FINAL OFFICIAL STATEMENT DATED AUGUST 22, 2019

REFUNDING ISSUE **Moody's Rating: Baa2**

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

$29,075,000
Minnesota Higher Education Facilities Authority
Revenue Refunding Bonds, Series 2019
(College of St. Scholastica, Inc.)
(DTC Book Entry Only)

Dated Date: Date of Delivery **Interest Due: June 1 and December 1, commencing December 1, 2019**

The Bonds are to mature annually on December 1 as follows:

Year	Amount	Interest Rate	Yield	CUSIP 60416J	Year	Amount	Interest Rate	Yield	CUSIP 60416J
2019	$ 910,000	2.00%	1.32%	CF 5	2027	$ 780,000	4.00%	2.00%	CP 3
2020	$ 635,000	3.00%	1.44%	CG 3	2028	$ 960,000	4.00%	2.06%	CQ 1
2021	$ 650,000	3.00%	1.49%	CH 1	2029	$ 990,000	4.00%	2.09%	CR 9
2022	$ 670,000	3.00%	1.55%	CJ 7	2030	$1,020,000	4.00%	2.20%*	CS 7
2023	$ 690,000	3.00%	1.60%	CK 4	2031	$1,060,000	4.00%	2.29%*	CT 5
2024	$ 710,000	4.00%	1.66%	CL 2	2032	$1,090,000	4.00%	2.39%*	CU 2
2025	$ 725,000	4.00%	1.78%	CM 0	2033	$1,905,000	4.00%	2.48%*	CV 0
2026	$ 755,000	4.00%	1.89%	CN 8	2034	$1,975,000	4.00%	2.53%*	CW 8

$13,550,000 4.00% Term Bonds due December 1, 2040 Yield 2.72%* CUSIP 60416J CX 6

* *Priced to the first optional call date of December 1, 2029.*

The Minnesota Higher Education Facilities Authority Revenue Refunding Bonds, Series 2019 (College of St. Scholastica, Inc.) (the "Bonds") will be subject to optional redemption prior to maturity, as described herein. See "THE BONDS – Prior Redemption – Optional Redemption." The Bonds will also be subject to extraordinary optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture. The Bonds will be subject to extraordinary optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. See "THE BONDS – Prior Redemption – Extraordinary Optional Redemption" and "THE BONDS – Determination of Taxability."

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

The Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority") payable solely from Loan Repayments made by or on behalf of the College of St. Scholastica, Inc. (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 SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA ("THE STATE"), NOR SHALL THEY CONSTITUTE A DEBT FOR WHICH THE FAITH AND CREDIT OF THE AUTHORITY OR THE STATE, OR THE TAXING POWERS OF THE STATE, ARE PLEDGED. THE AUTHORITY HAS NO TAXING POWERS.

The Bonds are offered when, as and if issued by the Authority and accepted by Piper Jaffray & Co. (the "Underwriter") subject to the opinion as to validity and tax exemption of the Bonds by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Hanft Fride, a Professional Association, Duluth, Minnesota, and for the Underwriter by Fox Rothschild LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter through the facilities of DTC on or about September 5, 2019.

PiperJaffray.

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

No dealer, broker, sales representative or other person has been authorized by the Authority, the College, or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the College or the Underwriter. The information contained herein, except as it relates to the Authority, DTC, and the Trustee, has been obtained from the College and is not guaranteed as to accuracy or completeness. Information relating to the Authority, DTC and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information contained herein regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, the information contained herein 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 herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement, they will be furnished on request.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the Securities and Exchange Commission.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED "FORWARD-LOOKING STATEMENTS," MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY WORDS SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COLLEGE DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the Authority that has been deemed final by the Authority as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers provided in this Official Statement are included for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds. Neither the Authority, the Underwriter, nor the College takes any responsibility for the accuracy of such CUSIP numbers.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Michael D. Ranum, Chair	Chief Financial Officer, BWBR Architects, Inc. Resident of Circle Pines, Minnesota
David D. Rowland, Vice Chair	Executive Vice President, The Travelers Companies, Inc. Resident of Edina, Minnesota
Gary D. Benson, Secretary	Director of Project Planning & Development Kraus-Anderson Construction Company Resident of New Brighton, Minnesota
Bonnie Anderson Rons	Retired Bank Trust Officer Resident of Rosemount, Minnesota
Paul Cerkvenik (Ex Officio)	President, Minnesota Private College Council Saint Paul, Minnesota
Mary F. Ives	Real Estate Business Owner Resident of Grand Rapids, Minnesota
Mark Misukanis	Assistant Professor, Metropolitan State University, Resident of Mendota Heights, Minnesota
Nancy Sampair	Retired Banker Resident of Saint Paul, Minnesota
Raymond VinZant, Jr.	Founder, Midway Vo-Tech, Saint Paul Resident of Wyoming, Minnesota
Poawit Yang (Ex Officio)	Account Manager, Minnesota Office of Higher Education Saint Paul, Minnesota

Barry W. Fick, Executive Director

Bond Counsel
Fryberger, Buchanan, Smith & Frederick, P.A.

Municipal Advisor to the Authority
Baker Tilly Municipal Advisors, LLC

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OFFICIAL STATEMENT

$29,075,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE REFUNDING BONDS, SERIES 2019
(COLLEGE OF ST. SCHOLASTICA, INC.)

(DTC Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the College of St. Scholastica, Inc., a Minnesota nonprofit corporation (the "College"), owner and operator of an institution of higher education located in Duluth, Minnesota, in connection with the issuance of the Authority's $29,075,000 Revenue Refunding Bonds, Series 2019 (College of St. Scholastica, Inc.) (the "Bonds").

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

The Bonds are also issued pursuant to the Trust Indenture (the "Indenture") to be dated as of September 1, 2019 between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") to be dated as of September 1, 2019 between the College and the Authority relating to the Bonds, the Authority is loaning the Bond proceeds to the College and the College will covenant as its general obligation to make Loan Repayments and deposits in amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same shall become due.

The College will use the proceeds of the Bonds, along with funds available from accounts held in trust by the trustee for the (i) Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-S (College of St. Scholastica, Inc.), dated November 1, 2007 (the "Series Six-S Bonds"); (ii) Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-H (College of St. Scholastica, Inc.), dated October 26, 2010 (the "Series Seven-H Bonds"); and (iii) Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-J (College of St. Scholastica, Inc.), dated February 17, 2011 (the "Series Seven-J Bonds," and, together with the Series Six-S Bonds and the Series Seven-H Bonds, the "Prior Bonds") to:

1. Refund, on a current basis, the remaining outstanding principal of the Authority's Series Six-S Bonds maturing or subject to mandatory sinking fund redemption on and after December 1, 2019 (the "Series Six-S Refunding") plus interest thereon, to be redeemed, in full, on September 24, 2019 (the "Series Six-S Bonds Redemption Date");
2. Refund, on a current basis, the remaining outstanding principal of the Authority's Series Seven-H Bonds maturing or subject to mandatory sinking fund redemption on and after December 1, 2019 (the "Series Seven-H Refunding") plus interest thereon, to be paid, prepaid and redeemed, in full, on December 1, 2019 (the "Series Seven-H Bonds Redemption Date");

3. Refund, on a current basis, the remaining outstanding principal of the Authority's Series Seven-J Bonds maturing or subject to mandatory sinking fund redemption on and after December 1, 2019 (the "Series Seven-J Refunding") plus interest thereon, to be paid, prepaid and redeemed, in full, on December 1, 2019 (the "Series Seven-J Bonds Redemption Date"); and

4. Pay issuance costs.

See "USE OF PROCEEDS" herein.

The Bonds are secured by a pledge of the Loan Repayments, which are a general obligation of the College. Under the Loan Agreement, the College will agree to provide the funds necessary to make timely payment of the Loan Repayments. See "SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS" herein.

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

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices IV and V for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

THE BONDS

General

The Bonds will be dated as of the date of delivery and will mature annually each December 1, commencing December 1, 2019, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each June 1 and December 1, commencing December 1, 2019.

Book Entry Only System

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

For further detail on DTC, see Appendix VI, "THE DEPOSITORY TRUST COMPANY."

Prior Redemption

Mandatory Redemption

Term Bonds shall be called for redemption on December 1 in the years set forth below in the principal amounts thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

Term Bond
Maturing December 1, 2040

Year	Amount
2035	$2,050,000
2036	$2,130,000
2037	$2,210,000
2038	$2,295,000
2039	$2,385,000
2040*	$2,480,000

* Final maturity.

The Term Bonds or portions thereof to be so redeemed shall be selected by the Trustee by lot or in such other random manner as the Trustee shall determine.

The Term Bonds to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

(1) have been delivered to the Trustee for cancellation; or

(2) have been purchased or redeemed (other than through operation of the Bond and Interest Sinking Fund) and canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption obligations.

Optional Redemption

The Bonds maturing on or after December 1, 2030 are subject to optional redemption at the College's direction on December 1, 2029 and on any day thereafter at par plus accrued interest. Redemption may be in whole or in part and if in part in such order of maturity as the College directs and selected by random means within a maturity, in integral multiples of $5,000.

Extraordinary Optional Redemption

The Bonds will also be subject to optional redemption at par and accrued interest in integral multiples of $5,000, as a whole or in part, in certain cases of damages to or destruction or condemnation of the Project Facilities. In the event the Project Facilities are damaged such that the claim for loss exceeds $1,000,000, the College may elect to repair, rebuild or restore the Project Facilities or may elect, pursuant to the terms of the Loan Agreement, to redeem all or part of the Outstanding Bonds. If the College elects to partially redeem the Bonds, the available Net Proceeds (and not more than the amount of such available Net Proceeds) may be used for the redemption of the Bonds. See "SUMMARY OF DOCUMENTS – the Loan Agreement."

The Bonds will be subject to optional redemption at par and accrued interest upon a Determination of Taxability as provided in the Loan Agreement. See "THE BONDS – Determination of Taxability."

Partial Redemption

If fewer than all Bonds of a maturity are called for redemption, the Authority and the Trustee will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed.

In the case of Bonds of denominations greater than $5,000, if fewer 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 sub number assigned by the Trustee. 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 available for the redemption of said $5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than 20 days, and if more than 60 days, then again not less than 20 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the affected Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date of Taxability effective until the date on which the principal of the Bonds is paid. **If a Determination of Taxability should occur, any monetary damages or loss resulting from or incident thereto shall be limited to the additional interest on the Bonds.** See "TAX EXEMPTION" and Appendix IV, "DEFINITION OF CERTAIN TERMS."

Following a Determination of Taxability, the College will have the option to prepay the Bonds on the next date for which due notice of redemption can be given, in full or in part and on any date thereafter at a price equal to par plus accrued interest (including additional interest from the Date of Taxability) and without a premium.

USE OF PROCEEDS

The Plan of Finance

The College will use the proceeds of the Bonds, along with funds available from accounts held in trust by the trustee for the Prior Bonds to:

1. Refund, on a current basis, the remaining outstanding principal of the Authority's Series Six-S Bonds maturing or subject to mandatory sinking fund redemption on and after December 1, 2019 plus interest thereon, to be redeemed, in full, on September 24, 2019;

2. Refund, on a current basis, the remaining outstanding principal of the Authority's Series Seven-H Bonds maturing or subject to mandatory sinking fund redemption on and after December 1, 2019 plus interest thereon, to be paid, prepaid and redeemed, in full, on December 1, 2019;
3. Refund, on a current basis, the remaining outstanding principal of the Authority's Series Seven-J Bonds maturing or subject to mandatory sinking fund redemption on and after December 1, 2019 plus interest thereon, to be paid, prepaid and redeemed, in full, on December 1, 2019; and
4. Pay issuance costs.

The Series Six-S Refunding

The Series Six-S Bonds were issued to acquire, construct, improve and equip an approximately 38,500 square foot expansion of and renovation to the College's Wellness Center on the College's Duluth campus, for athletic and academic purposes (the "Series Six-S Project").

The Series Six-S Bonds to be prepaid and refunded are in the total principal amount of $4,630,000 and are identified by CUSIP as follows:

Maturity Date December 1:	Principal	CUSIP: 60416H
2022†	$1,805,000	LQ 5
2027†*	$2,825,000	LR 3

† Term Bonds
∗ Final Maturity

At the College's request, the Authority may elect to prepay on December 1, 2017 and on any day thereafter Series Six-S Bonds maturing on or after December 1, 2018. Redemption may be in whole or in part and if in part in such order of maturity as the College directs and selected by random means within a maturity. All prepayments shall be at a price of par plus accrued interest. As of the Issue Date, the outstanding Series Six-S Bonds will be fully defeased from a portion of Bond proceeds and any funds available therefor on deposit under the Series Six-S Indenture. Under the terms of the Escrow Agreement to be dated as of September 1, 2019 (the "Escrow Agreement"), among the Authority, the College, and Wells Fargo Bank, National Association, as the Escrow Agent, and the Series Six-S Bonds Trustee, the College has given the Series Six-S Bonds Trustee, irrevocable direction to optionally redeem the Series Six-S Bonds (maturing on and after December 1, 2022) on September 24, 2019 (the "Series Six-S Bonds Redemption Date"). The Series Six-S Bonds will be prepaid and redeemed on the Series Six-S Bonds Redemption Date at a price of par plus interest accrued to that date and without a redemption premium.

On the Issue Date, a portion of the Bond proceeds will be deposited in the Refunding Account created under the Indenture and immediately transferred to the Series Six-S Bonds Trustee for deposit in the Series Six-S Redemption Account. On the Issue Date, the Escrow Agent shall receive and deposit into the Series Six-S Escrow Account all amounts held by the Series Six-S Bond Trustee and available to apply to this refunding. The amount on deposit in the Series Six-S Escrow Account will be invested in U.S. government securities the principal amount of which, plus earnings thereon, will be sufficient to pay interest on and to prepay and redeem the outstanding Series Six-S Bonds on the Series Six-S Bonds Redemption Date.

The College will obtain from Ritz & Associates P.A., Certified Public Accountants, of Bloomington, Minnesota a verification report confirming that the initial monies deposited in the Series Six-S Escrow Account, including the earnings on U.S. government securities therein, will be sufficient to pay the interest on and prepay and redeem the outstanding principal balance of the Series Six-S Bonds on the Series Six-S Bonds Redemption Date.

The Series Seven-H Refunding

The Series Seven-H Bonds were issued to:

1. Pay a portion of the costs to acquire, construct, furnish and equip an approximately 42,000 square-foot expansion and renovation to the College's existing Science Building and related facilities located on its Duluth campus (the "Series Seven-H and Series Seven-J Project");
2. Refund, on a current refunding basis, the outstanding principal balance of the Authority's Revenue Refunding Bonds, Series Five-J (College of St. Scholastica, Inc.) (the "Series Five-J Bonds");
3. Refund, on a current refunding basis, the outstanding principal of the Authority's Variable Rate Demand Revenue Bonds, Series Six-A (College of St. Scholastica, Inc.) (the "Series Six-A Bonds");

The Series Seven-H Bonds to be paid, prepaid and redeemed are in the total principal amount of $20,450,000 and are identified by CUSIP as follows:

Maturity Date December 1:	Principal	CUSIP: 60416H
2019	$ 295,000	UQ 5
2020	$ 275,000	UR 3
2025†	$1,555,000	UW 2
2030†	$3,920,000	VB 7
2035†	$7,775,000	VF 8
2040†*	$6,630,000	VG 6

† Term Bonds
∗ Final Maturity

The Series Seven-H Bonds maturing on or after December 1, 2020 are subject to optional redemption at the College's direction on December 1, 2019 and on any day thereafter at par plus accrued interest. Redemption may be in whole or in part and if in part in such order of maturity as the College directs and selected by random means within a maturity, in integral multiples of $5,000. As of the Issue Date, the outstanding Series Seven-H Bonds will be fully defeased from a portion of Bond proceeds and any funds available therefor on deposit under the Series Seven-H Indenture. Under the terms of the Escrow Agreement, among the Authority, the College, and Wells Fargo Bank, National Association as the Escrow Agent, and the Series Seven-H Bonds Trustee, the College has given the Series Seven-H Bonds Trustee, irrevocable direction to optionally redeem the Series Seven-H Bonds (maturing on and after December 1, 2020) on December 1, 2019 (the "Series Seven-H Bonds Redemption Date"). The Series Seven-H Bonds maturing on December 1, 2019 will be paid on their maturity date and those maturing on December 1 2020, 2025, 2030, 2035 and 2040 will be prepaid and redeemed on the Series Seven-H Bonds Redemption Date at a price of par plus interest accrued to that date and without a redemption premium.

On the Issue Date, a portion of the Bond proceeds will be deposited in the Refunding Account created under the Indenture and immediately transferred to the Series Seven-H Bonds Trustee for deposit in the Series Seven-H Redemption Account. The Escrow Agent shall receive and deposit into the Series Seven-H Escrow Account all amounts held by the Series Seven-H Bond Trustee and available to apply to this refunding. The amount on deposit in the Series Seven-H Escrow Account will be invested in U.S. government securities the principal amount of which, plus earnings thereon, will be sufficient to pay interest and maturing principal of on the Series Seven-H Bonds to and including the Series Seven-H Bonds Redemption Date and to prepay and redeem the outstanding Series Seven-H Bonds maturing on and after December 1, 2020 on the Series Seven-H Bonds Redemption Date.

The College will obtain from Ritz & Associates P.A., Certified Public Accountants, of Bloomington, Minnesota a verification report confirming that the initial monies deposited in the Series Seven-H Escrow Account, including the earnings on U.S. government securities therein, will be sufficient to pay the principal of and interest on the Series Seven-H Bonds when due and to prepay and redeem the outstanding principal balance of the Series Seven-H Bonds on the Series Seven-H Redemption Date.

<u>The Series Seven J-Refunding</u>

The Series Seven-J Bonds were issued to fund the balance of the costs of constructing, furnishing and equipping the Series Seven-H and Series Seven-J Project that were not funded by proceeds of the Authority's Series Seven-H Bonds.

The Series Seven-J Bonds to be paid, prepaid and refunded are in the total principal amount of $10,120,000 and are identified by CUSIP as follows:

Maturity Date December 1:	Principal	CUSIP: 60416H
2019†	$ 20,000	WC 4
2028†	$ 565,000	WD 2
2040†*	$9,535,000	WE 0

† Term Bonds
∗ Final Maturity

The Series Seven-J Bonds maturing, or subject to mandatory redemption, on or after December 1, 2020 are subject to optional redemption at the College's direction on December 1, 2019 and on any day thereafter at par plus accrued interest. Redemption may be in whole or in part and if in part in such order of maturity as the College directs and selected by random means within a maturity, in integral multiples of $5,000. As of the Issue Date, the outstanding Series Seven-J Bonds will be fully defeased from a portion of Bond proceeds and any funds available therefor on deposit under the Series Seven-J Indenture. Under the terms of the Escrow Agreement, among the Authority, the College, and Wells Fargo Bank, National Association, as the Escrow Agent, and the Series Seven-J Trustee, the College has given the Series Seven-J Bonds Trustee, irrevocable direction to optionally redeem the Series Seven-J Bonds (maturing on and after December 1, 2020) on December 1, 2019 (the "Series Seven-J Redemption Bonds Date"). The Series Seven-J Bonds maturing on December 1, 2019 will be paid on their maturity date and those maturing on December 1, 2028 and 2040 will be prepaid and redeemed on the Series Seven-J Bonds Redemption Date at a price of par plus interest accrued to that date and without a redemption premium.

On the Issue Date, a portion of the Bond proceeds will be deposited in the Refunding Account created under the Indenture and immediately transferred to the Series Seven-J Bonds Trustee for deposit in the Series Seven-J Redemption Account. The Escrow Agent shall receive and deposit into the Series Seven-J Escrow Account all amounts held by the Series Seven-J Bond Trustee and available to apply to this refunding. The amount on deposit in the Series Seven-J Escrow Account will be invested in U.S. government securities the principal amount of which, plus earnings thereon, will be sufficient to pay interest and maturing principal of on the Series Seven-J Bonds to and including the Series Seven-J Bonds Redemption Date and to prepay and redeem the outstanding Series Seven-J Bonds maturing or subject to mandatory sinking fund redemption on and after December 1, 2020 on the Series Seven-J Bonds Redemption Date.

The College will obtain from Ritz & Associates P.A., Certified Public Accountants, of Bloomington, Minnesota a verification report confirming that the initial monies deposited in the Series Seven-J Escrow Account, including the earnings on U.S. government securities therein, will be sufficient to pay the principal of and interest on the Series Seven-J Bonds when due and to prepay and redeem the outstanding principal balance of the Series Seven-J Bonds on the Series Seven-J Bonds Redemption Date.

SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of the Bonds	$29,075,000.00
Reoffering Premium	3,388,902.95
Prior Bonds Reserve Account	3,805,953.53
Total Sources	$36,269,856.48
Uses of Funds:	
Refunding Escrow Deposits:	
Series Six-S Refunding	$ 4,702,665.28
Series Seven-H Refunding	20,876,930.29
Series Seven-J Refunding	10,389,398.12
Deposit to Bond and Interest Sinking Fund Account	201.54
Costs of Issuance, Including Underwriter's Discount	300,661.25
Total Uses	$36,269,856.48

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FISCAL YEAR ANNUAL DEBT SERVICE

Fiscal Year Ended June 30:	Existing Debt Service on Outstanding College Bonds and Notes*	Series 2019 Principal	Series 2019 Interest	Series 2019 Net Debt Service	Refund Series Six-S Debt Service	Refund Series Seven-H Debt Service	Refund Series Seven-J Debt Service	New Debt Service on Outstanding College Bonds and Notes*
2020	$ 4,273,572	$ 910,000	$ 817,236	$ 1,727,236	$ (641,000)	$ (1,338,009)	$ (655,105)	$ 3,366,695
2021	4,269,288	635,000	1,090,625	1,725,625	(639,500)	(1,307,125)	(683,105)	3,365,183
2022	4,267,020	650,000	1,071,350	1,721,350	(637,000)	(1,309,375)	(680,105)	3,361,890
2023	4,267,157	670,000	1,051,550	1,721,550	(638,375)	(1,304,625)	(681,955)	3,363,752
2024	4,262,632	690,000	1,031,150	1,721,150	(638,500)	(1,299,375)	(683,505)	3,362,402
2025	4,263,438	710,000	1,006,600	1,716,600	(637,375)	(1,298,500)	(679,905)	3,364,258
2026	4,261,157	725,000	977,900	1,702,900	(639,875)	(1,287,125)	(681,155)	3,355,902
2027	4,260,401	755,000	948,300	1,703,300	(636,000)	(1,289,906)	(682,105)	3,355,690
2028	4,256,042	780,000	917,600	1,697,600	(640,625)	(1,276,841)	(682,755)	3,353,421
2029	4,258,354	960,000	882,800	1,842,800	-	(1,911,478)	(683,105)	3,506,571
2030	4,252,092	990,000	843,800	1,833,800	-	(1,902,794)	(683,028)	3,500,071
2031	4,246,961	1,020,000	803,600	1,823,600	-	(1,896,675)	(682,515)	3,491,371
2032	4,246,963	1,060,000	762,000	1,822,000	-	(1,887,263)	(686,530)	3,495,171
2033	4,241,863	1,090,000	719,000	1,809,000	-	(1,884,263)	(680,230)	3,486,371
2034	4,315,712	1,905,000	659,100	2,564,100	-	(2,632,769)	(678,773)	3,568,271
2035	4,312,613	1,975,000	581,500	2,556,500	-	(2,626,600)	(681,843)	3,560,671
2036	4,307,098	2,050,000	501,000	2,551,000	-	(1,509,713)	(1,793,215)	3,555,171
2037	4,303,864	2,130,000	417,400	2,547,400	-	(1,504,166)	(1,795,528)	3,551,571
2038	4,298,070	2,210,000	330,600	2,540,600	-	(1,506,256)	(1,787,643)	3,544,771
2039	4,293,589	2,295,000	240,500	2,535,500	-	(1,505,016)	(1,784,403)	3,539,671
2040	4,289,792	2,385,000	146,900	2,531,900	-	(1,500,444)	(1,785,178)	3,536,071
2041	3,449,264	2,480,000	49,600	2,529,600	-	(1,497,413)	(1,784,495)	2,696,957
Total:	$93,196,945	$29,075,000	$15,850,111	$44,925,111	$(5,748,250)	$(35,475,728)	$(21,616,178)	$75,281,901

Totals may not precisely equal the sum of the individual amounts due to rounding.

** Includes debt service on all outstanding Bonds and the College's Health Sciences Education Facilities Corporation Project Notes as further described in "APPENDIX I - THE COLLEGE – Long-Term Debt of the College," and excludes other capital and operating leases, see APPENDIX VII – "ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2018 – Note 13 – Leases".*

SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS

Source of Payment

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture. There is no reserve fund established for the Bonds.

The Bonds are secured by the Authority's pledge of the Loan Repayments to the Trustee, which are a general obligation of the College, and other funds the Trustee holds under the Indenture. The College will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The College agrees to make such payments out of its operating funds or any other moneys legally available.

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

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

No Mortgage Liens

The Bonds are not secured by any mortgage liens on or security interest in any property of the College.

Financial Covenants

The College will also covenant that so long as the Bonds shall remain outstanding:

a. The Revenue/Expenditure Test must be met in at least two of the preceding three complete Fiscal Years.

b. At June 30, 2020 and at the end of each Fiscal Year thereafter, Unrestricted Liquid Funds shall be not less than $2,500,000. Within 120 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an Authorized Institution Representative showing the Unrestricted Liquid Funds as of the end of the Fiscal Year. If at the end of any Fiscal Year, Unrestricted Liquid Funds do not equal or exceed $2,500,000, the College shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) additional Unrestricted Liquid Funds at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the College for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

c. The College shall incur no Funded Debt (except for a refunding or refinancing of Funded Debt which does not increase the Maximum Annual Debt Service and further excepting indebtedness for capital projects for which the College has secured funds on hand or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless the Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements are available was at least 120%; provided that, if the additional Funded Debt proposed to be incurred is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for such Fiscal Year the estimated amount of Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an Independent Management Consultant to the College and the Trustee; and provided further that if the Board of Trustees has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, for purposes of this paragraph, there shall be added to Net Income Available for Debt Service for such Fiscal Year the amount of such increase net of increased operating expenses, as estimated in a report of an Independent Management Consultant to the College and the Trustee; and proved further that if the Additional Funded Debt proposed to be incurred is to finance equipment or facilities which will produce savings in operating costs of the College, as estimated in a report of an Independent Management Consultant to the College and the Trustee, there shall be added to the amount of Net Income Available for Debt Service for such Fiscal Year, the estimated net savings to be derived from such equipment or facilities in the Fiscal Year following the estimated date of acquisition or construction of such equipment or facilities.

For purpose of these covenants, the following terms shall have the following meanings:

“Adjusted Increase (Decrease) in Unrestricted Net Assets” means the Increase (Decrease) in Unrestricted Net Assets, as reported in the Statement of Activities section of the audited financial statements of the College, adjusted, but without duplication, to: (a) exclude depreciation, amortization and accretion expense; (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment and not funded through operations; (c) exclude extraordinary gains or losses; (d) exclude Total Return; and (e) include an amount determined by the College’s Endowment Spending Policy as in effect for such audited Fiscal Year.

“Debt Service Coverage Ratio” means for any particular period, the ratio (expressed as a percentage) determined by dividing Net Income Available for Debt Service by Maximum Annual Debt Service.

“Endowment Spending Policy” means the spending policy approved from time to time by the College’s governing board as applied to endowment funds and long-term investment funds.

“Funded Debt” means indebtedness for borrowed money having a maturity date of more than two years from the date of creation thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including obligations whenever payable if renewable pursuant to the terms thereof or of a revolving loan agreement for a period of more than two years from the date of creation thereof.

“Investment in Plant” means Property, Plant and Equipment, Net, plus Debt Acquisition Costs, less Bonds and Capital Leases Payable, each as reported in the Statements of Financial Position section of the audited financial statements of the College.

“Maximum Annual Debt Service,” as used above, means the largest total amount of principal and interest on Funded Debt payable by the College in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding and subject to adjustments in accordance with the Loan Agreement.

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

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

"Total Return" is the sum of interest and dividends, realized gain and loss and unrealized gain and loss on endowment funds and long-term investment funds.

"Unrestricted Liquid Funds" means the Unrestricted Net Assets, as reported in the Statements of Financial Position section of the audited financial statements of the College, reduced by Investment in Plant.

For purposes of (a), (b) and (c) above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by the College's auditors in the report of the College's financial statements for the Fiscal Year ended June 30, 2018. In the event of a change in generally accepted accounting principles or financial statement presentation, the College may request modification to the financial compliance or reporting requirements of the Loan Agreement, provided the request is accompanied by a proposed amendment to the Loan Agreement, and by a certificate of an Independent certified public accountant to the effect that: (i) generally accepted accounting principles or financial statement presentation standards relevant to the College's financial covenants or reporting requirements under the Loan Agreement have changed; (ii) modifications to the financial covenants or reporting requirements contained in the proposed amendment to the Loan Agreement proffered with the certificate are reasonably required to allow the College to comply with the financial compliance and reporting requirements of the Loan Agreement following such changes; and (iii) the modifications reflected by the proposed amendment to the Loan Agreement will not materially prejudice the Holders of the Bonds, then the Authority and the College shall enter into the proposed amendment to the Loan Agreement, as authorized by the Indenture and with the consent of the Trustee, and such amendment will be deemed to be a part of the Loan Agreement.

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 Refunding Account, a Bond and Interest Sinking Fund Account, a Costs of Issuance Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Refunding Account, the Costs of Issuance Account and the Bond and Interest Sinking Fund Account as described below. 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.

Refunding Accounts

There shall be deposited initially into the Refunding Account certain Bond proceeds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account and the Costs of Issuance Account, which shall be in an amount sufficient, along with available moneys from the Prior Bond Trustee and earnings on the escrow accounts, to pay the redemption price of the Prior Bonds on the redemption date, as described herein. The monies deposited to this account shall immediately be transferred to the trustee for deposit in the respective Series Six-S Redemption Account, Series Seven-H Redemption Account, and Series Seven-J Redemption Account, and thereafter deposited in the Series Six-S Escrow Account, the Series Seven-H Escrow Account, and the Series Seven-J Escrow Account as more fully described in "USE OF PROCEEDS – The Series Six-S Refunding," "– The Series Seven-H Refunding," and the "Series Seven-J Refunding" herein.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account the amount of Bond proceeds representing accrued interest, if any, and the rounding amount, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other Accounts, as permitted by the Indenture, and from Loan Repayments made by the College. Deposits into the Bond and Interest Sinking Fund Account shall be made at least two (2) Business Days prior to each Interest Payment Date in amounts equal to interest and, if applicable, principal due on such Interest Payment Date.

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.

Costs of Issuance Account

There shall be deposited into the Costs of Issuance Account the amount specified in the Indenture to be applied to the costs, fees and expenses incurred in connection with the issuance of the Bonds. The Trustee shall disburse funds from this account upon presentation to Trustee of an invoice approved by the Authorized Institution Representative or the Authorized Authority Representative. If funds remain in the Costs of Issuance Account after a period of six months the funds shall be transferred to the Bond and Interest Sinking Fund Account.

The College will agree in the Loan Agreement to pay out of available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds.

Redemption Account

There shall be deposited into the Redemption Account all other amounts required to be deposited therein pursuant to any provision of the Loan Agreement or the Indenture.

Amounts on deposit to the credit of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account; and second, for the redemption of outstanding Bonds at the request or direction of the College for the purchase of outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Costs of Issuance Account, and the Redemption Account shall be invested by the Trustee, as described in writing by the Authorized Institutional Representative, only in investments as authorized by Minnesota law from time to time, and subject to the additional restrictions set forth in the Indenture. The Indenture sets forth specific limitations as to type, credit quality, and maturity of investments. See Appendix V, "SUMMARY OF DOCUMENTS – The Indenture" herein.

Moneys deposited in the Refunding Account will not be invested in that account, but will be transferred to the Series Six-S Bonds Trustee, the Series Seven-H Bonds Trustee, and the Series Seven J-Bonds Trustee. See "USE OF PROCEEDS – The Plan of Finance herein.

RISK FACTORS

No person should purchase Bonds without carefully reviewing the following information which sets forth some, but not all, of the factors which may affect the Owners' receipt of payments of the principal of, premium, if any, and interest on the Bonds.

Risk of Insufficient Collateral

The Bonds are secured solely by (a) a pledge by the Authority to the Trustee of amounts payable by the College under the Loan Agreement, and (b) amounts in accounts and funds which will be held by the Trustee and applied to the payment of principal of, premium, if any, and interest on the Bonds. The Bonds are not secured by a mortgage on or security interest in any real property or personal property. If an Event of Default occurs, there can be no assurance that such sources will be sufficient to pay the principal of, premium, if any, or interest on the Bonds when due.

General Obligation of the College; No Mortgage or Debt Service Reserve Fund

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Indenture, or the Bonds or the performance of other College obligations under such documents. Accordingly, for payment of principal, interest, and premium, if any, on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the College under the Loan Agreement and other funds, if any, the Trustee holds under the Indenture. The College's obligation to make Loan Repayments is a general, unsecured obligation. The Bonds are not secured by any mortgage on or security interest in any of the College's property or by any other collateral. Payment of principal and interest on the Bonds is not secured by any debt service reserve fund.

Adequacy of Revenues

Payment of principal of, premium, if any, and interest on the Bonds is intended to be made from the College's Loan Repayments. The College's ability to make Loan Repayments will be dependent on its ability to receive sufficient unrestricted revenues in excess of expenditures, to invest and maintain sufficient monies in its investments and to obtain sufficient investment earnings therefrom. Such revenues and expenditures are subject to many conditions and factors, some of which may be beyond the College's control and may change in the future to an extent that cannot be presently determined.

Reliance on Tuition and Fees

The adequacy of the College's revenues will be largely dependent on the amount of future tuition revenue the College receives. Such tuition revenue, in turn, will depend primarily on the College's ability to charge sufficient rates for tuition and to maintain enrollment levels. Future enrollment levels will depend on the number of students applying to the College and accepting offers of admission. A number of factors will influence the number of applicants to the College, including, without limitation, levels of tuition rates and other fees, competition from other colleges and universities, a change in the number of college-age students, and adverse general economic conditions.

Competition

There is intense competition among institutions of higher education for students both nationally and within the upper Midwest region from which the College draws the majority of its students. Universities and colleges compete principally based on location, net tuition rates, degree offerings, and academic reputation.

To the extent that competitors have or achieve an advantage with respect to any of these factors, the College could be adversely affected. In addition, competitive pressures could result in tuition reductions, the inability to raise tuition, or increases in financial aid in the form of discounted tuition, which could adversely affect the College's unrestricted net assets available for payment of debt service on the Bonds.

Changes in demographics, such as a decrease in the overall number of high school graduates or a decrease in the number of high school graduates who elect to go to college, could adversely affect the College's efforts to attract students.

Financial Aid

Approximately 99% of the College's student body received some form of financial assistance through scholarships, grants, loans and work study, from federal, state, College or private sources covering at least a portion of tuition, fees and living expenses. See Appendix I, "THE COLLEGE – Financial Aid" herein. No assurance can be given that federal and state financial aid and private third party financing will continue to be funded at current levels or that the College will continue to fund student aid at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues.

No assurance can be given that student loans will continue to be available to students and their parents at historical levels. Reductions in availability of such loans or increases in interest rates may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues.

Damage or Destruction

Although the College will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the College will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss will not exceed the coverage of such insurance policies. Under certain circumstances the Bonds may be subject to redemption at par upon damage to or destruction of all or substantially all, or a portion, of the Project Facilities. See "THE BONDS – Redemption – Extraordinary Optional Redemption" and Appendix V, "SUMMARY OF DOCUMENTS – The Loan Agreement – Damage or Destruction" and " – Condemnation."

Secondary Market

There can be no assurance that there will always be a secondary market for purchase or sale of the Bonds and from time to time there may be no market for purchase or sale of the Bonds depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition and results of the College and the Project Facilities. The Bonds should therefore be considered long-term investments in which funds are committed to maturity.

Bankruptcy

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

Pro Forma Debt Service Coverage

Certain historical operating revenue for the College and computed pro forma debt service coverage is provided in Appendix I under the caption "Estimated Maximum Annual Debt Service and Pro Forma Coverage." The pro forma coverage is merely a mathematical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and Bond and other debt service requirements.

Endowment Portfolio Risk

Market conditions that negatively affect the College's investments may adversely affect debt service coverage and endowment spending. The College's Board of Trustees has approved an investment policy which gives specific guidance about portfolio investments. The College's investment policy defines a diversified investment portfolio utilizing external money managers. The operating budget of the College includes an annual contribution from endowment funds currently equal to approximately 4.00% of the endowment's prior twelve quarter moving average. See also Appendix I, "THE COLLEGE – Investments."

Maintenance of Credit Rating

The Bonds have been rated as to their creditworthiness by Moody's (as defined herein). No assurance can be given that the Bonds will maintain their original credit rating. If the credit rating on the Bonds decreases, the Bonds may lack liquidity in the secondary market in comparison with other obligations. Adverse developments with respect to the operation of the College could result in a rating downgrade and may have an adverse effect upon a holder's ability to sell the Bonds or the bid and ask prices for the Bonds. See "RATING" herein.

Cybersecurity Risks

The College relies on security measures included in its information systems to enable secure processing, transmission and storage of confidential and other sensitive information. Information systems security breaches, including electronic break-ins, computer virus insertion, attacks by internal and external parties and similar breaches could create disruption or shutdown of the College information systems and disrupt the services it provides. Security breaches could also facilitate unauthorized access to or disclosure of personally identifiable information and other confidential or sensitive information.

Despite implementing, monitoring and regularly updating information system security measures, the College may remain vulnerable to intrusion attempts by outside or internal parties, as well as data breaches resulting from employee error, negligence or malfeasance. Failure to maintain proper functionality and security of the College's information systems could interrupt the College's operations, damage its reputation, subject it to significant costs, liability claims or regulatory penalties, and could have a material adverse effect on the operations and financial condition of the College.

The College maintains insurance coverage for losses associated with information system security breaches and failure to protect confidential business and personal information. The College's current insurance coverage policy is in place through June 15, 2020 with an aggregate liability limit of $3,000,000, and covers legal, public relations, crisis management, data protection, cyber extortion, business interruption, and forensic services.

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the College:

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

(2) Adoption of federal, State or local legislation or regulations, such as limitations on tuition increases, having an adverse effect on the future operating or financial performance of the College.

(3) International events, including any acts of war and terrorism, which may have adverse effects on enrollment and investments.

(4) Market conditions that negatively affect the College's investments and therefore may adversely affect debt coverage and endowment spending.

See also "TAX EXEMPTION" herein.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the College will enter into an undertaking (the "Undertaking") for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the College annually, and to provide notices of the occurrence of any of the events enumerated in the Rule annually to the Municipal Securities Rulemaking Board (the "MSRB") not later than ten business days after the occurrence of the event. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of certain events is set forth in the Continuing Disclosure Certificate to be executed by the College (the "Disclosure Certificate") at the time the Bonds are delivered, a copy of which is available from the College or the Trustee. Appendix III, "FORM OF CONTINUING DISCLOSURE CERTIFICATE," contains a summary of the financial information and operating data to be provided annually, as well as the list of events. The Disclosure Certificate may be amended under certain circumstances as permitted by the Rule.

Furthermore, the College has reserved its right to discontinue providing information required by the Disclosure Certificate or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Disclosure Certificate if a court of competent jurisdiction or the College determines that such modification is required or permitted by the Rule.

The College has never failed to comply in any material respect with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the College to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have other remedies at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the College pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

FUTURE FINANCING

The College regularly improves and expands its physical plant and incurs long-term financing as needed for these purposes. The College does not anticipate issuing any additional debt within the next twelve months.

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Minnesota Statutes Sections 136A.25 through 136A.42), 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. Appointed Board members serve staggered four-year terms. A representative of the Minnesota Office of Higher Education and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

All Authority members must be residents of Minnesota. At least two members must reside outside the metropolitan area of Minneapolis-Saint Paul. At least one member must be knowledgeable in the field of municipal finance, at least one member shall be knowledgeable in the building construction field and at least one member shall be a trustee, director, officer, or employee of an institution of higher education.

The administration and overall operation of the Authority is the responsibility of its Executive Director, Barry W. Fick. Mr. Fick has been the Executive Director of the Authority since July 13, 2016. Mr. Fick has a Bachelor of Science degree in Economics from the University of Minnesota and a Juris Doctorate from Mitchell | Hamline School of Law. Prior to becoming Executive Director of the Authority, Mr. Fick served for 28 years as an executive at Springsted Incorporated, Public Sector Advisors, now known as Baker Tilly Municipal Advisors, LLC.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $1.3 billion. The Authority has issued bonds totaling over $3.01 billion, of which approximately $984 million of Authority issued debt is outstanding as of August 1, 2019. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

Each series of bonds or other obligations of the Authority issued for the benefit of a particular higher education institution is secured by a separate trust indenture or financing agreement (in the case of private placements). Consequently, each series of obligations of the Authority (with the exception of additional bonds with respect to that series) is separate and distinct as to security and source of payment. The Authority may authorize other series of bonds or other obligations for the financing of projects for other private nonprofit educational institutions eligible for Authority financing assistance.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities, day-care centers, and other structures or facilities required or useful for the instruction of students, or conducting of research, in the operation of an institution of higher education.

While the Authority retains broad powers to oversee planning and construction, it is current policy to permit the institution almost complete discretion with respect to these matters.

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority and to refinance other debt for capital improvements.

The operations of the Authority are financed solely from fees paid by the participating institutions; it has no taxing power. The Authority does not receive any funds from the State.

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

MUNICIPAL ADVISOR TO THE AUTHORITY

The Authority has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota, and Milwaukee, Wisconsin as municipal advisor in connection with certain aspects of the issuance of the Bonds. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon College officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information except as discussed immediately below. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $32,343,241.70 (representing the aggregate principal amount of the Bonds, less underwriter's discount of $120,661.25, and adjusted for net original issue premium of $3,388,902.95).

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

The Underwriter has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

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

RATING

As noted on the cover page hereof, Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York, has assigned a long-term rating of "Baa2" to the Bonds. This rating reflects only the view of such rating agency. Further information concerning such rating is available from Moody's.

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

LITIGATION

The Authority and the College are unaware of any pending or threatened litigation which would affect the validity of the Bonds, the tax-exempt nature of the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either to perform as described herein, 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 Fryberger, Buchanan, Smith & Frederick, P.A. of Duluth, 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, a Professional Association, Duluth, Minnesota and for the Underwriter by Fox Rothschild LLP, Minneapolis, Minnesota.

TAX CONSIDERATIONS

Federal Tax-Exempt Interest

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and Indenture contain provisions (the "Tax Covenants"), including covenants of the Authority and the College, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum, from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. (See "SUMMARY OF DOCUMENTS – The Loan Agreement – Determination of Taxability" in Appendix V). A change of law as in effect on the date of issuance of the Bonds or 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.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings, interest on the Bonds is not includable in gross income for federal income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals.

Related Federal Tax Considerations

Ownership of the Bonds may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S-corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Bonds. The nature and extent of the tax benefit to a taxpayer of ownership of the Bonds will generally depend upon the particular nature of such taxpayer or such taxpayer's own particular circumstances, including other items of income of deduction.

Minnesota Tax Considerations

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings, interest on the Bonds is not includable in the taxable net income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

Changes in Federal and State Tax Law

From time to time there are proposals from the President or Administration, proposals from various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Original Issue Premium

The Bonds have been sold to the public at an amount in excess of their stated redemption price at maturity (the "Premium Bonds"). Such excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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THE COLLEGE

The College of St. Scholastica (the "College"), located in Duluth, Minnesota, is a co-educational, four-year, independent liberal arts college. The College was founded in 1912 by the Benedictine Sisters Benevolent Association and is shaped by its Benedictine heritage. The College offers programs in the liberal arts, sciences, and professional career fields. The entire College community is committed to an educational process that requires students to meet rigorous academic standards, to broaden the scope of their knowledge, and to be accountable to both self and society.

The College serves approximately 4,000 full-time and part-time students. This small community enables each student to participate in academics, extracurricular activities, and recreational activities. The College's 13:1 student-teacher ratio makes it easy to seek individualized help and encouragement.

In an effort to expand and diversify beyond its traditional undergraduate focus, the College has been offering graduate, extended and online ("GEO") programs. GEO programs are available as traditional, accelerated and online programs and serve undergraduates, graduate and continuing education students. The offerings include health sciences, nursing, business and technology, and education. As part of its GEO strategy, the College has extended campus locations in St. Paul, St. Cloud and Brainerd. Enrollment in the GEO programs has remained stable from fall 2014 to fall 2018. In addition, the College offers classes and programs through various community colleges located in the cites of Austin, Brainerd, Cloquet, Grand Rapids, and Inver Grove Heights, Minnesota.

The College has consortium agreements through which students may enroll in courses at other colleges in the region. Opportunities to study abroad exist with the College's study center in Louisburgh, Ireland; a Russian language exchange program in Petrozavodsk, Karelia, Russia; at the Curnevaca Center for Intercultural Dialogue on Development in Mexico; and other global destinations in Africa, Asia, Europe, Central and South America. Approximately 98% of traditional undergraduate graduates either secured employment or enrolled in graduate school within six months of graduation, based on a five-year average.

Governance

The current By-Laws provide for a Board of Trustees of not less than 25 persons, including the President of the College, the President of the Benedictine Sisters Benevolent Association, a student appointed by the Student Senate, a faculty member elected by the Faculty Assembly, the President of the Alumni Association, and a representative of the staff of the College. At all times up to 25% but not fewer than four of the voting trustees shall be representatives of the Benedictine Sisters Benevolent Association, to include the President of the Benedictine Sisters Benevolent Association, plus not fewer than three (3) persons nominated by the Sponsor Council of the Benedictine Sisters Benevolent Association.

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Administration

The principal officers of the College are as follows:

President

Dr. Barbara McDonald, Ed.D., became the thirteenth president of the College on August 5, 2019. Dr. McDonald most recently served as president of North Hennepin Community College (NHCC) in the City of Brooklyn Park, Minnesota since 2015. Dr. McDonald's career in higher education includes extensive experience in teaching, scholarship, administration, and international education. Dr. McDonald earned a Doctor of Education (Ed.D.) from the University of Minnesota-Minneapolis in 2002, a Master of Arts in Teaching English as a Foreign Language from the American University in Cairo, Egypt in 1983, and a Bachelor of Arts in English from the University of Colorado-Boulder in 1980 after transferring from The College of St. Scholastica.

Interim Vice President for Academic Affairs

Dr. Diane Vertin, Ed.D., Interim Vice President for Academic Affairs, has held this position since 2018. Dr. Vertin holds a Doctor of Education degree from the University of Minnesota, Twin Cities, a masters of education and a bachelor of business administration degree from the University of Minnesota, Duluth, as well as an associate of arts degree from Vermilion Community College in Ely, Minnesota. She served as president of Lac Courte Oreilles Ojibwa Community College in Hayward, Wisconsin from 2015 to 2018. She has held other leadership roles at regional colleges and faculty positions in northern Minnesota and Wisconsin for 14 years.

Interim CFO/Vice President for Finance

Mr. Phil Rolle, Interim CFO/Vice President for Finance, retired in 2009 after a 32 year career at Wells Fargo Corporation. He last served as Executive Vice President and Division Manager for Wells Fargo's Banking Support Group. Mr. Rolle served as a member of The Board of Trustees from 1998 to 2008, serving as Chair of the Board during the last years of his term. Mr. Rolle was re-elected to the Board of Trustees in May of 2015 serving until May of 2019 when he stepped down to fill the role of Interim CFO/Vice President for Finance at the College. A long-time Duluth resident, he earned both undergraduate and graduate degrees from the University of Minnesota-Duluth. He also serves on the board of Marshall School and the Labovitz School of Business and Economics Dean's Advisory Committee for University of Minnesota-Duluth.

Executive Recruitment Process

Upon the installation of the new president, Dr. Barbara McDonald, Ed.D., the College has commenced a national search to fill the Vice President for Academic Affairs and CFO/Vice President for Finance positions.

Academic Information – Undergraduate Program

The College operates on a conventional semester system. A full-time student is defined as one enrolled for a minimum of 12 semester credits. 128 semester credits are required for graduation, of which one third are general education credits.

The academic program consists of three parts: general education requirements, a major, and open electives. The major prepares the student for graduate school or for a profession and is normally selected by the end of the sophomore year. Elective courses allow students to pursue particular interests. The general education program includes a system of area distribution requirements, a First-Year Program, and an upper-division writing course elective.

Admission Requirements

The College admits qualified students from diverse geographical, cultural, economic, racial and religious backgrounds. When reviewing applications the Admissions Committee looks for evidence that a student has the ability to succeed academically and socially at the College. Admission is granted to first-year students on the evaluation of graduation from an accredited high school or its equivalent, high school grade point average, rigor of the high school curriculum and ACT or SAT scores or essay.

Majors and Degrees

Undergraduate Programs

The College offers the Bachelor of Arts and Bachelor of Science degrees in over 50 major areas of study. Minors are available in most of the major fields as well as in American Indian Studies, Applied Economics, Deaf Language and Culture, French, German, Gerontology, Photography, Political Science, Russian, Theatre, and Women's and Gender Studies.

Graduate Programs

The College also offers the Master of Arts, Master of Business Administration, Master of Education, Master of Physician Assistant Studies, Master of Social Work and Master of Science degrees; Doctor of Nursing Practice and Doctor of Physical Therapy degrees; and Certificates and Licensures in several areas of study.

Campus Facilities

The College's campus is located on 186 acres on a ridge overlooking Lake Superior in a residential area of Duluth, Minnesota.

Tower Hall, constructed in the years 1912-1926, served all the needs of the College in its early years, including student housing. Today, in addition to Tower Hall, the campus consists of the Mitchell Auditorium, including a 500-seat music hall; the Science Center; Our Lady Queen of Peace Chapel; the Myles Reif Recreation Center; the College Library; the St. Scholastica Theatre; and the Burns Wellness Commons, a student fieldhouse and fitness center. The Burns Wellness Commons was expanded in 2008 for the creation of additional academic classroom space and training facilities for the College's football program.

The Health Science Center at Bluestone Commons Development opened in 2016 and houses the Occupational Therapy, Physician Assistant Studies and Physical Therapy programs. It is located a mile from the main Duluth campus. The Health Science Center houses classrooms, laboratories, and maurices Community Clinic, where students serve patients who have little or no insurance. The building includes four lecture spaces and three labs where students learn from faculty who are experienced practitioners and leaders in their fields. These spaces are specifically designed to integrate classroom teaching and experiential learning.

In addition to the Somers Residence Hall, which includes a wing of residence hall suites, seven apartment complexes provide additional on-campus student housing – Cedar, Birch, Maple, Pine, Willow, Scanlon and Kerst.

The College currently has 974 beds available on campus. For the 2018-19 academic year, an average of 819 beds were occupied, resulting in a 84.1% occupancy rate. Approximately 50% of the full-time traditional students at the College's Duluth campus live in student housing on campus.

Adjoining the campus are the St. Scholastica Monastery, the home of the Benedictine Sisters; the Benedictine Health Center, which serves the needs of the Duluth area and provides many health science and behavioral arts and sciences students with opportunity to obtain practical experience; and Westwood, a continuous care facility for senior citizens.

The Benedictine Sisters Benevolent Association owns a portion of the 186 acres which constitute the College campus. The College and the Benedictine Sisters Benevolent Association have in force a Shared Use Agreement relating to portions of the property used by both and a 99-year Lease of College property under which the College pays only operating and maintenance expenses relating to the leased space. The 99-year Lease became effective in 1987.

The College's Strategic Plan – "Inclusive Excellence 2025"

The College's current Strategic Plan (the "Plan"), captioned "Inclusive Excellence 2025" was implemented in May of 2016. The Plan was developed through extensive collaboration by a core group of faculty and staff, supplemented with an assessment of diversity efforts by Halualani and Associates, the College President, the Chief Diversity Officer, and the Board of Trustees. The Plan includes five strategic focus areas for a living plan of action that is intended to serve as a blueprint for permanently embedding diversity, equity and inclusion into the systems and culture of the College.

The components of the Inclusive Excellence 2025 include five focus areas of:

- Access, Equity & Success;
- Student Learning & Development;
- Employee & Trustee Development;
- Campus Climate; and
- Organizational Excellence.

Each of the five strategic focus areas contain individual goals which are implemented by individual schools, divisions, and departments and measured through an Inclusive Excellence Advisory Committee which reports to the President and a Campus Climate Advisory Committee. These groups oversee and assess the implementation of the strategic focus areas. With the arrival of the new College President on August 5, 2019, it is expected the Plan will be updated in 2020. Additional information and further detail about the Inclusive Excellence 2025 Plan can be found on the College's website at: http://resources.css.edu/hr/docs/ist_hr_inclusive_exellence_statement_0605.pdf.

Student Body

The College's actual head count enrollments and full-time equivalent fall enrollments for academic years commencing in 2014 to 2018, and presently estimated for the academic year commencing in 2019, are:

Year - Fall of	Total Head Count	Total FTE	Traditional Undergraduate FTE	GEO FTE
2019 Est.	4,107	3,656	1,656	2,000
2018	4,043	3,596	1,692	1,904
2017	4,325	3,850	1,774	2,076
2016	4,406	3,904	1,790	2,114
2015	4,360	3,877	1,842	2,035
2014	4,237	3,824	1,887	1,937

The average ACT score for first year students is 23 as of the most recent academic year.

Applications, Acceptance and Enrollments

The following table shows traditional undergraduate applications, acceptances and matriculations as of the fall term for academic years commencing in 2014 to 2018, and presently estimated for the academic year commencing in 2019, are:

	2014	2015	2016	2017	2018	2019 Est.
Applications	3,368	3,589	3,232	3,834	3,808	2,016
Acceptances (#)	2,229	2,206	2,059	2,617	2,520	1,526
Acceptance Rate	66.2%	61.5%	63.7%	68.3%	66.2%	75.7%
Matriculations	460	439	450	482	397	455
Matriculation Rate	20.6%	19.9%	21.9%	18.4%	15.6%	29.8%

Graduation rate for first year students graduating in four years:

Entering Fall	4-year Graduation rate
2014/15	60.8%
2013/14	58.1%
2012/13	59.1%
2011/12	53.3%
2010/11	54.5%

Retention from first year to second year for the past five years has been:

Fall 2017 to Fall 2018	79.9%
Fall 2016 to Fall 2017	80.1%
Fall 2015 to Fall 2016	80.7%
Fall 2014 to Fall 2015	83.7%
Fall 2013 to Fall 2014	83.5%

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Tuition and Fees

The College meets the costs of its educational programs primarily through tuition and fees. The following table lists the schedule of charges for a full-time resident student for the past five years:

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

	2019-20	2018-19	2017-18	2016-17	2015-16
Annual Tuition	$37,622	$36,614	$35,634	$34,764	$33,784
Housing:					
Somers Residence Hall:					
Double room (with board)	10,088	9,710	9,520	9,314	8,935
Suite (with board)	10,088	10,304	10,106	8,935	9,482
Apartments:					
Cedar Hall	6,356	6,184	6,092	5,972	5,714
Kerst, Scanlon Halls – 2 bdr	6,356	6,184	6,092	5,972	5,714
Kerst, Scanlon Halls – 4 bdr	7,000	6,812	6,710	6,578	6,294
Maple, Willow, Pine and Birch Apartments	6,162	5,996	5,906	5,790	5,540
Health Service, Technology Student Services	660	598	578	562	210
Total for Student in Somers (double room w/board)	$48,370	$46,922	$45,732	$44,640	$42,929

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2019/20 Undergraduate Rate Comparison of Selected Minnesota Private Colleges (Ranked by Comprehensive Charges)

College / University	Tuition and Fees	Room and Board	Comprehensive Charges*
Carleton College	$57,111	$14,658	$71,769
Macalester College	$56,292	$12,592	$68,884
St. Olaf College	$49,710	$11,270	$60,980
College of Saint Benedict	$46,820	$11,068	$57,888
Gustavus Adolphus College	$47,240	$10,160	$57,400
Saint John's University	$46,546	$10,526	$57,072
University of St. Thomas	$45,780	$11,162	$56,942
Hamline University	$43,649	$10,592	$54,241
St. Catherine University**	$43,670	$ 9,300	$52,970
Augsburg University**	$39,945	$10,556	$50,501
Concordia College (Moorhead)	$41,566	$8,610	$50,176
Bethel University**	$38,460	$10,780	$49,240
Minneapolis College of Art and Design	$40,396	$ 8,156	$48,552
The College of St. Scholastica**	**$38,282**	**$10,088**	**$48,370**
Saint Mary's University of Minnesota**	$36,590	$ 9,350	$45,940
Bethany Lutheran College	$28,210	$ 8,150	$36,360
Concordia University, St. Paul**	$22,800	$ 9,200	$32,000
Average	**$42,533**	**$10,366**	**$52,899**

* *These are standard charges for first-time, full time, full-year undergraduate students, including fees assessed on all undergraduates. Some charges may vary depending on room, board and program choices.*

** *Seven colleges have non-traditional programs for which a separate tuition policy applies.*

Source: The Minnesota Private College Research Foundation, reviewable at www.mnprivatecolleges.org; information posted as of August 16, 2019.

Financial Aid

Approximately 99% of students at the College receive some form of aid. The following table is a five-year trend of financial aid by category received from both College and non-College funds:

Source	2013-14	2014-15	2015-16	2016-17	2017-18
Federal	$ 4,537,037	$ 4,291,509	$ 4,072,305	$ 4,180,990	$ 4,265,404
State	3,623,936	3,519,834	3,953,838	4,313,202	4,560,875
College	30,459,032	31,803,311	32,933,004	34,042,083	35,058,545
Private	937,580	942,866	989,043	1,135,528	1,049,736
Total	$39,593,585	$40,557,520	$41,948,109	$43,671,803	$44,934,560
Loans	$47,565,618	$47,675,753	$47,847,609	$48,942,614	$49,254,335
Work-study	2,358,975	2,322,971	2,324,251	2,501,880	2,595,281
Grand Total	$89,518,178	$90,556,244	$92,120,050	$95,116,297	$96,784,176
Number of full-time students receiving financial aid	3,215	3,186	3,225	3,229	3,212

Athletics

The mission of the College athletics program is to integrate with academics and pursue excellence while fostering a positive experience and sense of community through commitment, integrity, respect and sportsmanship.

The College is an NCAA Division III school and current member of the Upper Midwest Athletic Conference ("UMAC"), except for Ice Hockey (NCHA) and Nordic Skiing (CCSA). The College has won the UMAC Jerome Kruse All-Sport Trophy every year since the 2009-2010 school year for both women's and men's athletics. Since the inception of the award in 1996-1997, the College has won the award a UMAC-best 15 times. The annual award is given to the school with the most points accumulated by the place finishes of the college's athletic teams in the final standings of 18 conference sports.

The College currently offers men and women the opportunity to compete in 12 varsity sports and four athletic club teams. More than 500 undergraduate students participate in intercollegiate varsity or club competitions annually. Also, nearly 500 students participate in the intramural sports programs on campus.

Women's Varsity Sports offered at the College include: Basketball, Cross Country, Golf, Ice Hockey, Soccer, Softball, Tennis, Track & Field, Nordic Skiing, and Volleyball.

Men's Varsity Sports offered at the College include: Baseball, Basketball, Cross Country, Football, Golf, Ice Hockey, Soccer, Nordic Skiing, Tennis and Track & Field.

Faculty and Staff

The College employs a total of 706 persons. Of these, 202 are full-time faculty; this number includes six school deans. Average salaries by full-time faculty rank, which includes faculty who are on both 9/10-month and 11/12-month contracts are as follows:

Rank	Number	Average Salary	Percent Tenured
Professor	23	$92,449	83%
Associate Professor	58	73,899	72
Assistant Professor	99	65,171	8
Instructor	13	53,572	0
Lecturer	9	41,203	0

The College has entered into two collective bargaining agreements with the International Union of Operating Engineers, Local No. 70, covering the wages, hours, and working conditions for its maintenance and janitorial employees. The current agreements cover approximately twenty-five employees and expire December 31, 2021 and June 30, 2020, respectively. The College has never experienced an employee work stoppage.

Pension Plans

All employees of the College meeting age and service requirements are covered under a defined contribution retirement plan. Pension expense totaled $2,482,212 and $2,328,170 for the years ended June 30, 2018 and 2017, respectively.

Investments

Following is a five-year history of the net assets of the College's endowment funds. These fund balances are stated in accordance with provisions of FASB Statement 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management Act.

Fiscal Year Ending June 30	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Investments
2017-18	$56,502,525	$12,348,494	$18,802,305	$87,653,324
2016-17	51,195,158	10,779,513	18,286,020	80,260,691
2015-16	40,859,108	7,971,135	18,059,404	66,889,647
2014-15	41,006,093	9,197,197	17,710,800	67,914,090
2013-14	39,322,738	9,141,318	17,465,100	65,929,156

The fund balances described above reflect a portion of the College's Total Net Assets and are the funds that are subject to the College's Endowment Spending policy. The College's Endowment Spending policy has followed the total return concept for its endowment funds and long-term investment funds. Under this concept, endowment income and long-term investment income to be distributed and spent for operational purposes is established as a percentage of the 12-quarter average of quarter end values of that portion of Total Net Assets described above. The percentage is determined by the Board of Trustees, and for Fiscal Years 2018 and 2017 the percentages were 4.0% and 4.0%, respectively. Based on this formula and spending rate, the total distribution income for the years ended June 30, 2018 and 2017 was $2,630,600 and $2,459,000, respectively.

Gifts and Grants

Gifts and grants revenues received from federal, state and private sources for the past five years have been as follows:

Fiscal Year Ending June 30	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Gifts and Grants
2017-18	$5,642,671	$1,629,618	$438,407	$ 7,710,696
2016-17	5,023,289	1,534,358	155,043	6,712,690
2015-16	6,796,099	3,546,470	570,320	10,912,889
2014-15	6,932,638	2,874,088	242,517	10,049,243
2013-14	6,149,898	1,164,927	652,985	7,967,810

Fundraising Campaign

The College is in the silent phase of a $50 million comprehensive fundraising campaign, the 2nd Century of Saints. The campaign efforts will focus on raising funds through gifts and government grants for the expansion of the College's graduate health sciences programs, renovating and updating both Tower Hall and Somers Hall, growing the College's endowment, and establishing the Comprehensive Collegiate Center for Clinical Competence that will support a thorough update and re-design of the Undergraduate Nursing curriculum. The College has historically included government grants in its fundraising campaign totals. As of May 31, 2019, approximately $32.5 million had been raised, of which approximately one-third consisted of government grants.

Line of Credit

The College has a $3,000,000 revolving line of credit, with borrowings bearing interest at a floating rate per annum equal to the Prime Rate. The line of credit is secured by the College's personal property, including inventory, equipment, all accounts, tangible and intangible assets, and other rights to payment. There was $-0- outstanding on the line of credit at June 30, 2019.

Statement of Financial Activity for Fiscal Years 2014 through 2018

The following table summarizes the College's statements of unrestricted activities for the Fiscal Years ended June 30, 2014 through 2018. For more complete information of the College for the Fiscal Years ended June 30, 2017 and 2018, see Appendix VII of this Official Statement containing the College's audited financial statements for that period.

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COLLEGE OF ST. SCHOLASTICA, INC.
Statement of Unrestricted Activities

For the Years Ended June 30,

	2014	2015	2016	2017	2018
REVENUES, GAINS AND OTHER SUPPORT					
Tuition & Fees	$89,720,169	$91,654,234	$92,581,336	$95,578,570	$98,179,072
Less: Scholarships and Grants	(32,128,774)	(33,317,044)	(34,448,678)	(35,980,039)	(36,945,205)
Net Tuition and Fees	57,591,395	58,337,190	58,132,658	59,598,531	61,233,867
Government Grants	5,273,368	4,998,358	6,175,683	4,474,857	5,157,712
Private Gifts	876,530	1,934,280	620,416	548,432	484,959
Endowment Gain (Loss)	6,165,119	1,387,413	(501,424)	6,652,018	4,744,774
Contributed services, net of expenses	0	0	0	0	0
Investment Income	62,983	63,353	75,661	56,486	155,253
Sales of Services of Auxiliary Enterprises	8,665,838	8,439,616	8,296,910	8,771,688	8,969,833
Total	80,449,940	76,595,069	73,974,780	81,268,123	81,913,462
Net Assets Released from Restrictions	2,171,315	2,142,772	2,943,862	3,865,219	3,808,096
Total Revenues, Gains and Other Support	82,621,255	78,737,841	76,918,642	85,133,342	85,721,558
EXPENSES AND LOSSES					
Program Expenses					
Instruction	33,329,831	32,956,700	32,287,901	31,857,722	34,520,730
Public Service	2,256,472	1,985,103	1,663,922	2,088,818	2,025,763
Academic Support	6,178,444	5,692,198	5,409,617	5,959,020	6,150,549
Student Services	16,785,949	16,289,576	15,769,102	16,005,282	15,844,835
Auxiliary Enterprises	7,980,178	7,463,784	7,006,252	7,051,256	7,647,042
Support Expenses					
Institutional Support	10,135,747	10,234,315	11,406,814	10,463,736	10,861,377
Allocable Expenses					
Operation and Maintenance of Plant	3,925,961	3,711,212	3,708,073	3,560,944	3,692,612
Interest Expense	2,382,166	2,364,192	2,323,561	2,315,937	2,275,215
Depreciation, Amortization and Accretion Expense	3,788,213	3,766,816	3,840,976	3,761,948	3,790,418
Less: Allocated Expenses	(10,096,340)	(9,842,220)	(9,872,610)	(9,638,829)	(9,758,245)
Loss on Write-off of Contribution Receiveables	14,808	0	0	0	0
Loss (Gain) on Disposal of Plant Facilities	2,286	5,619	61,401	(5,079)	1,447
Total Expenses and Losses	76,683,715	74,627,295	73,605,009	73,420,755	77,051,743
Change In Net Assets - Operations	5,937,540	4,110,546	3,313,633	11,712,587	8,669,815
Non Operating Item - HSEFC Equity Contribution	-	-	2,995,469	-	-
Change in Net Assets - Total	5,937,540	4,110,546	318,164	11,712,587	8,669,815
UNRESTRICTED NET ASSETS -- Beginning of Year	58,542,383	64,479,923	68,590,469	68,908,633	80,621,220
UNRESTRICTED NET ASSETS -- END OF YEAR	**$64,479,923**	**$68,590,469**	**$68,908,633**	**$80,621,220**	**$89,291,035**

Source: Audited Financial Statements of the College.

Long-Term Debt of the College

The College's long-term debt outstanding as of August 1, 2019 is as follows:

1) $8,170,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-S, dated November 1, 2007. The Series Six-S Bonds are secured by the full faith and credit of the College. The interest rate on outstanding Series Six-S Bonds is 5.00% with the final maturity due December 1, 2027. The outstanding balance on the Series Six-S Bonds is $4,630,000. **The Series Six-S Bonds will be refunded in full as a current refunding with proceeds of the Bonds.**

2) $21,820,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-H, dated October 26, 2010. The Series Seven-H Bonds are secured by the full faith and credit of the College. Interest rates on outstanding Series Seven-H Bonds range from 3.65% to 5.25% with the final maturity due December 1, 2040. The outstanding balance on the Series Seven-H Bonds is $20,450,000. **The Series Seven-H Bonds will be refunded in full as a current refunding with proceeds of the Bonds.**

3) $10,170,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-J, dated February 17, 2011. The Series Seven-J Bonds are secured by the full faith and credit of the College. Interest rates on outstanding Series Seven-J Bonds range from 5.00% to 6.30% with the final maturity due December 1, 2040. The outstanding balance on the Series Seven-J Bonds is $10,120,000. **The Series Seven-J Bonds will be refunded in full as a current refunding with proceeds of the Bonds.**

4) $9,380,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-R, dated October 17, 2012 (the "Series Seven-R Bonds"). The Series Seven-R Bonds are secured by the full faith and credit of the College. Interest rates on outstanding Series Seven-R Bonds range from 3.25% to 4.25% with the final maturity due December 1, 2032. The outstanding balance on the Series Seven-R Bonds is $6,930,000.

Other Debt Obligations

In 2015 and 2016, through issuance of debt by the Duluth Economic Development Authority, specifically the $10,000,000 Educational Facilities Revenue Note, Series 2015A (Health Sciences Education Facilities Corporation Project), dated August 17, 2015 (the "Series 2015A Notes"), and $6,600,000 Education Facilities Revenue Note, Series 2015B (Health Sciences Education Facilities Corporation Project), dated May 5, 2016 (the "Series 2015B Notes," and together with the Series 2015A Notes, the "Notes"), the Health Sciences Education Facility Corporation (HSEFC) acquired an interest in certain land and constructed and equipped thereon a 43,755 square foot, three-story educational classroom and office building along with related site and parking improvements (the "Health Science Center at Bluestone"), located 1.5 miles from the College's main campus at the Bluestone Commons Development in Duluth, Minnesota.

The HSEFC is organized as a tax-exempt corporation to operate and lease real estate to the College. The College and HSEFC have some similar board members, however the College does not have over 50% similar board members and therefore does not have control of the HSEFC. As part of the process of expanding its graduate health sciences programs, the College purchased 3.5 acres of land in early fiscal 2016 that is now the site of the Health Science Center at Bluestone. The College has entered into a ground lease with the HSEFC dated August 17, 2015 and expiring December 31, 2090 and has agreed to gift HSEFC the future right to use the land. Payment commenced on this leased facility space from HSEFC during fiscal year 2018; the lease spans 25 years with additional options for renewal.

The College makes monthly principal and interest payments on each series of the Notes to the HSEFC through August 5, 2040. As of August 1, 2019 the Series 2015A Notes and the Series 2015B Notes had balances outstanding in the amounts of $8,760,228 and $5,746,084, respectively.

As of the Fiscal Year ended June 30, 2019, the principal amount of the College's total long-term debt outstanding was $56,636,312. Upon issuance of the Bonds, the College's long-term debt will decrease by the principal amount of the Series Six-S Bonds, the Series Seven-H Bonds, and the Series Seven-J Bonds and will increase by the principal amount of the Bonds.

Estimated Maximum Annual Debt Service and Pro Forma Coverage

The following table displays the pro forma debt service coverage for outstanding College funded debt, including the debt service on the Bonds and excluding debt service on the Prior Bonds. Coverage is calculated based on net income available for debt service for Fiscal Years 2017 and 2018 and maximum annual debt service (MADS). The amount available for debt service is detailed in footnote (a) to the table.

The table is intended merely to show the relationship of amounts available for the College's debt service for Fiscal Years 2017 and 2018 to MADS based on existing outstanding College debt, assuming issuance of the Bonds. It is not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the College. There is no assurance that the future amounts available for debt service and debt service coverage of the College or the respective relationships thereof will correspond to the pro forma amount available for debt service, pro forma debt service coverage, combined estimated long-term debt service or the respective relationships thereof shown by or reflected in the table below.

Fiscal Year Ending June 30	Net Income Available for Debt Service[(a)]	MADS	Coverage (times)[(b)]
2018	$12,147,628	$3,568,271	3.40
2017	13,519,038	3,568,271	3.79

(a) *The Net Income Available for Debt Service, based on the College's audited financial statements for Fiscal Years 2017 and 2018, is calculated in the following table. The calculation of Net Income Available for Debt Service below is based on the definitions in the Loan Agreement for the Bonds.*

	Fiscal Year 2018	*Fiscal Year 2017*
Change in Unrestricted Net Assets	*$ 8,669,815*	*$11,712,587*
Plus: Depreciation, amortization and accretion	*3,790,418*	*3,761,948*
Plus: Interest expense	*2,275,215*	*2,315,937*
Plus: Endowment Spending Policy	*2,630,600*	*2,459,000*
Less: Net assets released for buildings and Equipment	*(473,646)*	*(78,416)*
Less: Total Return	*$(4,744,774)*	*$ (6,652,018)*
Net Income Available for Debt Service	*$12,147,628*	*$13,519,038*

(b) *Net Income Available for Debt Service divided by Maximum Annual Debt Service.*

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PROPOSED FORM OF LEGAL OPINION

FRYBERGER
LAW FIRM

$29,075,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE REFUNDING BONDS, SERIES 2019
(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 (initially book-entry) Revenue Refunding Bonds, Series 2019 (College of St. Scholastica, Inc.), in the aggregate principal amount of $29,075,000 (the "Bonds"), dated September 5, 2019. The Bonds mature on December 1 in the years 2019 through 2034, and on December 1, 2040, and bear interest at the interest rates per annum specified in the Indenture (defined below) for each maturity, subject to an increase in such interest rates in the event of a Determination of Taxability. The Bonds are subject to optional and extraordinary redemption prior to maturity as provided in the Indenture.

The Bonds are issued for the purpose of funding a loan from the Authority to the College of St. Scholastica, Inc. (the "Corporation"), a Minnesota nonprofit corporation, located in Duluth, Minnesota, in order to finance (i) refunding the Authority's Revenue Bonds, Series Six-S (College of St. Scholastica, Inc.), (ii) refunding the Authority's Revenue Bonds, Series Seven-H (College of St. Scholastica, Inc.), and (iii) refunding the Authority's Revenue Bonds, Series Seven-J (College of St. Scholastica, Inc.), all as further described in the Loan Agreement. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the Corporation and the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee") each dated as of September 1, 2019, the opinion of Hanft Fride, a Professional Association, as counsel to the Corporation, 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 Corporation without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Hanft Fride, a Professional Association, as counsel to the Corporation, as to the Loan Agreement having been duly authorized and executed and being binding upon the Corporation, as to the corporate organization, tax-exempt status, good standing, and powers of the Corporation and as to title to the Project Site (as defined in the Loan Agreement) and other matters set forth therein, all without examining the records of the Corporation or original title records or abstracts of title.

Except as set forth in our opinion to Piper Jaffray & Co., dated the date hereof, we have not been engaged or undertaken to verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto (except to the extent, if any, stated in the Official Statement).

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

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

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

3. The Bonds are valid and binding limited obligations of the Authority, payable from and secured by the assignment of the loan repayments payable by the Corporation under the Loan Agreement to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payment held by the Trustee, as assignee, under the Loan Agreement.

4. Assuming compliance with certain covenants in the Loan Agreement and Indenture, under existing laws, regulations, rulings and decisions as presently construed, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in taxable net income of individuals, estates and trusts for purposes of Minnesota income taxation. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the 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. 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. The Authority has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code. The opinion set forth in this paragraph is subject to the conditions that the Authority, the Trustee and the Corporation comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in federal gross income or Minnesota taxable net income retroactive to the date of issuance of the Bonds. The Authority, the Trustee and the Corporation have covenanted to comply with such requirements.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and receivership proceedings and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in accordance with principles of equity.

Dated: September ___, 2019

Respectfully submitted,

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by College of St. Scholastica, Inc., a Minnesota nonprofit corporation (the "Corporation"), in connection with the issuance by the Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota (the "Authority"), of its $29,075,000 in aggregate principal amount of Revenue Refunding Bonds, Series 2019 (College of St. Scholastica, Inc.) (the "Bonds"), issued pursuant to a Trust Indenture dated as of September 1, 2019 (the "Indenture") by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Proceeds of the Bonds are being loaned to the Corporation pursuant to a Loan Agreement dated as of September 1, 2019, between the Authority and the Corporation (the "Loan Agreement"). The Corporation covenants and agrees as follows:

Section l. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Corporation for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter (defined below) in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Bonds shall include the beneficial owners of the Bonds. This Disclosure Certificate constitutes the written undertaking under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined below) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section or the preamble above, the following capitalized terms shall have the following meanings:

"Annual Report" means, with respect to the Corporation, a document or set of documents which contains (or includes by reference as provided in Section 3 hereof) financial and operating data with respect to the Corporation described in Exhibit A hereto.

"Annual Report Date" means, with respect to each Annual Report, the date so designated in Exhibit A hereto.

"Audited Financial Statements" means the Corporation's annual financial statements which shall be audited and prepared in accordance with generally accepted accounting principles, as in effect from time to time.

"Code" means the Internal Revenue Code of 1986, as amended.

"Dissemination Agent" means such person from time to time designated in writing by the Corporation and which has filed with the Corporation a written acceptance of such designation.

"Final Official Statement" means the Official Statement, dated August 22, 2019, delivered in connection with the original issuance and sale of the Bonds, together with any preliminary official statement, amendments thereto or supplements thereof.

"Financial Obligation" means, with respect to the Corporation, a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of one of the foregoing. The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"IRS" means the Internal Revenue Service of the Department of the Treasury.

"Listed Events" means any of the events listed in Section 4 of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000 Washington, DC 20005.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

<u>Section 3</u>. <u>Provision of Annual Reports</u>.

(a) The Corporation shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package. The Corporation may provide the Annual Report by specific reference to documents previously provided to the MSRB or filed with the SEC; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must be available from the MSRB.

(b) Not later than five (5) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Corporation shall provide the Annual Report to the Dissemination Agent (if the Corporation is not the Dissemination Agent).

(c) If the Corporation is unable or fails to provide an Annual Report by the date required in subsection (a), the Corporation shall send in a timely manner a notice of such fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

(d) Concurrent with the filing of the Annual Report with the MSRB, the Corporation shall deliver to the Authority a copy of the Annual Report.

Section 4. Reporting of Significant Events. The Corporation shall give, or cause to be given, to the MSRB, notice of the occurrence of any of the following events with respect to the Bonds, in a timely manner not in excess of ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 -TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;

(vii) modifications to rights of the security holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Corporation;

(xiii) consummation of a merger, consolidation, or acquisition involving the Corporation or sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a Financial Obligation of the Corporation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Corporation, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Corporation, any of which reflect financial difficulties.

Section 5. Termination of Reporting Obligation. The Corporation's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. The obligations hereunder of the Corporation shall also terminate upon the release of the obligation of such party to pay any amounts due or to become due under the Loan Agreement; provided that if such release occurs because of any transfer of assets or the merger of the Corporation and the transferee or resultant organization assumes such obligations of the Corporation, the Corporation shall first require such transferee or resultant organization to assume the obligations of the Corporation hereunder.

Section 6. Dissemination Agent. The Corporation may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Corporation pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Corporation shall be the Dissemination Agent.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Corporation may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Corporation from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Corporation chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Corporation shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the Corporation to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Corporation to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Loan Agreement or the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Corporation to comply with this Disclosure Certificate shall be an action to compel performance.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Corporation, the Authority, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 11. Reserved Rights. The Corporation reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 7 hereof, to modify the undertaking under this Disclosure Certificate if the Corporation determines that such modification is required by the Rule or by a court of competent jurisdiction.

[Signature Page follows]

Dated as of September 1, 2019.

COLLEGE OF ST. SCHOLASTICA, INC.

By____
Its Vice President for Finance

EXHIBIT A

ANNUAL REPORT INFORMATION

The Annual Report Date will be the date that is 180 days after each fiscal year end, commencing with the fiscal year ended June 30, 2019. The Annual Report will contain:

1. Audited financial statements for the most recent complete fiscal year.

2. The following financial and operating data contained in Appendix I to the Final Official Statement:

a. If not included in the audited financial statements, information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:

- Student Body
- Applications, Acceptance and Enrollments
- Tuition and Fees
- Financial Aid
- Faculty and Staff
- Pension Plans
- Investments
- Gifts and Grants
- Fundraising Campaign

b. An update of Estimated Maximum Annual Debt Service and Pro Forma Coverage Statement.

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DEFINITIONS OF CERTAIN TERMS

Following are definitions of certain words and terms as used in the Indenture and Loan Agreement related to the Bonds. Definitions of some of the words and terms below may also appear elsewhere in this Official Statement.

"Account" or "Accounts" means one or more of the Accounts created under Articles IV or V of the Indenture.

"Act" means Sections 136A.25 through and including 136A.42, Minnesota Statutes, as amended.

"Arbitrage Regulations" means all Regulations and Proposed Regulations from time to time issued and in effect under Section 148 of the Internal Revenue Code (and former Section 103(c) of the Internal Revenue Code of 1954), including without limitation Treasury Regulations Sections 1.148-1 to 1.150-1.

"Authority" means the Minnesota Higher Education Facilities Authority, and agency of the State of Minnesota.

"Authorized Authority Representative" means the person at the time designated to act on behalf of the Authority by written certificate furnished to the Corporation and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates and in that case, specimen signatures for the alternates shall be provided as well.

"Authorized Denominations" means $5,000 and any integral multiples thereof.

"Authorized Institution Representative" means the Vice President for Finance or any other person at the time designated to act on behalf of the Corporation by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the Corporation by the Chairperson, Vice Chairperson or Secretary of its Board of Trustees or the President or a Vice President of the Corporation. Such certificate may designate an alternate or alternates.

"Authorized Investments" means investments authorized for moneys in the Accounts created under Articles IV and V of the Indenture and described in Section 5.04 of the Indenture.

"Beneficial Owner" means, with respect to any authorized denomination of a Bond in Book-Entry Form, each person who beneficially owns such Bond in such authorized denomination and on whose behalf, directly or indirectly, such authorized denomination of Bond is held by the Depository pursuant to the Book-Entry System.

"Board of Trustees" means the Board of Trustees of the Corporation, and includes any Executive Committee or other committee authorized to act for such board.

"Bond and Interest Sinking Fund Account" means the Bond and Interest Sinking Fund Account established under Section 5.01 of the Indenture.

"Bond Closing" means the original issuance, sale and delivery of the Bonds.

"Bond Counsel" means any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing.

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated August 15, 2019, among the Authority, the Underwriter and the Corporation, relating to the Bonds.

"Bond Resolution" means the Series Resolution of the Authority adopted on July 10, 2019, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

"Bond Year" means, with respect to the Bonds, (a) the period from the Issue Date to the close of business on December 1, 2019, and (b) each succeeding 12-month period ending at the close of business on December 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

"Bonds" means the Minnesota Higher Education Facilities Authority Revenue Refunding Bonds, Series 2019 (College of St. Scholastica, Inc.), described in Section 2.01 of the Indenture.

"Book-Entry Form" means all the Bonds, if such Bonds are all held (i) in the name of the Depository (or its nominee) with each Stated Maturity evidenced by a single Bond certificate or (ii) with the approval of the Corporation, Authority and Trustee, in any similar manner for which Beneficial Owners do not receive Bond certificates evidencing their beneficial ownership in any of the Bonds.

"Book-Entry System" means a system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and Participants (or Indirect Participants).

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

"Building Equipment" means those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the Corporation and located on the Project Site acquired from funds other than the proceeds of the Prior Bonds.

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

"Certificate" means a certification in writing required or permitted by the provisions of the Loan Agreement or the Indenture to be signed and delivered to the Trustee or other proper person or persons. If and to the extent required by the provisions of Section 1.02 of the Indenture, each Certificate shall include the statements provided for in said Section 1.02.

"Certified Resolution" means a copy of a resolution of the Authority, certified by its Secretary or other officer authorized to act for the Secretary to have been duly adopted by said Authority and to be in full force and effect on the date of such certification.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate by the Corporation, to be dated September 1, 2019.

"Corporation" or "College" means the College of St. Scholastica, Inc., a Minnesota nonprofit corporation, as owner and operator of the Institution, its successors and assigns.

"Costs of Issuance Account" means the account established under Section 5.07 of the Indenture.

"Date of Taxability" means the date as of which interest on the Bonds shall be determined to be includable in the gross income of the Owners thereof; provided, that no Bond shall bear additional interest for any period for which the statute of limitations shall be a bar to the assertion or collection of a deficiency of federal incomes taxes from the Owner of such Bond.

"Default" means a default on the part of the Corporation in performance of any covenant or condition of the Loan Agreement which, with notice or passage of time or both, would or has become an Event of Default.

"Depository" means DTC or any other person who shall be a Holder of all the Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, Corporation and Trustee to act as the Depository; provided any Depository shall be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

"Determination of Taxability" means a Notice of Deficiency issues by the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that the interest on the Bonds is includable in gross income of the recipient under Section 103 of the Internal Revenue Code, related sections and regulations thereunder, as in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement. A determination that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

"Defaulted Interest" means the same as defined in Section 2.05 of the Indenture.

"DTC" means The Depository Trust Company in New York, New York, its successors or assigns.

"Easement" means the Easement from BSBA to the Corporation regarding the tunnel from the College's Science Building to Tower Hall.

"EMMA" means the Electronic Municipal Market Access System maintained by the Municipal Securities Rulemaking Board or such successor municipal finance electronic filing system.

"Escrow Agent" means Wells Fargo Bank, National Association, in its capacity as Escrow Agent under the Escrow Agreement.

"Escrow Agreement" means the Escrow Agreement among the Corporation, the Authority and Wells Fargo Bank, National Association, in its capacity as Escrow Agent, the Series Six-S Bonds Trustee, the Series Seven-H Bonds Trustee and the Series Seven-J Bonds Trustee, to be dated September 1, 2019.

"Event of Default" means an Event of Default described in the Loan Agreement or the Indenture and summarized in this Official Statement in the sections entitled "SUMMARY OF DOCUMENTS – THE INDENTURE – Events of Default" and SUMMARY OF DOCUMENTS – THE LOAN AGREEMENT – Events of Default."

"Financial Journal" means The Bond Buyer, Finance & Commerce, The Wall Street Journal, or any other newspaper or journal devoted to financial news published in the English language in Minneapolis or Saint Paul, Minnesota, or in the City of New York, New York.

"Fiscal Year" means the Corporation's fiscal year, and shall initially mean the 12-month period commencing on July 1 in each year.

"Holder," "Bondholder" or "Owner" means the person in whose name a Bond shall be registered except if any Bond is in Book-Entry Form, with respect to any consent or approval of a Holder of the Bonds, the terms shall mean the Beneficial Owner.

"Indenture" means the Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, dated as of September 1, 2019, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

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

"Independent Counsel" means an Independent attorney duly admitted to practice law before the highest court of any state.

"Independent Management Consultant" means an Independent certified public accountant, Independent financial consultant or Independent management consultant having a favorable reputation for skill and experience in studying and reporting on operations of private nonprofit institutions of higher education satisfactory to the Authority.

"Indirect Participant" means any person who is not a Participant, who clears securities through or maintains a custodial relationship with a Participant, either directly or indirectly, and who has access to the Book-Entry System.

"Institution" means the College of St. Scholastica, a Minnesota institution of higher education with its main campus located in the City of Duluth, Minnesota, owned (or leased) and operated by the Corporation.

"Interest Payment Date" means June 1 and December 1 of each year, commencing December 1, 2019, and any other date on which the principal of and interest on the Bonds shall be due and payable.

"Interest Rate" shall mean, with respect to the Bonds, the interest rate per annum specified in Section 2.01 of the Indenture, in the column entitled "Interest Rate" for the Bonds of the respective year of maturity.

"Internal Revenue Code" means the Internal Revenue Code of 1986 and amendments thereto.

"Issue Date" means the date on which the Bonds are delivered to the original purchaser thereof upon original issuance.

"Lease" means that certain Lease dated June 11, 1987, between the Corporation and BSBA, which Lease is automatically renewable at the Corporation's option for a term of years far in excess of the final maturity of the Bonds, as restated and amended on June 1, 1989, and as amended as of June 1, 1991, as of February 1, 1993, and as of May 1, 2001, and as supplemented by those certain Agreements dated June 1, 1989, June 1, 1991, February 1, 1993, May 1, 2001, May 1, 2003, October 1, 2010, and September 1, 2019, as from time to time hereafter amended or supplemented.

"Lease Amendment" means the 2019 Extension and Modification Agreement between the Corporation and BSBA, dated as of September 1, 2019.

"Letter of Representations" means the Letter of Representations from the Authority to the Depository and the Letter of Representations from the Trustee to the Depository, any amendments thereto, and any other agreement among such parties governing the obligations of such parties (or their successors) in respect of beneficial ownership (and the recording and transfer thereof), and payment and notices concerning the Bonds; provided no such amendment or other agreement shall be entered into unless the Authority or Corporation shall certify that the same shall not materially prejudice the rights of any Beneficial Owner who has not consented thereto.

"Loan Agreement" means the Loan Agreement between the Authority and the Corporation dated as of September 1, 2019, as from time to time amended or supplemented.

"Loan Repayments" means the payments described in clauses (a), (b) and (c) of Section 4.02 of the Loan Agreement.

"Net Proceeds" means, when used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the Corporation as owner or lessee and the Trustee as secured party pursuant to the Indenture, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority, plus investment earnings thereon.

"Opinion of Counsel" means a written opinion of counsel (who need not be Independent Counsel unless so specified) appointed by the Corporation or Authority, and to the extent required by the provisions of Section 1.02 of the Indenture, each Opinion of Counsel shall include the statements provided for in said Section 1.02.

"Outstanding" when used as of any particular time with reference to Bonds, without regard to capitalization of such term, means (subject to the provisions of Section 9.03 of the Indenture pertaining to Bonds held by the Authority and the Corporation) all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which funds or securities described in Section 10.02 of the Indenture in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Article III of the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.07 of the Indenture pertaining to replacement of Bonds.

"Participant" means any securities broker or dealer, bank, trust company, clearing corporation or other organization entitled to directly record, clear and settle the transfers of beneficial ownership interest of the Bonds directly through the Depository and the Book-Entry System.

"Participating Underwriter" has the meaning ascribed in the Continuing Disclosure Certificate.

"Permitted Encumbrances" means, as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an Independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities (including, with respect to Project Equipment, purchase money security interests and equipment leases), and as do not in the aggregate, in the opinion of Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Corporation, (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement and (v) liens granted by the Corporation to secure Funded Debt allowed under Section 6.14(c) of the Loan Agreement.

"Predecessor Bonds" means Predecessor Bonds as defined in Section 2.01 of the Indenture.

"Principal Trust Office" means for the Trustee originally appointed under the Indenture, the designated corporate trust office of the Trustee which at the date of the Indenture is that specified in Section 8.03 of the Loan Agreement, and for any successor Trustee, shall mean its designated corporate trust office.

"Prior Bond Documents" means the Series Six-S Bond Documents, the Series Seven-H Bond Documents and the Series Seven-J Bond Documents.

"Prior Bonds" means collectively, the Series Six-S Bonds, the Series Seven-H Bonds and the Series Seven-J Bonds.

"Prior Bonds Indentures" means the Series Six-S Indenture, the Series Seven-H Indenture and the Series Seven-J Indenture.

"Prior Bonds Loan Agreements" means the Series Six-S Loan Agreement, the Series Seven-H Loan Agreement and the Series Seven-J Loan Agreement.

"Prior Bonds Project" means the 1989 Project, the 1991 Project, the Series Six-S Project, the Series Seven-H Project and the Series Seven-J Project.

“Project” means the refunding of the Refunded Bonds.

“Project Buildings” means the facilities or buildings constructed or improved or refinanced with the proceeds of the Series Six-S Bonds, the Series Seven-H Bonds and the Series Seven-J Bonds and described in the Prior Bonds Project.

“Project Equipment” means all fixtures, equipment and other personal property of a capital nature acquired or refinanced with proceeds of the Prior Bonds, including investment earnings and, with respect to such personal property acquired or refinanced with proceeds of the Prior Bonds, generally described in the Prior Bond Documents, and described in the Certificates of the Project Supervisor furnished pursuant to the Prior Bond Documents.

“Project Facilities” means the Project Site, the Project Buildings and the Project Equipment as the same may at any time exist.

“Project Site” means those portions of land or interests in land shown on Exhibit A to the Loan Agreement which are owned or leased by the Corporation and on which any Project Buildings are located.

“Redeem” or “redemption” means and includes “prepay” or “prepayment” as the case may be, without regard to capitalization of such terms.

“Redemption Account” means the Redemption Account created under Section 5.03 of the Indenture.

“Reference Rate” means the interest rate per annum announced from time to time by Wells Fargo Bank, National Association, as its prime or reference rate, regardless of whether that interest rate is actually charged to any customer of said bank.

“Refunded Bonds” means the Refunded Series Six-S Bonds, the Refunded Series Seven H Bonds and the Refunded Series Seven-J Bonds.

“Refunded Series Six-S Bonds” means the Series Six-S Bonds maturing, or subject to mandatory redemption, on December 1, 2019 through 2027, inclusive, and outstanding in the principal amount of $4,630,000 as of September 1, 2019.

“Refunded Series Seven-H Bonds” means the Series Seven-H Bonds maturing, or subject to mandatory redemption, on December 1, 2019 through 2040, inclusive, and outstanding in the principal amount of $20,450,000 as of September 1, 2019.

“Refunded Series Seven-J Bonds” means the Series Seven-J Bonds maturing, or subject to mandatory redemption, on December 1, 2019 through 2040, inclusive, and outstanding in the principal amount of $10,120,000 as of September 1, 2019.

“Refunding Account” means the Refunding Account established under Section 5.07 of the Indenture.

“Responsible Officer” of any Trustee means and includes the chairman of the board of directors, the president, every vice president, every assistant vice president, every corporate trust officer, and every officer and assistant officer of such Trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of such person’s knowledge of, and familiarity with, a particular subject.

“Series Five-J Bonds” means the Authority’s Revenue Refunding Bonds, Series Five-J (College of St. Scholastica, Inc.), dated May 1, 2001, issued in the original principal amount of $5,960,000, the proceeds of which were loaned to the Corporation to finance the refunding of the Series Two-T Bonds and the Series Three-E Bonds.

"Series 1989 Project" means (i) the construction, furnishing and equipping of three apartment-style residence facilities housing approximately 138 students, (ii) the acquisition, construction and equipping of seven garage stalls to house grounds vehicles and workshop space, (iii) the acquisition, renovation and equipping of space in Tower Hall for office, classroom and study lounge use; (iv) the acquisition and installation of a campus telephone system, and (v) the acquisition and installation of computer software and hardware.

"Series 1991 Project" means (i) the construction, furnishing and equipping of a new auditorium and student union, (ii) construction, furnishing and equipping an expansion of Tower Hall, and (iii) renovating and expanding the campus theater.

"Series Seven-H Bond Account" means the Bond and Interest Sinking Fund Account created under the Series Seven-H Indenture.

"Series Seven-H Bond Documents" means the Series Seven-H Loan Agreement and the Series Seven-H Indenture.

"Series Seven-H Bonds" means the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-H (College of St. Scholastica, Inc.), dated October 26, 2010, issued in the original principal amount of $21,820,000, the proceeds of which were loaned by the Authority to the Corporation to finance a portion of the costs of the Series Seven-H Project and refund the Series Five-J Bonds and the Series Six-A Bonds.

"Series Seven-H Bonds Redemption Date" means December 1, 2019.

"Series Seven-H Bonds Trustee" means Wells Fargo Bank, National Association.

"Series Seven-H Indenture" means the Trust Indenture between the Authority and the Series Seven-H Bonds Trustee, dated as of October 1, 2010.

"Series Seven-H Loan Agreement" means the Loan Agreement between the Authority and the Corporation dated as of October 1, 2010.

"Series Seven-H Project" means the acquisition, construction, furnishing and equipping of an approximately 42,000 square foot expansion of and renovation to the College's Science Building and related facilities.

"Series Seven-H Redemption Account" means the Series Seven-H (College of St. Scholastica, Inc.) Redemption Account created under the Series Seven-H Indenture.

"Series Seven-H Reserve Account" means the Series Seven-H (College of St. Scholastica, Inc.) Reserve Account created under the Series Seven-H Indenture.

"Series Seven-J Bond Account" means the Bond and Interest Sinking Fund Account created under the Series Seven-J Indenture.

"Series Seven-J Bond Documents" means the Series Seven-J Loan Agreement and the Series Seven-J Indenture.

"Series Seven-J Bonds" means the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-J (College of St. Scholastica, Inc.), dated February 17, 2011, issued in the original principal amount of $10,170,000, the proceeds of which were loaned by the Authority to the Corporation to finance a portion of the costs of the Series Seven-J Project.

"Series Seven-J Bonds Redemption Date" means December 1, 2019.

"Series Seven-J Bonds Trustee" means Wells Fargo Bank, National Association.

"Series Seven-J Indenture" means the Trust Indenture between the Authority and the Series Seven-J Bonds Trustee, dated as of February 1, 2011.

"Series Seven-J Loan Agreement" means the Loan Agreement between the Authority and the Corporation dated as of February 1, 2011.

"Series Seven-J Project" means the acquisition, construction, furnishing and equipping of an approximately 42,000 square foot expansion of and renovations to the College's Science Building and related facilities.

"Series Seven-J Redemption Account" means the Series Seven-J (College of St. Scholastica, Inc.) Redemption Account created under the Series Seven-J Indenture.

"Series Seven-J Reserve Account" means the Series Seven-J (College of St. Scholastica, Inc.) Reserve Account created under the Series Seven-J Indenture.

"Series Six-A Bonds" means the Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Six-A (College of St. Scholastica, Inc.), dated December 9, 2004, issued in the original principal amount of $12,000,000, the proceeds of which were loaned by the Authority to the Corporation to finance the Series Six-A Project.

"Series Six-A Project" means the acquisition, construction, furnishing and equipping of student residence facilities consisting of two, three-story buildings collectively containing approximately 100,000 square feet with approximately 290 beds, including appurtenant site improvements.

"Series Six-S Bond Account" means the Bond and Interest Sinking Fund Account created under the Series Six-S Indenture.

"Series Six-S Bond Documents" means the Series Six-S Loan Agreement and the Series Six-S Indenture.

"Series Six-S Bonds" means the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-S (College of St. Scholastica, Inc.), dated November 1, 2007, issued in the original principal amount of $8,170,000, the proceeds of which were loaned by the Authority to the Corporation to finance the Series Six-S Project.

"Series Six-S Bonds Redemption Date" means September 24, 2019.

"Series Six-S Bonds Trustee" means Wells Fargo Bank, National Association.

"Series Six-S Indenture" means the Trust Indenture between the Authority and the Series Six-S Bonds Trustee, dated as of November 1, 2007.

"Series Six-S Loan Agreement" means the Loan Agreement between the Authority and the Corporation dated as of November 1, 2007.

"Series Six-S Project" means the acquisition, construction, furnishing and equipping of an approximately 38,500 square foot expansion of and renovation to the Wellness Center facilities.

"Series Six-S Redemption Account" means the Series Six-S (College of St. Scholastica, Inc.) Redemption Account created under the Series Six-S Indenture.

"Series Six-S Reserve Account" means the Series Six-S (College of St. Scholastica, Inc.) Reserve Account created under the Series Six-S Indenture.

"Series Three-E Bonds" means the Authority's Revenue Bonds, Series Three-E (College of St. Scholastica, Inc.), dated June 1, 1991, issued in the original principal amount of $3,400,000, the proceeds of which were loaned to the Corporation to finance the Series 1991 Project.

"Series Two-T Bonds" means the Authority's Revenue Bonds, Series Two-T (College of St. Scholastica, Inc.), dated June 1, 1989, issued in the original principal amount of $5,105,000, the proceeds of which were loaned to the Corporation to finance the Series 1989 Project.

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

"Term Bonds" means the Bonds maturing in the year 2040.

"Trust Estate" means the interest of the Authority in the Loan Agreement assigned under Granting Clause I of the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause II of the Indenture; and additional property held by the Trustee pursuant to Granting Clause III of the Indenture.

"Trustee" means the trustee at the time serving as such under the Indenture, and initially the Trustee will be Wells Fargo Bank, National Association.

"Underwriter" means Piper Jaffray & Co., as original purchaser of the Bonds.

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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 IV, contained herein.

Payment, Redemption and Prepayment of Refunded Bonds

On the Issue Date, the Authority and the College agree that the portion of the proceeds of the Bonds, described in the Loan Agreement, to be deposited in the Refunding Account, shall immediately thereafter be forwarded (i) to the Series Six-S Bonds Trustee for deposit in the Series Six-S Redemption Account and as set forth in the Loan Agreement in the Series Six-S Escrow Account under the Escrow Agreement and used to effectuate the defeasance, prepayment and redemption of the Refunded Series Six-S Bonds; (ii) to the Series Seven-H Bonds Trustee for deposit in the Series Seven-H Redemption Account and as set forth in the Loan Agreement in the Series Seven-H Escrow Account under the Escrow Agreement and used to effectuate the defeasance, payment, prepayment and redemption of the Refunded Series Seven-H Bonds; and (iii) to the Series Seven-J Bonds Trustee for deposit in the Series Seven-J Redemption Account and as set forth in the Loan Agreement in the Series Seven-J Escrow Account under the Escrow Agreement and used to effectuate the defeasance, payment, prepayment and redemption of the Refunded Series Seven-J Bonds.

On the Issue Date, in addition to the Bond proceeds, the cash held by the Series Six-S Bonds Trustee in the Series Six-S Reserve Account and additional funds of the College, if needed to effectuate the defeasance of the Refunded Series Six-S Bonds, shall be deposited in the Series Six-S Escrow Account under the Escrow Agreement. The amount deposited in the Series Six-S Escrow Account under the Escrow Agreement shall be used for the defeasance, prepayment and redemption of the Refunded Series Six-S Bonds and used to pay the redemption price of the Outstanding principal of and interest due on the Refunded Series Six-S Bonds on the Series Six-S Redemption Date, all in accordance with the provisions of Article III and Section 10.02 of the Series Six-S Indenture and the terms of the Escrow Agreement.

On the Issue Date, in addition to the Bond proceeds, the cash held by the Series Seven-H Bonds Trustee in the Series Seven-H Reserve Account and additional funds of the College, if needed, to effectuate the defeasance, payment, prepayment and redemption of the Refunded Series Seven-H Bonds, shall be deposited in the Series Seven-H Escrow Account under the Escrow Agreement. The amount deposited in the Series Seven-H Escrow Account under the Escrow Agreement shall be used for the defeasance, payment and redemption of the Refunded Series Seven-H Bonds and used to pay interest on the Refunded Series Seven-H Bonds on the Series Seven-H Redemption Date, and to pay the principal of the Refunded Series Seven-H Bonds maturing on December 1, 2019, and to redeem the Refunded Series Seven-H Bonds maturing on and after December 1, 2020, on the Series Seven-H Redemption Date, all in accordance with the provisions of the Series Seven-H Indenture and the terms of the Escrow Agreement.

On the Issue Date, in addition to the Bond proceeds, the cash held by the Series Seven-J Bonds Trustee in the Series Seven-J Reserve Account and additional funds of the College, if needed, to effectuate the defeasance, payment, prepayment and redemption of the Refunded Series Seven-J Bonds, shall be deposited in the Series Seven-J Escrow Account under the Escrow Agreement. The amount deposited in the Series Seven-J Escrow Account under the Escrow Agreement shall be used for the defeasance, payment and redemption of the Refunded Series Seven-J Bonds and used to pay interest on the Refunded Series Seven-J Bonds on the Series Seven-J Redemption Date, and to pay the principal Refunded Series Seven-J Bonds maturing on December 1, 2019, and to redeem the Refunded Series Seven-J Bonds maturing or subject to mandatory redemption, on and after December 1, 2020 on the Series Seven-J Redemption Date, all in accordance with the provisions of the Series Seven-J Indenture and the terms of the Escrow Agreement.

Loan Repayments

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

(a) at least two Business Days prior to each June 1 and December 1, commencing December 1, 2019, the College shall deposit into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least two Business Days prior to each December 1, commencing on December 1, 2019, a sum equal to the amount payable as principal of the Bonds on such principal 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, 5.03 or 5.04 of the Indenture (relating to purchase and cancellation of Term Bonds and the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

(b) on or prior to a date established for the optional redemption or mandatory redemption and prepayment of any Bonds, the College shall deposit into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account; and

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

(d) (reserved); and

(e) the College shall deposit into any fund or account designated by the Trustee such amount as may be 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; and

(f) at least two Business Days prior to each December 1, commencing on December 1, 2035, into the Bond and Interest Sinking Fund Account, a sum which will be equal to the amount, if any, as shall be necessary and sufficient to redeem on such December 1, at par plus accrued interest, the amount of the Term Bonds specified in Section 5.01 of the Indenture.

Each payment under this Section shall be made directly to the Trustee at the Principal Trust Office for the account of the Authority for deposit as provided in the Indenture. The College shall furnish to the Authority, if the Authority so requests, advice of the transmittal of such payments at the time of transmittal of payment.

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 any part of a program of a school or department of divinity for any religious denomination. The College agrees not to use or 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, and subject to certain exceptions, the College will keep the Project Facilities in good repair and good operating condition at its own cost. The College will make such repairs, modifications and replacements as are necessary so that the Project Facilities will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation, and may make such repairs, modifications and replacements as in the College's judgment are desirable, subject to the same conditions. The College may sell, transfer, lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities (i) so long as the tax-exempt status of the Bonds will not be affected thereby, (ii) no such transaction or agreement shall be inconsistent with the Loan Agreement, the Indenture, or the Act, (iii) the College shall remain fully obligated under the Loan Agreement as if such agreement had not been made, and (iv) in the case of any lease to or occupancy by persons who are not students, employees or faculty, an opinion of Bond Counsel is provided to the Trustee to the effect that tax exemption of the interest on the Bonds is not adversely affected. The College may demolish any Project Facilities which in the College's judgment are worn out, obsolete or require replacement, are no longer used, or the College, by resolution of the Board of Trustees, has determined in its judgment are no longer useful.

Operating Expenses and Liens

The College will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities; provided that the College may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom 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 or any part thereof or revenue therefrom will be subject to loss or forfeiture, in which event the College shall promptly pay and cause to be satisfied and discharged all such unpaid items.

Taxes and Other Governmental Charges

The College will pay, as the same respectively come due, 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 brought by the College therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

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

Insurance

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

(a) Insurance against loss and/or damage to the Project Facilities and contents under a policy or policies covering such risks as are ordinarily insured against by similar institutions, including (without limiting the generality of the foregoing) fire and extended coverage in an amount not less than the lesser of (i) full insurable value of the Project Facilities and contents, or (ii) the principal amount of the Bonds or (if greater) 80% of the full insurable replacement value of the Project Facilities and contents, but any such policy may have a deductible amount of not more than $500,000.

(b) Comprehensive general public liability insurance, including blanket contractual liability and personal injury liability and automobile insurance, in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $5,000,000, with a deductible amount of not more than $500,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $500,000.

(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 may permit modifications to such insurance requirements and deductible amounts, including permission for the College to be self-insured in whole or in part for any comprehensive general public liability, if consistent with recommendations of an Independent insurance consultant.

Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the College and the Trustee at least 30 days before the cancellation or modification of the policy limits below the insurance requirements set forth above becomes effective. The College shall annually provide the Trustee with a certificate of insurance compliance on or before December 1 of each year.

Damage or Destruction

If the Project Facilities are damaged or partially or totally destroyed, there will be no abatement or reduction in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $1,000,000, the College (A) will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the College and as will not impair the character or significance of the Project Facilities as educational facilities, and (B) will apply for such purpose so much as may be necessary of any Net Proceeds of insurance policies resulting from claims for such losses not in excess of $1,000,000, or any additional moneys of the College necessary therefor. All Net Proceeds of insurance resulting from claims for losses up to such amounts will be paid to the College. To the extent that the claim for loss, resulting from such damage or destruction exceeds $1,000,000, the College will either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

The Bonds may be redeemed in whole if all or substantially all of the Project Facilities are damaged or destroyed to such extent that (i) they cannot be reasonably restored within six months or (ii) normal use and operation of the Project Facilities are interrupted for a six-month period or (iii) the cost of restoration exceeds the available Net Proceeds by an amount described in the Loan Agreement.

The Bonds may be redeemed in part if (i) all or a portion of the Project Facilities are damaged or destroyed, (ii) the College determines that the Project Facilities so damaged or destroyed are not needed in its operations, (iii) the College has elected not to repair, rebuild, restore, or replace such Project Facilities, and (iv) the College elects that available Net Proceeds will be deposited in the Redemption Account and used for the redemption or purchase of outstanding Bonds on the next date for which due notice of redemption can be given (*See also* "THE BONDS – Redemption – Extraordinary Optional Redemption" in the body of this Official Statement).

Condemnation of Project Facilities

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any part of the Project Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, there will be no abatement or reduction in the Loan Repayments payable by the College under the Loan Agreement. All Net Proceeds of awards not in excess of $1,000,000 will be paid to the College. All Net Proceeds of awards over $1,000,000 will be paid and held by the Trustee and the College will either redeem and prepay the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

If the Bonds are to be redeemed in whole or in part, such redemption will be described in the second and third paragraphs under the "Damage or Destruction of Project Facilities" section above.

Removal of Project Equipment and Building Equipment

The College may remove or release Project Equipment and Building Equipment from the Project Facilities if no Default exists and upon the following conditions:

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

(b) the College may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the College pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the College, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value on the records of the College of the equipment so released was less than $100,000, such release and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent engineer or Certificate of an Authorized Institutional Representative; and

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

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or in connection with (c) above, the depreciated value of Building Equipment to be substituted, removed or released equals or exceeds $100,000 the College will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal or release of such equipment will not materially impair the character or revenue producing significance or value of the Project Facilities.

Indemnification

The College agrees to hold the Authority, its members and employees, harmless against any claim, cause of action, suit or liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project Facilities and the use thereof, including that caused by any negligence of the Authority or anyone acting on 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.

College 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 maintain the Institution as an institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies and that it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee institution, 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, and be either a state university or college or a nonprofit corporation operating or authorized to operate an Institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit Institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the institution be nonsectarian; and (b) the College shall furnish to the Trustee an Opinion of Counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

$150,000,000 Limitation on Outstanding Non-Hospital Bonds

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

Under the Loan Agreement, in no event will the College affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the College or such other resulting entity, and all organizations under common management or control with the College or such resulting entity, within the meaning of Section 145 of the Internal Revenue Code.

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.

Institution to be Nonsectarian

The College agrees that the Institution will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect. All courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest on the Bonds is includable in gross income of the recipient for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent 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 or in part on the next date for which due notice can be given and any date thereafter at a redemption price equal to par plus accrued interest plus additional interest from the Date of Taxability. (*See also* “THE BONDS – Redemption – Extraordinary Optional Redemption” and “THE BONDS – Determination of Taxability” in the body of the Official Statement.) If a Determination of Taxability should ever occur, any monetary damage or loss resulting from or incident there to will be limited to the additional interest rate on the Bonds, as more fully set forth in the Loan Agreement.

Other Covenants

The College further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate as prohibited by Minnesota Statutes, Section 363A.13; to provide and file such financing statements and other instruments of further assurance as the Authority or Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority, the Department of Education and the Minnesota Office of Higher Education, subject to the right of contest. The College agrees to indemnify the Authority from losses arising from certain representations made by the College regarding the absence of hazardous waste on the Project Facilities.

The Authority further agrees to comply with the applicable rebate requirements imposed under Section 148 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 the College shall fail to make any Loan Repayment when due and either (i) on a Bond principal or interest payment date or redemption date the available moneys on deposit in the Bond and Interest Sinking Fund Account and the Redemption Account are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for five Business Days after notice from the Trustee or the Authority to the College that such payment has not been made; or

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

(c) (reserved); or

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

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

(f) If a court of competent jurisdiction shall enter an order, judgment or decree against the College in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the College or of the whole or any substantial part of the property of the College, and such order, judgment or decree shall not be vacated or set aside or stayed within 90 days from the date of the entry thereof; or

(g) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the College or of the whole or any substantial part of its property, and such custody or control shall not be terminated within 90 days from the date of assumption of such custody or control.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the College. The provisions of paragraph (d) above, are subject to the further limitation that if the default can be remedied but not within a period of 30 days after notice and if the College has taken all action reasonably possible to remedy such default within such 30-day period, the default shall not become an Event of Default for so long as the College shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The College agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the College from carrying out its agreements.

Remedies on Default

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

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

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

Any amounts collected by the Trustee pursuant to the actions set forth above shall be applied first to advances, fees and expenses, and then to payment of interest, principal and premium, if any, on the Bonds as provided in Section 7.04 of the Indenture, and any excess to the College.

Amendments

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

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THE INDENTURE

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

Granting Clauses

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

(a) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the rights of the Authority relating to fees and expenses, indemnity and advances;

(b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be created and maintained under the Indenture; provided, however, the funds deposited in the Refunding Account shall be held for the exclusive benefit of the holders of the Refunded Bonds, and (ii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

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

Accounts

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

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Redemption Account and the Costs of Issuance Account shall be invested by the Trustee as directed by the Authorized Institution Representative only in investments as authorized by law from time to time, subject to the additional restrictions generally described as follows: governmental bonds, notes, bills and other securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organization created by an act of Congress; any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service; any security which is a revenue obligation of any state or local government which is rated "AA" or better by a national bond rating service; mutual funds or unit trusts which invest solely in the investments described in Section 5.04 of the Indenture, such as obligations of the United States government, its agencies, states and state political subdivisions or in certain repurchase agreements; constant dollar value money market funds that invest solely in the types of obligations or repurchase agreements in which the foregoing mutual funds may invest and which are rated in the highest rating category by a national credit rating agency; time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks; certain guaranteed investment contracts issued by certain banks or insurance companies rated at least in the highest two rating categories of a nationally recognized rating agency; certain guaranteed investment contracts, with a term of 18 months or less, issued by certain banks or insurance companies with a short-term unsecured debt rating in the highest category by a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

Trustee's Right to Payment

The Trustee shall have a first lien, with right of payment prior to payment on account 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 misconduct 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 or 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 money in the Accounts.

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 60 days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the College (giving the College the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

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

Remedies

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

In the case of the breach of any of the covenants or conditions of the Loan Agreement or the Indenture, the Trustee, anything therein contained to the contrary notwithstanding and without any request from any Bondholder (subject, however to its rights to indemnity and notice provided in the Indenture), shall be obligated to take such action or actions as are necessary for the enforcement of its rights and the rights of the Bondholders and the rights of the Authority under the Loan Agreement.

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce the Loan Agreement and 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 the Reference Rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment on account 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 with willful misconduct. The Trustee is not required to institute suit or take other steps to enforce its rights and powers under the Indenture 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 combined capital, surplus and undivided profits of $10,000,000 in event of merger, resignation or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the College, provided that the Authority may, but is not required to remove the Trustee with or without the request of the College if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the College shall:

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

(b) provide for the payment of principal and premium, if any, of the outstanding Bonds and interest thereon by depositing with the Trustee at or at any time before maturity an amount of (i) government obligations described in Section 5.04(a) of the Indenture, in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient in the opinion of a verification agent, upon which the Trustee may conclusively rely, and/or (ii) cash, to pay the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds outstanding, or

(c) deliver to the Trustee (1) proof satisfactory to the Trustee 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 as provided in Article III hereof, or that arrangements satisfactory to the Trustee have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all of such outstanding Bonds, and in any such case, deposit with the Trustee before the date on which such Bonds are to be redeemed, as provided in said Article III, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, of (i) government obligations described in Section 5.04(a) of the Indenture, in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient in the opinion of a verification agent, upon which the Trustee may conclusively rely, and/or (ii) cash, to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any Interest Payment Dates, or

(d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided,

and shall also pay or provide for the payment of the unpaid fees and expenses of the Trustee (and its counsel) 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 College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent (and, in the case of defeasance under paragraph (b) above, as to effect on tax exempt status), 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 College shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided above, or left with it if previously so deposited, cash or government obligations described in Section 5.04(a) of the Indenture, 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 hereunder; and it shall be the duty of the Trustee to hold the funds so deposited for the benefit of the Holders of such Bonds, as the case may be, 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 or any successor;

(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 could have been contained in the Indenture or any supplemental indenture and which shall not impair the security of the same; and

(e) to modify the Indenture as authorized by the Bondholders pursuant to Section 11.04 of the Indenture.

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds 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 Bonds outstanding (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, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or to amendments to the Loan Agreement.

Amendments to the Loan Agreement

The Authority and the Trustee shall, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission, or (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement 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 shall consent to or execute any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 51% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the Loan Repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

The Bonds shall be fully registered as to principal and interest at the designated corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. If the Bonds are no longer in book entry form, Bonds may be exchanged for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic interest rate of any authorized denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable procedures while in book entry form.

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THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Obligations will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, the Bond Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar, Issuer, or the Issuer's agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

COLLEGE OF ST. SCHOLASTICA, INC.
FINANCIAL STATEMENTS INCLUDING
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2017 AND 2018

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of College of St. Scholastica, Inc. (the College), which comprises the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
College of St. Scholastica, Inc.

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. as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 10, 2018

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	$ 11,049,324	$ 10,685,292
Student Accounts Receivable, Net of Allowance for Doubtful Accounts of $308,518 and $294,056, Respectively	2,292,972	2,597,267
Grants Receivable	1,201,043	788,039
Contributions Receivable	1,211,217	1,867,943
Other Receivables	504,212	487,852
Inventories	81,373	79,296
Prepaid Expenses and Other Assets	984,672	940,746
Student Notes Receivable, Net of Allowance for Doubtful Notes of $252,730 and $228,950, Respectively	3,530,864	3,374,678
Investments Held by Trustee	4,442,411	4,413,493
Investments	89,966,228	82,023,166
Intangible Assets, Net	11,637	16,721
Construction in Progress	1,731,891	1,095,433
Property, Plant, and Equipment, Net	72,788,848	72,754,248
Total Assets	$ 189,796,692	$ 181,124,174
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 2,451,337	$ 2,304,620
Accrued Liabilities	5,785,273	6,328,105
Deposit Accounts	733,274	683,909
Deferred Revenue	9,807,292	9,756,511
Bonds and Leases Payable, Net	43,621,402	44,580,206
Annuities Payable	211,541	228,592
Funds Held for Others	278,115	194,439
U.S. Government Grants Refundable	3,481,856	3,448,577
Other Grants Refundable	55,204	80,921
Total Liabilities	66,425,294	67,605,880
NET ASSETS		
Unrestricted	89,291,035	80,621,220
Temporarily Restricted	15,117,179	14,400,970
Permanently Restricted	18,963,184	18,496,104
Total Net Assets	123,371,398	113,518,294
Total Liabilities and Net Assets	$ 189,796,692	$ 181,124,174

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2017 Total
REVENUES, GAINS, AND OTHER SUPPORT					
Tuition and Fees	$ 98,179,072	$ -	$ -	$ 98,179,072	$ 95,578,570
Less: Scholarships and Grants	(36,945,205)	-	-	(36,945,205)	(35,980,039)
Net Tuition and Fees	61,233,867	-	-	61,233,867	59,598,531
Government Grants	5,157,712	-	-	5,157,712	4,474,857
Private Gifts	484,959	1,629,618	438,407	2,552,984	2,237,833
Endowment Gain	4,744,774	2,566,944	-	7,311,718	10,415,250
Other Sources	1,167,064	331,497	19,810	1,518,371	1,599,898
Investment Income	155,253	-	-	155,253	56,486
Sales and Services of Auxiliary Enterprises	8,969,833	-	-	8,969,833	8,771,688
Adjustment in Actuarial Liability for Annuities Payable	-	12,545	8,863	21,408	43,978
Total	81,913,462	4,540,604	467,080	86,921,146	87,198,521
Net Assets Released from Restrictions	3,808,096	(3,808,096)	-	-	-
Total Revenues, Gains, and Other Support	85,721,558	732,508	467,080	86,921,146	87,198,521
EXPENSES AND LOSSES					
Program Expenses:					
Instruction	34,520,730	-	-	34,520,730	31,857,722
Public Service	2,025,763	-	-	2,025,763	2,088,818
Academic Support	6,150,549	-	-	6,150,549	5,959,020
Student Services	15,844,835	-	-	15,844,835	16,005,282
Auxiliary Enterprises	7,647,042	-	-	7,647,042	7,051,256
Support Expenses:					
Institutional Support	10,861,377	-	-	10,861,377	10,463,736
Allocable Expenses:					
Operation and Maintenance of Plant	3,692,612	-	-	3,692,612	3,560,944
Interest Expense	2,275,215	-	-	2,275,215	2,315,937
Depreciation, Amortization, and Accretion Expense	3,790,418	-	-	3,790,418	3,761,948
Less: Allocated Expenses	(9,758,245)	-	-	(9,758,245)	(9,638,829)
Loss on Write-Off of Contribution Receivables	-	16,299	-	16,299	25,000
Loss (Gain) on Disposal of Plant Facilities	1,447	-	-	1,447	(5,079)
Total Expenses and Losses	77,051,743	16,299	-	77,068,042	73,445,755
CHANGE IN NET ASSETS - Operations	8,669,815	716,209	467,080	9,853,104	13,752,766
Net Assets - Beginning of Year	80,621,220	14,400,970	18,496,104	113,518,294	99,765,528
NET ASSETS - END OF YEAR	$ 89,291,035	$ 15,117,179	$ 18,963,184	$ 123,371,398	$ 113,518,294

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and Fees	$ 95,578,570	$ -	$ -	$ 95,578,570
Less: Scholarships and Grants	(35,980,039)	-	-	(35,980,039)
Net Tuition and Fees	59,598,531	-	-	59,598,531
Government Grants	4,474,857	-	-	4,474,857
Private Gifts	548,432	1,534,358	155,043	2,237,833
Endowment Gain	6,652,018	3,763,232	-	10,415,250
Other Sources	1,166,111	413,467	20,320	1,599,898
Investment Income	56,486	-	-	56,486
Sales and Services of Auxiliary Enterprises	8,771,688	-	-	8,771,688
Adjustment in Actuarial Liability for Annuities Payable	-	28,480	15,498	43,978
Total	81,268,123	5,739,537	190,861	87,198,521
Net Assets Released from Restrictions	3,865,219	(3,865,219)	-	-
Total Revenues, Gains, and Other Support	85,133,342	1,874,318	190,861	87,198,521
EXPENSES AND LOSSES				
Program Expenses:				
Instruction	31,857,722	-	-	31,857,722
Public Service	2,088,818	-	-	2,088,818
Academic Support	5,959,020	-	-	5,959,020
Student Services	16,005,282	-	-	16,005,282
Auxiliary Enterprises	7,051,256	-	-	7,051,256
Support Expenses:				
Institutional Support	10,463,736	-	-	10,463,736
Allocable Expenses:				
Operation and Maintenance of Plant	3,560,944	-	-	3,560,944
Interest Expense	2,315,937	-	-	2,315,937
Depreciation, Amortization, and Accretion Expense	3,761,948	-	-	3,761,948
Less: Allocated Expenses	(9,638,829)	-	-	(9,638,829)
Loss on Write-Off of Contribution Receivables	-	-	25,000	25,000
Loss on Disposal of Plant Facilities	(5,079)	-	-	(5,079)
Total Expenses and Losses	73,420,755	-	25,000	73,445,755
CHANGE IN NET ASSETS	11,712,587	1,874,318	165,861	13,752,766
Net Assets - Beginning of Year	68,908,633	12,526,652	18,330,243	99,765,528
NET ASSETS - END OF YEAR	$ 80,621,220	$ 14,400,970	$ 18,496,104	$ 113,518,294

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 9,853,104	$ 13,752,766
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation, Amortization, and Accretion	3,790,418	3,761,948
Amortization of Bond Premium/Discount/Acquisition Cost Netted Against Interest Expense	3,308	3,308
(Gain) Loss on Sale of Property	1,447	(5,079)
Gain on Endowment Investments	(5,448,654)	(8,875,828)
Gain on Other Investments	(31,431)	(48,007)
Actuarial Adjustment of Annuities Payable	13,196	8,383
Increase in Allowance for Student Accounts Receivable	14,462	7,555
Increase in Allowance for Student Notes Receivable	23,780	890
Loan Cancellations, Assignments, and Write-Offs	63,747	92,994
Change in Assets and Liabilities:		
Student Accounts Receivable	289,833	(85,327)
Grants Receivable	(413,004)	(204,171)
Contributions Receivable - Operations	590,657	594,526
Other Receivables	(16,360)	(166,719)
Inventories	(2,077)	13,631
Prepaid Expenses and Other Assets	(43,926)	49,106
Intangible Assets	(7,015)	(5,000)
Accounts Payable	(196,426)	233,345
Accrued Liabilities	(587,178)	(1,508,884)
Deposit Accounts	49,365	50,777
Deferred Revenue	50,781	(135,930)
Funds Held for Others	83,675	104,304
Proceeds from the Sale of Donated Securities Restricted for Long-Term Investment and Plant	(109,702)	(68,199)
Contributions Restricted for Long-Term Investment and Plant	(876,576)	(188,192)
Net Cash Provided by Operating Activities	7,095,424	7,382,197
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Endowment Investments	(20,960,747)	(16,113,922)
Sales of Endowment Investments	18,476,067	12,132,243
Purchases of Other Investments	(9,407)	(6,858)
Sales of Other Investments	31,110	35,196
Drawdowns of Deposits with Trustee, Net	(28,918)	(13,877)
Purchases of Property, Plant, and Equipment	(3,784,781)	(2,164,437)
Disbursements of Loans to Students	(793,933)	(623,798)
Repayments of Loans from Students	550,220	638,727
Net Cash Used by Investing Activities	(6,520,389)	(6,116,726)

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Principal on Indebtedness	$ (1,240,664)	$ (1,211,512)
Contributions Received Restricted for Long-Term Investment and Plant	942,644	248,116
Increase (Decrease) in Refundable Grants	7,562	(49,653)
Proceeds from the Sale of Donated Securities Received Restricted for Long-Term Investment and Plant	109,702	68,199
Payments to Annuitants	(30,247)	(30,247)
Net Cash Used by Financing Activities	(211,003)	(975,097)
NET CHANGE IN CASH AND CASH EQUIVALENTS	364,032	290,374
Cash and Cash Equivalents - Beginning of Year	10,685,292	10,394,918
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 11,049,324	$ 10,685,292
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 2,275,444	$ 2,312,735
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property, Plant, and Equipment Acquired through Accounts Payable	$ 32,442	$ 10,101
Right of Use of Equipment Acquired through Capital Lease	$ 278,553	$ 155,189

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The College of St. Scholastica, Inc., an independent liberal arts college, offers accredited bachelors, masters, and doctoral degree programs. The accounting policies of the College of St. Scholastica, Inc. (the College) reflect practices common to universities and colleges and conform to accounting principles generally accepted in the United States of America (GAAP). The more significant accounting policies are summarized below.

General

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General (Continued)

Losses from investments on permanently restricted endowment funds are reported as reductions in temporarily restricted assets to the extent of prior accumulated earnings reported as such, if any, with the remaining net losses reported as reductions in the unrestricted endowment funds.

Temporarily Restricted Net Assets

With respect to temporarily restricted net assets, the College has adopted the following accounting policies:

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

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

Cash Equivalents

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

Student Accounts Receivable

Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student notes receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts and loans receivable are written off when deemed uncollectible. Recoveries of student accounts and loans receivable previously written off are recorded when received. Receivables are generally unsecured.

A student account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days after the due date. Interest is charged on student accounts receivable that are outstanding for more than 30 days after the due date and is recognized as it is charged. Student accounts are written off if there has been no payment activity for six months.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable are carried at the unpaid balance for qualifying expenses arising from federal and state contract agreements. These costs are reimbursed to the College as prescribed in the grant agreement. Most contracts require monthly expense reporting and reimbursement.

Inventories

Inventories are valued at the lower of cost or market, determined on a first-in, first-out basis, and consist primarily of stock for the Saints Shop.

Investments Held by Trustee

Investments held by trustee include amounts restricted for debt service as required by the related trust indentures as well as construction funds for various current and future plant projects.

Debt Acquisition Costs

Costs of bond issuance are deferred and amortized on a straight-line basis over the life of the bond issue. These costs are netted against Bonds and leases payable on the statement of financial position.

Physical Plant and Equipment

Physical plant assets are stated at cost at date of acquisition less accumulated depreciation. The College depreciates its assets on the straight-line basis over estimated useful lives as follows:

Buildings	50 Years
Automotive	5 Years
Equipment	5 Years
Library Books	10 Years

Normal repair and maintenance expenses are charged to operations as incurred. The College capitalizes physical plant additions in excess of $5,000.

Collections of art or similar artifacts are stated at cost at date of acquisition and are capitalized if in excess of $5,000.

Intangible Assets

Intangible assets such as license rights are stated at cost at date of the acquisition less accumulated amortization. The College amortizes these assets over a period of three years on a straight-line basis. For the year ended June 30, 2018, the College had total intangible assets of $1,654,971 with accumulated amortization totaling $1,643,335; amortization expense for the year was $12,099. For the year ended June 30, 2017, the College had total intangible assets of $1,647,956 with accumulated amortization totaling $1,631,236; amortization expense for the year was $22,399.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenues and Capital Commitments

Tuition, housing, and related revenue are recognized over the period of instruction. Certain revenue related to summer education and adult programs is deferred and recognized as revenue in the same period expenses are recognized. Students are generally billed for courses prior to the start of the course.

On July 1, 2014, the College entered into a contractual agreement with Aramark Educational Services, Inc. to outsource campus food service to students, faculty, staff, as well as other College events. In consideration of the College's agreement to Aramark for a term of 10 years, Aramark funded $2,717,237 in food service facility renovations and upgrades. This financial incentive was being amortized on a straight-line basis through December 31, 2026. Amortization of the incentive commenced in May 2015. In early fiscal year 2016, this agreement was amended to extend amortization of the facility renovation costs to June 30, 2029 with amortization being adjusted accordingly. For the year ended June 30, 2018, the unamortized balance remaining in deferred revenues was $2,102,513 with $191,138 being amortized this year and reflected as revenue under Auxiliary Enterprises.

Upon expiration or termination of the contract by either party prior to the complete amortization of the financial incentive, the College shall reimburse Aramark for the unamortized balance of the incentive as of the date of expiration or termination plus all accrued but unbilled interest as of the date of expiration or termination.

A portion of the College's equity contribution to the Health Sciences Education Facility Corporation (HSEFC) (see Note 15) amounting to $2,134,076, represents future rent payments due to the College for the right to the use of the land the College owns where the building sits from which the College is leasing space. Amortization of this deferred revenue obligation will take place over the life of the ground lease the College has with HSEFC through December 31, 2090.

Government Grants Refundable

Funds provided by the United States Government under the Federal Perkins and Nursing Student Loan Programs are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement.

Income Taxes

The Internal Revenue Service has determined that the College is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax. However, any unrelated business income may be subject to taxation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The College follows Accounting for Uncertainty in Income Taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this standard had no impact on the College's financial statements.

Functional Allocation of Expenses

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

Pension Plans

All employees of the College of St. Scholastica, Inc. meeting age and service requirements are covered under a defined contribution retirement plan. Pension expense totaled $2,482,212 and $2,328,170 for the years ended June 30, 2018 and 2017, respectively.

Employee Medical Plan

The College provides medical benefits through a self-insured plan which is available to all employees of the College for certain medical expenses. Estimates for claims incurred but not reported as well as other costs based on historical information have been accrued by the College.

Use of Estimates

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

Fundraising and Advertising Costs

Fundraising expenses approximated $1,667,700 and $1,586,600 for the years ended June 30, 2018 and 2017, respectively. Advertising expenses approximated $1,728,400 and $1,976,500 for the years ended June 30, 2018 and 2017, respectively. The College expenses advertising costs at the time incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Retirement Obligations

Asset retirement obligations are estimated costs and obligations associated with the retirement of long-lived assets and are included in accrued liabilities on the statement of financial position. These liabilities were initially recorded at fair value and the related asset retirement costs were recorded as decreases in unrestricted net assets. Asset retirement costs are subsequently accreted over the useful lives of the related assets. Activity for the College's aggregate carrying amount of asset retirement obligations for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017
Beginning of Year	$ 1,058,144	$ 1,167,324
Liabilities Incurred During Year	-	-
Liabilities Settled During Year	(169,464)	(159,058)
Accretion Expense	44,346	49,878
End of Year	$ 933,026	$ 1,058,144

The estimate of the losses that are probable from environmental remediation liabilities for asbestos removal was calculated using the expected cash flow approach and based on an inventory of the College's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The College utilized a credit-adjusted risk-free rate to discount the asset retirement obligation. It is reasonably possible that changes in this estimate could occur and that actual results could differ from this estimate and could have a significant effect on the financial statements.

Reclassifications

Certain amounts appearing in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

NOTE 2 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Permanently restricted net assets consist of the following at June 30, 2018 and 2017:

	2018	2017
Endowment Funds	$ 18,802,305	$ 18,286,020
Annuity, Life Income, and Similar Funds	40,788	31,925
Contributions Receivable	120,091	178,159
Total	$ 18,963,184	$ 18,496,104

NOTE 2 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES (CONTINUED)

Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	2018	2017
Gifts and Other Unexpended Revenues and Gains Available for:		
Scholarships, Instruction, and Other Departmental Support	$ 1,245,292	$ 1,648,459
Endowment Funds - Donor Restricted	12,348,494	10,779,513
Acquisition of Buildings and Equipment	297,728	170,767
Annuity, Life Income, and Similar Funds	137,039	124,493
Contributions Receivable	1,088,626	1,677,738
Total	$ 15,117,179	$ 14,400,970

Unrestricted net assets consist of the following at June 30, 2018 and 2017:

	2018	2017
Operations	$ 5,305,692	$ 3,095,817
Endowment Funds - Board Designated and Donor Restricted	56,502,525	51,195,158
Loans to Students	401,820	424,241
Investment in Plant	27,078,498	25,893,958
Contributions Receivable	2,500	12,046
Total	$ 89,291,035	$ 80,621,220

NOTE 3 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from temporary donor designated by incurring expenses satisfying the designated purposes or by occurrence of events specified by the donors as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Scholarships, Instruction, and Other Departmental Support	$ 3,334,450	$ 3,786,803
Acquisition of Property, Plant, and Equipment	473,646	78,416
Total	$ 3,808,096	$ 3,865,219

These assets were reclassified to unrestricted net assets.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at June 30, 2018 and 2017:

	2018	2017
Unrestricted - Completed Plant Projects	$ 2,500	$ 12,500
Temporarily Restricted - Operations	127,028	543,140
Temporarily Restricted - Scholarships and Other Departmental Support	1,008,587	1,167,998
Temporarily Restricted - Facilities Projects	62,125	72,625
Permanently Restricted - Endowment	130,810	192,503
Gross Unconditional Contributions to Give	1,331,050	1,988,766
Less: Unamortized Discount	(119,833)	(120,823)
Net Unconditional Contributions Receivable	$ 1,211,217	$ 1,867,943

The College conducts an annual collectability assessment for contributions receivable and writes off those pledges deemed to be uncollectible based primarily on donor payment history. This annual assessment has, therefore, eliminated the need for use of an allowance for contributions receivable for the years ended June 30, 2018 and 2017.

Contributions receivable at June 30, 2018 and 2017 are expected to be paid as follows:

	2018	2017
Amounts Due in:		
Less than One Year	$ 459,837	$ 824,790
One to Five Years	747,188	1,135,151
More than Five Years	124,025	28,825
Total	$ 1,331,050	$ 1,988,766

The College records contributions receivable based on fair value. Net collectible contributions due in more than one year were discounted at an interest rate based on the Treasury Yield Curve five-year rate as of June 30, 2018 which was 2.73%; as of June 30, 2017, the College used the five-year rate which was 1.89%. These rates were augmented by a 1.00% premium risk for contributions due from corporations, businesses and foundations; and a 2.00% risk premium was used for contributions due from individuals. Net collectible contributions due in less than one year were not discounted.

As of June 30, 2018 and 2017, approximately $23,200 and $72,400, respectively, of contributions receivable were due from members of the board of trustees. Contribution revenue from members of the board of trustees totaled approximately $32,800 and $53,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 5 STUDENT LOAN RECEIVABLES

The College issues uncollateralized loans to students under the Federal Perkins and Federal Nursing Loan programs and are based on financial need. During 2016-17, the College received funding from the National Science Foundation (NSF) to start a new loan program (Noyce Loan Program) geared towards assisting undergrad and graduate education majors in Science, Technology, Engineering, and Math (STEM) programs. Allowances for doubtful accounts are established based on prior collection experience and analysis of historical aging reports. As of June 30, 2018 and 2017, student loans represented 1.86% of total assets.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans receivable and is recognized as it is charged. Student loans receivable through the loan programs are considered to be past due if a payment is not made by the payment due date; late charges are charged and recognized on loans 60 days past due. The Federal Perkins Loan Program and Federal Nursing Loan Program receivables may be assigned to the U.S. Department of Education and Department of Health and Human Services, respectively. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education and the Department of Health and Human Services.

As of June 30, student loans consisted of the following:

	2018	2017
Federal Perkins Loan Program	$ 2,984,830	$ 2,933,456
Federal Nursing Loan Program	678,764	646,172
Noyce Loan Program	120,000	24,000
Total	3,783,594	3,603,628
Less Allowance for Doubtful Accounts:		
Beginning of Year	(228,950)	(228,060)
Increases	(25,780)	(3,691)
Write-Offs	2,000	2,801
End of Year	(252,730)	(228,950)
Student Loan Receivables, Net	$ 3,530,864	$ 3,374,678

Funds advanced by the federal government of $3.48 million and $3.45 million at June 30, 2018 and 2017, respectively, are ultimately refundable to the government, and are classified as liabilities on the statement of financial position.

As of June 30, 2018 and 2017, the following principal amounts were past due under student loan programs:

Year Ended June 30,	1-60 Days Past Due	60-90 Days Past Due	90+ Days Past Due	Total Past Due
2018	$ 2,099	$ 2,893	$ 254,385	$ 259,377
2017	3,005	4,408	231,083	238,496

NOTE 6 INVESTMENTS HELD BY TRUSTEE

The following summarizes the College's investments at fair value held by trustee as of June 30, 2018 and 2017:

	2018	2017
Cash and Short-Term Investments	$ 114,845	$ 40,135
Fixed Income Securities	4,327,566	4,373,358
Total	$ 4,442,411	$ 4,413,493

NOTE 7 ENDOWMENT

Effective July 1, 2008, the College adopted the provisions of *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. This provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the guidance is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component of the Topic is a requirement for expanded disclosures about all endowment funds. The state of Minnesota adopted a version of UPMIFA effective August 1, 2008.

The College's endowment consists of approximately 175 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

As part of an overall strategic Capital Structuring Plan and to enhance the College's financial position, the board of trustees authorizes the transfers of the College's operating funds to the Endowment Fund which are classified as unrestricted quasi-endowment. The amount transferred for the years ended June 30, 2018 and 2017 was $2,143,781 and $5,063,832, respectively.

Interpretation of Relevant Law

The College's governing board has interpreted the UPMIFA enacted in the state of Minnesota as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NOTE 7 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. General economic conditions
2. The possible effect of inflation and deflation
3. The expected tax consequences, if any, of investment decisions or strategies
4. The role that each investment or course of actions plays within the overall investment portfolio of the fund
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The needs of the College and the fund to make distributions and to preserve capital
8. An asset's special relationship or special value, if any, to the charitable purposes of the College

Endowment net assets composition by type of fund consists of the following at June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ (52)	$ 12,348,494	$ 18,802,305	$ 31,150,747
Board-Designated Endowment Funds	56,502,577	-	-	56,502,577
Total Endowment Net Assets	$ 56,502,525	$ 12,348,494	$ 18,802,305	$ 87,653,324

Endowment net asset composition by type of fund consists of the following as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 10,779,513	$ 18,286,020	$ 29,065,533
Board-Designated Endowment Funds	51,195,158	-	-	51,195,158
Total Endowment Net Assets	$ 51,195,158	$ 10,779,513	$ 18,286,020	$ 80,260,691

NOTE 7 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2017	$ 51,195,158	$ 10,779,513	$ 18,286,020	$ 80,260,691
Investment Return:				
Investment Income	1,203,969	659,095	-	1,863,064
Net Appreciation - Realized and Unrealized	3,540,805	1,907,849	-	5,448,654
Total Investment Income	4,744,774	2,566,944	-	7,311,718
Contributions	-	(863)	354,832	353,969
Pledge Payments	52,312	-	141,643	193,955
Other	-	-	19,810	19,810
Appropriation of Endowment Assets for Expenditure	-	(997,100)	-	(997,100)
Other Changes:				
Transfer to Board-Designated Endowment Funds	2,143,781	-	-	2,143,781
Transfer from Board-Designated Endowment Funds	(1,633,500)	-	-	(1,633,500)
Endowment Net Assets, June 30, 2018	$ 56,502,525	$ 12,348,494	$ 18,802,305	$ 87,653,324

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2016	$ 40,859,108	$ 7,971,135	$ 18,059,404	$ 66,889,647
Investment Return:				
Investment Income	975,485	563,937	-	1,539,422
Net Appreciation - Realized and Unrealized	5,676,533	3,199,295	-	8,875,828
Total Investment Income	6,652,018	3,763,232	-	10,415,250
Contributions	-	(654)	147,290	146,636
Pledge Payments	125,000	-	59,006	184,006
Other	-	-	20,320	20,320
Appropriation of Endowment Assets for Expenditure	-	(954,200)	-	(954,200)
Other Changes:				
Transfer to Board-Designated Endowment Funds	5,063,832	-	-	5,063,832
Transfer from Board-Designated Endowment Funds	(1,504,800)	-	-	(1,504,800)
Endowment Net Assets, June 30, 2017	$ 51,195,158	$ 10,779,513	$ 18,286,020	$ 80,260,691

NOTE 7 ENDOWMENT (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $52 as of June 30, 2018 and $-0- as of June 30, 2017. Deficiencies result from unfavorable market fluctuations that occur after the investment of the new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the endowment funds to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters

The College has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed the College’s spending policy rate and allow for annual growth while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide an average annual rate of approximately 6.5%. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places an emphasis on a diversified mix of equity (70%) and nonequity investments (30%) to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year 4.0% of its endowment fund’s average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at an average of 2.5% annually. This is consistent with the College’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 8 FAIR VALUE MEASUREMENTS

The College follows the provisions of *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. *Fair Value Measurements* established a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date.

The College follows *The Fair Value Option for Financial Assets and Liabilities*, which among other things, provides an option to elect fair value as an alternative measurement for selected financial assets and liabilities not previously recorded at fair value. Under *The Fair Value Option for Financial Assets and Liabilities*, the College elected to record contributions receivable at fair value. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates. Therefore, the discount amount reflected in contributions receivable brings the balance to fair value and is not amortized.

As noted above, *Fair Value Measurements* establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices or similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents financial instruments that are measured at fair value on a recurring basis by the *Fair Value Measurements* hierarchy as of June 30, 2018:

	Total	Level 1	Level 2	Level 3
ASSETS				
Contributions Receivable	$ 1,211,217	$ -	$ -	$ 1,211,217
Equity Securities:				
U.S. Equity	45,461,035	45,461,035	-	-
Developed Ex-U.S.	10,346,262	10,346,262	-	-
Emerging Markets	7,336,083	7,336,083	-	-
Mutual Funds:				
Global Bonds:				
Emerging Markets	3,903,748	3,903,748	-	-
Investment Grade	19,914,679	19,914,679	-	-
Convertibles	2,963,137	2,963,137	-	-
Real Estate Funds	-	-	-	-
Total	$ 91,136,161	$ 89,924,944	$ -	$ 1,211,217

The following table presents the reconciliation to the statement of financial position for financial instruments as of June 30, 2018:

Total Measured at Fair Value	$ 91,136,161
Investments Measured at Net Asset Value	4,124,462
Cash and Cash Equivalents	295,550
Cash Surrender Value of Life Insurance	63,683
Total	$ 95,619,856
Contributions Receivable	$ 1,211,217
Investments Held by Trustee	4,442,411
Investments	89,966,228
Total	$ 95,619,856

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents financial instruments that are measured at fair value on a recurring basis by the *Fair Value Measurements* hierarchy as of June 30, 2017:

	Total	Level 1	Level 2	Level 3
ASSETS				
Contributions Receivable	$ 1,867,943	$ -	$ -	$ 1,867,943
Equity Securities:				
U.S. Equity	44,432,595	44,432,595	-	-
Developed Ex-U.S.	10,353,108	10,353,108	-	-
Emerging Markets	5,345,808	5,345,808	-	-
Mutual Funds:				
Global Bonds:				
Emerging Markets	3,978,575	3,978,575	-	-
Investment Grade	15,864,699	15,864,699	-	-
Convertibles	-	-	-	-
Real Estate Funds	2,177,960	2,177,960	-	-
Total	$ 84,020,688	$ 82,152,745	$ -	$ 1,867,943

The following table presents the reconciliation to the statement of financial position for financial instruments as of June 30, 2017:

Total Measured at Fair Value	$ 84,020,688
Investments Measured at Net Asset Value	3,968,775
Cash and Cash Equivalents	251,505
Cash Surrender Value of Life Insurance	63,634
Total	$ 88,304,602
Contributions Receivable	$ 1,867,943
Investments Held by Trustee	4,413,493
Investments	82,023,166
Total	$ 88,304,602

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Contributions Receivable

The fair value of contributions receivable is classified as Level 3 as the fair value is based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (individual or entity specific estimates of cash flows).

Short-Term Investments

The fair value of short-term investments, consisting primarily of money market funds, is classified as Level 2 as these funds are not traded on a regular basis.

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

Equity Securities

Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Mutual Funds

Mutual funds are classified as Level 1 if they are traded in an active market for which closing prices are readily available. Certain mutual funds are classified as Level 2 as the fair value is based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Alternative Investments

Investments in hedged equity funds and private equity funds for which there is no readily determinable fair value are measured using the net asset value per share or its equivalent provided by the investee as of May 31 or later, adjusted for cash receipts, cash disbursements, significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through June 30. For these reasons such investments are excluded from the fair value disclosures.

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of June 30, 2018:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Hedge Fund of Funds	$ 3,673,843	$ -	Quarterly	90 Days
Private Equity Funds	450,619	167,848	None	N/A
Total	$ 4,124,462	$ 167,848		

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of June 30, 2017:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Hedge Fund of Funds	$ 3,366,797	$ -	Quarterly	90 Days
Private Equity Funds	601,978	167,848	None	N/A
Total	$ 3,968,775	$ 167,848		

Multi-Strategy Hedge Fund of Funds utilizes a combination of diversified hedging strategies to reduce market risk. The fair value of the hedge fund of funds in this category has been estimated using the net asset value per share of the investments or by the College’s ownership interest in the investment fund’s net assets.

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

Alternative Investments (Continued)

Private Equity consists of investments in companies that are not publicly traded on a stock exchange. The fair value of the investment in this category is based on the College's ownership interest in the investment fund's net assets.

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial statements could result in a different estimate of fair value at the reporting date.

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2018:

	Contributions Receivable
Balances June 30, 2017	$ 1,867,943
Net Realized and Unrealized Gain (Loss) Included in Change in Net Assets	-
New Contributions	358,857
Contributions Payments Received	(1,000,274)
Change in Discount	990
Write-Offs	(16,299)
Purchases	-
Sales	-
Balances June 30, 2018	$ 1,211,217

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

Alternative Investments (Continued)

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2017:

	Contributions Receivable
Balances June 30, 2016	$ 2,522,393
Net Realized and Unrealized Gain (Loss) Included in Change in Net Assets	-
New Contributions	570,000
Contributions Payments Received	(1,219,845)
Change in Discount	20,395
Write-Offs	(25,000)
Purchases	-
Sales	-
Balances June 30, 2017	$ 1,867,943

NOTE 9 INVESTMENTS

The following summarizes the College's investments at fair value as of June 30, 2018 and 2017:

	2018	2017
Money Market and Short-Term Investments	$ 180,705	$ 211,370
Equity Securities:		
U.S. Equity	45,461,035	44,432,595
Developed Ex-U.S.	10,346,262	10,353,108
Emerging Markets	7,336,083	5,345,808
Mutual Funds:		
Global Bonds:		
Emerging Markets	3,903,748	3,978,575
Investment Grade	15,587,114	11,491,341
Convertibles	2,963,137	-
Real Estate Funds	-	2,177,960
Alternative Investments:		
Multi-Strategy Hedge Fund of Funds	3,673,843	3,366,797
Private Equity Funds	450,618	601,978
Cash Surrender Value of Life Insurance	63,683	63,634
Total	$ 89,966,228	$ 82,023,166

NOTE 9 INVESTMENTS (CONTINUED)

The investments were allocated as follows:

	2018	2017
Endowment	$ 89,554,719	$ 81,621,386
Annuity	388,504	384,170
Unrestricted	23,005	17,610
Total	$ 89,966,228	$ 82,023,166

Total investment return on endowment funds consists of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Dividends and Interest, Net of Fees of $149,720 and $155,216, Respectively	$ 1,863,064	$ 1,539,422
Net Realized and Unrealized Gains on Investments Reported at Fair Value	5,448,654	8,875,828
Total	$ 7,311,718	$ 10,415,250

Investments, in general, are subject to various risks, including credit, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

NOTE 10 CONSTRUCTION IN PROGRESS

Construction in progress costs at June 30, 2018 were $1,731,891 and were for a variety of projects whose expected completion is to take place during the next two fiscal years at an additional cost of $3.65 million. The most significant of these projects were renovation of the South Wing in Somers Hall, renovations in the Science Center for Nursing simulation labs, deck replacement to the front of Tower Hall, and purchase of IT equipment to be placed into service in early fiscal year 2018.

Construction in progress costs at June 30, 2017 were $1,095,433 and were for a variety of projects that were completed during the year ended June 30, 2018 at an approximate cost of $1.5 million. The most significant of these projects were renovation of the West Wing in Somers Hall, renovations in the Science Center for a Nursing skills simulation lab, and purchase of equipment for the College’s Physician’s Assistant program that started Fall 2017.

NOTE 11 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at June 30, 2018 and 2017:

	2018	2017
Land and Land Improvements	$ 4,438,454	$ 4,438,454
Buildings	100,725,097	98,367,015
Equipment, Furniture, and Fixtures	10,885,759	10,136,110
Library Books and Materials	8,093,414	7,824,232
Automotive Equipment	510,393	529,667
Art Collections/Artifacts	79,210	79,210
Food Service Cost Improvements/Upgrades	2,707,350	2,707,350
Equipment - Right to Use	1,164,377	1,084,361
Total	128,604,054	125,166,399
Less: Accumulated Depreciation	(55,815,206)	(52,412,151)
Total	$ 72,788,848	$ 72,754,248

NOTE 12 BONDS PAYABLE

The following is a summary of bonds payable outstanding at June 30, 2018 and 2017:

	Original Amount	2018	2017
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-R	$ 9,380,000	$ 7,275,000	$ 7,610,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-J	10,170,000	10,135,000	10,150,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-H	21,820,000	20,745,000	21,025,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-S	8,170,000	5,025,000	5,405,000
Subtotal		43,180,000	44,190,000
Plus: Unamortized Bond Premium/Discount		346,082	372,269
Less: Unamortized Bond Issuance Costs		(452,094)	(481,589)
Total		$ 43,073,988	$ 44,080,680

At June 30, 2018, bonds and leases payable on the statements of financial position includes bond premiums on the MHEFA Series Seven-R, Seven-J, and Seven-H Revenue Bonds in the amounts of $189,131, $1,396, and $186,005, respectively. Bond and leases payable also include bond discount on the MHEFA Series Six-S Revenue Bonds in the amount of $30,450 as well as debt issuance costs for all the MHEFA A Series Bonds in the amount of $452,094.

NOTE 12 BONDS PAYABLE (CONTINUED)

The College has loans outstanding with the Minnesota Higher Education Facilities Authority (the Authority) in connection with revenue bonds issued by the Authority:

- The Series Seven-R Revenue Bonds were issued during fiscal 2013 to finance the refunding of the outstanding principal balance of the Series Five-R Revenue Bonds. The outstanding Series Five-R Revenue Bonds, in the principal amount of $10,105,000 were redeemed in December 2012. The Series Five-R Revenue Bonds were issued to finance the construction of a new student apartment complex (Cedar Hall) and a new student field house (Burns Wellness Commons), and to refund a prior revenue bond issue that was issued to finance construction of an addition to Somers Hall.

  The Series Seven-R Revenue Bonds have interest rates varying from 3.25% to 4.25% and mature in annual installments of $335,000 to $570,000 on December 1 through 2022 with payments of $2,365,000 and $3,015,000 due December 1, 2027 and 2032, respectively. The Term Bonds maturing in the years 2027 and 2032 are subject to annual sinking fund payments on December 1 in the years 2023 through 2032 in amounts varying from $425,000 to $660,000. The bonds are secured by the general obligation of the College, the reserve account and other funds held by the trustee under the indenture.

- The Series Seven-J Revenue Bonds were issued during fiscal 2011 to finance in part construction of an expansion to the Science Center and connecting tunnels between the Science Center, Tower Hall, and Somers Hall. The Series Seven-J Revenue Bonds have interest rates varying from 5.00% to 6.30% and mature with payments of $70,000, $565,000, and $9,535,000 due December 1, 2019, 2028 and 2040, respectively. The Term Bonds maturing in the years 2019, 2028, and 2040 are subject to annual sinking fund payments on December 1 in the years 2016 through 2040 in amounts varying from $15,000 to $1,730,000. The Bonds are secured by the general obligation of the College, the reserve account and other funds held by the trustee under the indenture.

- The Series Seven-H Revenue Bonds were issued during fiscal 2011 to finance in part an expansion to the Science Center and connecting tunnels between the Science Center, Tower Hall, and Somers Hall and finance the refunding of the outstanding principal balances of the Series Five-J Revenue Bonds and Series Six-A Revenue Bonds. The outstanding Series Five-J Revenue Bonds, in the principal amount of $2,155,000, were redeemed in December 2010. The outstanding Series Six-A Revenue Bonds, in the principal amount of $11,370,000 were also redeemed in December 2010. The Series Five-J Revenue Bonds were issued to refund two prior revenue bond issues that were issued to finance the construction of the Birch, Maple, and Willow apartments, renovations of Tower Hall, and construction of the Auditorium and Student Union. The Series Six-A Revenue Bonds were issued to finance the construction of two residence halls, Scanlon and Kerst.

NOTE 12 BONDS PAYABLE (CONTINUED)

The Series Seven-H Revenue Bonds have interest rates varying from 3.65% to 4.00% and mature in annual installments of $275,000 to $295,000 on December 1 through 2020 with payments of $1,555,000, $3,920,000, $7,775,000, and $6,630,000 due December 1, 2025, 2030, 2035, and 2040, respectively. The Term Bonds maturing in these years are subject to annual sinking fund payments on December 1 in the years 2021 through 2040 in amounts varying from $290,000 to $2,170,000 and interest rates varying from 5.00% to 5.25%. The Bonds are secured by the general obligation of the College, the reserve account and other funds held by the trustee under the indenture.

- The Series Six-S Revenue Bonds were issued during fiscal 2008 to finance construction of an expansion to the Burns Wellness Commons complex to provide additional academic space and facilities for the College's new football program. The Series Six-S Revenue Bonds have an interest rate of 5.00% and mature with payments of $2,200,000 and $2,825,000 due December 1, 2022 and 2027, respectively. The Term Bonds maturing in the years 2022 and 2027 are subject to annual sinking fund payments on December 1 in the years 2018 through 2027 in amounts varying from $395,000 to $625,000 at an interest rate of 5.00%. The Bonds are secured by the general obligation of the College, the reserve account and other funds held by the trustee under the indenture.

The bonds issued under the Authority include certain financial covenants which include meeting a Revenue/Expenditure Test, as defined, for at least two of preceding three complete fiscal years, achieving a debt service coverage ratio, and requiring that the board-controlled unrestricted liquid funds shall not be less than $1,200,000 for the Series Six-S Revenue Bonds and $2,500,000 for the Series Seven-R Revenue Bonds, Series Seven-J Revenue Bonds, and Series Seven-H Revenue Bonds, and limiting the College's ability to incur additional long-term debt.

The maturities of all long-term debt for each of the five years subsequent to June 30, 2018 are as follows:

Year Ending June 30,	Scheduled Payment Amount
2019	$ 1,050,000
2020	1,100,000
2021	1,145,000
2022	1,195,000
2023	1,250,000
Thereafter	37,440,000
Total	$ 43,180,000

NOTE 13 LEASES

Capital Leases

During the year ended June 30, 2018, the College entered into two capital lease agreements for the right of use of computer equipment and a third agreement for the right of use of mailroom equipment. The interest rates on the computer agreements were 6.26% and 2.96%, respectively; the interest rate on the mailroom agreement was 17.57%. The terms of these three leases are 48 months, 50 months, and 60 months, respectively. The balance outstanding on all capital lease obligations as of June 30, 2018 was $547,414.

Future minimum lease payments for the five years subsequent to June 30, 2018 are:

Year Ending June 30,	Amount
2019	$ 239,062
2020	153,694
2021	107,384
2022	71,793
2023	5,139
Total Minimum Lease Payments	577,072
Less: Amount Representing Interest	29,658
Present Value of Minimum Lease Payments	$ 547,414

For the years ended June 30, 2018 and 2017, the College had a total of $1,164,377 and $1,084,362, respectively, in equipment under these lease agreements. Amortization expense for the years ended June 30, 2018 and 2017 was $229,329 and $236,182, respectively; accumulated amortization for the years ended June 30, 2018 and 2017 was $626,193 and $595,402, respectively.

Operating Leases

In 1987, the College entered into a lease agreement with the Benedictine Sisters Benevolent Association (B.S.B.A.) to lease facilities currently used by the College for administration offices, classrooms and other educational purposes. The property includes Tower Hall and certain other facilities or areas to be used by the College or on a shared basis with the B.S.B.A. The lease term is 99 years for a fee of $1 per year. In 1989, in consideration of a $1,000,000 payment by the College, the lease was amended and supplemented by adding additional portions of Tower Hall and land. Additional property was leased to the College on a comparable basis, without additional consideration, in 1993 to facilitate further remodeling and expansion of College facilities. The lease will automatically renew for 50 years if no default, cancellation, or termination has occurred by a date one year prior to expiration, but will terminate no later than January 1, 2136. The cost of operating the leased buildings, shared by the College and the B.S.B.A., is related to their respective use. The B.S.B.A. will not subject Tower Hall to indebtedness in addition to amounts outstanding as of March 16, 1974.

NOTE 13 LEASES (CONTINUED)

Operating Leases (Continued)

The College has operating leases for computer equipment, copiers, and building space. Rental expense associated with these operating leases totaled $1,493,677 and $668,412 for the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments for the five years subsequent to June 30, 2018 are:

Year Ending June 30,	Amount
2019	$ 1,656,937
2020	1,579,919
2021	1,367,588
2022	1,234,410
2023	1,004,171
Thereafter	17,154,587
Total	$ 23,997,612

The College also has a land lease agreement in which space is rented to New Cingular Wireless (AT&T Mobility Corp.) for placement of a wireless communications platform. This lease automatically renews for an additional five years thereafter unless either party opts to cancel. Payment received for the lease amounted to $21,285 and $20,467 for the years ended 2018 and 2017, respectively. Expected payments for the years remaining on the lease subsequent to June 30, 2018 are:

Year Ending June 30,	Amount
2019	$ 22,137
2020	23,022
2021	23,943
2022	24,901
2023	25,897

The College entered into another land lease agreement in which space is rented to Cellular Inc. Network (Verizon Wireless) for placement of a wireless communications platform. The agreement commenced in fiscal 2017 and will span a term of 25 years. Expected payments for the five years on the lease agreement subsequent to June 30, 2018 are:

Year Ending June 30,	Amount
2019	$ 1,500
2020	1,500
2021	1,500
2022	1,500
2023	1,500

NOTE 13 LEASES (CONTINUED)

Operating Leases (Continued)

The College is also acting as a sub-lessor with respect to its space rental lease in Rochester, Minnesota and in Phoenix, Arizona. The Rochester, Minnesota space in its entirety is being sublet to Delos Living, LLC effective July 1, 2015 with the agreement running through early April 2020. The Phoenix, Arizona space in its entirety is being sublet to Catholic Arizona Education, starting September 15, 2017 with the agreement running through January 31, 2020. Expected payments for the years remaining on the lease subsequent to June 30, 2018 are:

Year Ending June 30,	Amount
2019	$ 115,761
2020	80,972

NOTE 14 FUNCTIONAL EXPENSES

Expenses reported in the financial statements are classified among program services and supporting activities as follows:

	2018	2017
Program Services	$ 64,538,965	$ 61,395,419
Supporting Activities:		
Management and General	10,861,377	10,463,736
Fundraising	1,667,700	1,586,600
Total	$ 77,068,042	$ 73,445,755

NOTE 15 RELATED PARTIES

In March 1998, the College, along with The Marshall School, created Saints-Hilltoppers Arena, Inc. (the Arena). This nonprofit corporation was created to oversee the operations of an arena that is used by both the College and The Marshall School. The President of the College and the Head of Marshall School both serve on the board of directors of the Arena. In addition, the College and the School each appoint three board members. Two additional members are selected by the Arena's Board of Directors. Upon dissolution of the Arena, one-half of the assets would be remitted to the College. The College is not considered to have control over the Arena and, accordingly, the College's financial statements do not include the activity of the Arena.

The College uses the Arena for its men's and women's hockey programs as well as for its Figure Skating Club. Rental for ice-time and other associated costs with these programs totaled $55,662 and $55,514 for the years ended June 30, 2018 and 2017, respectively.

NOTE 15 RELATED PARTIES (CONTINUED)

Adjoining the College's campus are the St. Scholastica Monastery, the home of the Benedictine Sisters; the Benedictine Health Center, which serves the needs of the Duluth area and provides many health science and behavioral arts and science students with opportunity to obtain practical experience; and Westwood, an apartment and assisted living facility for senior citizens.

All three of these entities share utility costs, facilities services, grounds maintenance, and deferred maintenance costs with the College. The total amount billed to these parties amounted to $761,713 and $1,113,768 for the years ended June 30, 2018 and 2017, respectively. The total amount receivable as of June 30, 2018 and 2017 was $104,370 and $112,640, respectively.

While the St. Scholastica Monastery does not have direct control over the College, members of the B.S.B.A. may constitute up to 25% but not fewer than four of the voting Trustees of the College may be members of the B.S.B.A.

As part of the process of expanding its graduate health sciences programs, the College purchased in early fiscal 2016 3.5 acres of land that is now the site of a 43,755 square foot leased facility located 1.5 miles from the College's main campus at the Bluestone Commons Development in Duluth, Minnesota. This facility itself was financed and constructed by a separate nonprofit entity, the Health Sciences Education Facility Corporation (HSEFC). The College and HSEFC have some similar board members, however the College does not have over 50% and therefore does not have control. Payment commenced on this leased facility space from HSEFC in fiscal 2018; the lease spans 25 years with additional options to renew. Future payments on this lease are included in the amounts as presented under Operating Leases in Note 13.

In connection with the financing of the project, an equity contribution of $2,995,469 was made of Health Sciences Education Facility Corporation (HSEFC) by the College in fiscal 2016.

NOTE 16 EARLY RETIREMENT/POSTEMPLOYMENT AGREEMENTS

For the year ending June 30, 2018 the cost of salary and benefits associated with early retirement/postemployment agreements was approximately $229,192. For the year ending June 30, 2017 the cost of salary and benefits associated with early retirement/postemployment agreement costs was approximately $209,892. The cost of these agreements for both years was expensed to operations. The obligation included in accrued liabilities for early retirement/postemployment agreements for the years ended June 30, 2018 and 2017 was $67,772 and $489,644, respectively.

NOTE 17 CHARITABLE GIFT ANNUITIES

The College administers various charitable gift annuities. A charitable gift annuity provides for payment of a fixed amount over a specified period of time to the designated annuity beneficiary. Assets held under charitable gift annuities are recorded at fair value in the College's statement of financial position. On an annual basis, the College revalues the annuity contract reserve to make distributions to the annuitants based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate ranging from 4.0% to 7.0% and applicable mortality rates.

For the years ended June 30, 2018 and 2017, College received $-0- of gift value relating to split-interest agreements. Total assets held by the College under split-interest agreements investments on the statements of financial position totaled $388,504 and $384,170 at June 30, 2018 and 2017, respectively.

NOTE 18 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, investments and accounts and other receivables. Cash and cash equivalents in excess of federally insured limits are subject to the usual risks of balances in excess of those limits. Investments are generally placed in a variety of managed funds in order to limit credit risk. Student notes and receivables and other receivables are due from a variety of sources concentrated primarily in the Midwestern United States. In addition, the College's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities.

NOTE 19 LINE OF CREDIT ARRANGEMENT

The College had an unsecured $3,000,000 revolving line of credit through Wells Fargo Bank through February 28, 2018; the line of credit was subsequently renewed through February 28, 2019. Borrowings under this line of credit bear interest at a floating rate per annum equal to the Prime Rate set by the Bank. Interest is payable monthly. Principal, and any unpaid interest, is due on February 28, 2019. In addition, the agreement requires the College to comply with certain financial covenants. Interest paid on the line of credit was $-0- for the years ended June 30, 2018 and 2017. There was $-0- outstanding on the line of credit at June 30, 2018 and 2017.

NOTE 20 COMPREHENSIVE CAMPAIGN

The College is in the silent phase of a $50 million comprehensive capital campaign, the 2nd Century of Saints. The campaign efforts will focus on raising funds for the expansion of the College's graduate health sciences programs, renovating and updating both Tower Hall and Somers Hall, growing the College's endowment, and establishing the Comprehensive Collegiate Center for Clinical Competence that will support a thorough update and re-design of the Undergraduate Nursing curriculum. As of June 30, 2018, approximately $26.6 million had been raised.

NOTE 21 SUBSEQUENT EVENTS

The College has evaluated subsequent events through October 10, 2018, which is the date that the financial statements were issued.

The College of
St. Scholastica

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