement Reserve Account:		
Balance, beginning of year	$ 34,501	$ 33,910
Current Fund transfer	20,000	-0-
Investment income	2,726	1,946
Major repairs	(4,673)	(1,355)
Balance, end of year	$ 52,554	$ 34,501

6 - Long-term Leases (Continued)

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.

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 June 30, 1988, the amount of the obligation is $214,693.

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 $15,000 on June 1, 1989 to $25,000 on June 1, 1999. Total outstanding at June 30, 1988 is $220,000.

In addition to normal operating expenses, Current Fund expenditures were charged $29,655 ($25,270 for 1987) representing principal and interest payments and accruals for the current year, and $10,000 accrual for equipment repair and replacement additions.

Pines Apartments has accommodations for 45 students at $407 ($391 for 1987) per quarter plus utilities. The facility was approximately 98 percent occupied for the year ended June 30, 1988.

Insurance is included in a blanket policy (co-insurance waived) at an agreed amount of $577,129. Boiler insurance is $25,000,000 with $10,000,000 umbrella excess liability coverage.

Funds established under this indenture are:

	1988	1987
A. General Bond Reserve Account:		
Balance, beginning of year	$ 18,314	$ 16,865
Investment income	1,641	1,449
Balance, end of year	$ 19,955	$ 18,314

6 - Long-term Leases (Continued)

	1988	1987
B. Series H Bond and Interest Sinking Fund Account:		
Balance, beginning of year	$ -0-	$ -0-
Current Fund transfers	29,933	25,520
Payment of principal and interest	(29,933)	(25,520)
Balance, end of year	$ -0-	$ -0-
C. Series H Debt Service Reserve Account:		
Balance, beginning of year	$ 33,389	$ 31,570
Current fund transfers		1,819
Investment income	2,202	1,819
Transfer of income to Current Fund	(2,202)	(1,819)
Balance, end of year	$ 33,389	$ 33,389

3. The Reif Recreation Facility was completed in the summer of 1980. The facility is owned by the Minnesota Higher Education Facilities Authority financed by their First Mortgage Revenue Bonds, Series Two-B, College of St. Scholastica, Inc., and leased to the College until May 1, 1993. At the termination of the lease, the College may purchase the property for $250 assuming all bond obligations are paid.

To reflect the property in the Plant Fund, the Reif Center is included at the total amount expended of $950,363. The lease obligation is reflected as the amount of bonds outstanding less unamortized discount. At June 30, 1988, the amount of the obligation is $738,444 which represents total bonds outstanding of $750,000 less unamortized discount of $11,556. In addition to normal operating expenses, Current Fund expenditures were charged $129,747 representing principal and interest payments and accruals.

Lease terms require College payments of:

A. All operating expenses.
B. All principal and interest payments.
C. $2,320 per year payable to the Minnesota Higher Education Facilities Authority.

The bonds mature progressively from $80,000 on May 1, 1989 to $370,000 on May 1, 1993.

6 - Long-term Leases (Continued)

Funds established under this indenture are:

	1988	1987
A. General Bond Reserve Account:		
Balance, beginning of year	$ 58,918	$ 55,866
Investment income	1,172	3,052
Balance, end of year	$ 60,090	$ 58,918
B. Debt Service Reserve Account:		
Balance, beginning of year	$257,471	$257,471
Current Fund transfer	16,264	14,512
Investment income	16,264	14,512
Transfer of income to Current Fund	(16,264)	(14,512)
Fund transfers	(16,264)	(14,512)
Balance, end of year	$257,471	$257,471
C. Bond and Interest Sinking Fund:		
Balance, beginning of year	$ -0-	$ -0-
Payments on interest	(30,395)	(65,420)
Payment on principal		(70,000)
Fund transfer	30,395	135,620
Fees		(200)
Balance, end of year	$ -0-	$ -0-
D. Redemption Account:		
Balance, beginning of year	$ 97,955	$ 78,538
Current Fund transfer	131,344	140,525
Fund transfer	16,264	14,512
Investment income	7,376	4,905
Transfer of income to Current Fund		(4,905)
Fund transfer	(30,395)	(135,620)
Fees	(549)	-0-
Payment on interest	(30,399)	
Payment on principal	(70,000)	
Balance, end of year	$121,596	$ 97,955

7 - Loan Payable

The loan payable represents a loan from the Minnesota Higher Foundation Facilities Authority dated October 1, 1983. The proceeds are to be used for capital improvement projects. The loan is payable in six annual installments, beginning September 1, 1986. The principal payments progress from $89,740 on September 1, 1988 to $113,011 at maturity, September 1, 1991. Interest varies from 6.75 percent to 8.50 percent.

8 - Capital Campaign Pledges Receivable

Pledges receivable at June 30, 1988 amount to $129,589 ($112,099 for 1987).

9 - Pension Plan

College of St. Scholastica employees are covered under the TIAA-CREF Retirement Program Qualifying National Pension Plan called Teachers Insurance Annuity Association.

All employees working 1,020 hours or more per year qualify for the retirement program on their third anniversary. Employees are totally vested immediately.

Employee contributions are 3 percent for hourly employees and 4 percent for salaried employees. College contributions are 6 percent for hourly and salaried employees.

10 - Income Taxes

The College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax.

OFFICIAL BID FORM

TO: Dr. Joseph E. LaBelle, Executive Director
Minnesota Higher Education Facilities Authority
Suite 450, Galtier Plaza
175 East 5th Street
Saint Paul, MN 55101

SALE DATE: May 24, 1989

RE: $5,105,000 Revenue Bonds, Series Two-T (College of St. Scholastica, Inc.)

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of $____________ (Note: This amount may not be less than $5,013,000) and accrued interest to the date of delivery.

________% 1990	________% 1997	________% 2003	________% 2009
________% 1991	________% 1998	________% 2004	________% 2010
________% 1992	________% 1999	________% 2005	________% 2011
________% 1993	________% 2000	________% 2006	________% 2012
________% 1994	________% 2001	________% 2007	________% 2013
________% 1995	________% 2002	________% 2008	________% 2014
________% 1996			

In making this offer we accept all of the terms and conditions of the Official Terms of Offering published in the Official Statement dated May 10, 1989. In the event of failure to deliver these Bonds in accordance with the Official Terms 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.

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: ________ %

Account Members

____
Account Manager

BY: ____________________

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

____
Executive Director

Received good faith check for return to bidder.
SPRINGSTED Incorporated by ________

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Minnesota Higher Education Facilities Authority
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Saint Paul, MN 55101

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