

NEW ISSUE

Rating: Requested from Moody's
Investors Service

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

\$3,400,000

Minnesota Higher Education Facilities Authority

**Revenue Bonds, Series Three-E
(College of St. Scholastica, Inc.)**

Dated Date: June 1, 1991

**Interest Due: June 1 and December 1,
commencing December 1, 1991**

The Bonds will mature annually on December 1 as follows:

1992 \$ 90,000	1997 \$115,000	2002 \$160,000	2007 \$225,000
1993 \$ 90,000	1998 \$125,000	2003 \$170,000	2008 \$245,000
1994 \$100,000	1999 \$135,000	2004 \$185,000	2009 \$260,000
1995 \$105,000	2000 \$140,000	2005 \$200,000	2010 \$280,000
1996 \$110,000	2001 \$150,000	2006 \$210,000	2011 \$305,000

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), all Bonds maturing on or after December 1, 2001 may be redeemed prior to maturity commencing December 1, 2000, and in whole on any date thereafter or in part on any interest payment date thereafter. The Bonds will also be subject to 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 and in whole or in part in the event of a Determination of Taxability, as described herein.

Bids must be for not less than \$3,338,800 and accrued interest on the total principal amount of the Bonds and must be accompanied by a good faith deposit in the form of a certified or cashier's check or Financial Surety Bond in the amount of \$34,000, payable to the order of the Authority. Bidders shall specify rates in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. The Bonds will be issued in integral multiples of \$5,000, and are fully registered as to principal and interest. Norwest Bank Minnesota North, National Association, Duluth, Minnesota, will act as Trustee, Registrar and Paying Agent.

The Bonds are special obligations of 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.

Prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than par with the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes; however, the initial Purchaser of the Bonds shall be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell (but may offer) any of the Bonds to Minnesota buyers at a price greater than par until the Bonds have been re-registered for sale at such higher price by the Department of Commerce, as more fully provided in the Terms and Conditions of Contract of Sale.

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

BID OPENING: May 22, 1991 (Wednesday) at 11:00 A.M., Central Time

AWARD: May 22, 1991 (Wednesday) at 2:00 P.M., Central Time



SPRINGSTED

PUBLIC FINANCE ADVISORS

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

This Official Statement constitutes a "near-final" Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission and, when supplemented by an addendum prepared by the Authority or Springsted Incorporated as its Financial Advisor and specifying the maturity dates, principal amounts and interest rates of the Bonds together with certain additional information as more fully provided in Section 3 of the Terms and Conditions of Contract of Sale (the "Terms and Conditions") set forth on the Official Bid Form to be executed by the Authority and the initial Purchaser (the "Purchaser") in connection with the sale of the Bonds, shall constitute a "Final Official Statement" of the Authority as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

No dealer, broker, sales representative or other person has been authorized by the Authority or the College to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by either the Authority or the College. The information contained herein, except as it relates to the Authority, has been obtained from the College and is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE COLLEGE SINCE THE DATE THEREOF.

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.

Reference is made to the Official Terms of Offering set forth in this Official Statement and the Terms and Conditions for information relating to registration and reoffering the Bonds under the Minnesota Securities Act and certain obligations of the Authority and the Purchaser with respect to the preparation and delivery of the Final Official Statement.

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.

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

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.

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 or the Final Official Statement, they will be furnished on request.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

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

* *The terms of these members have expired. They will continue to serve until new members are appointed by the Governor.*

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

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OFFICIAL TERMS OF OFFERING

\$3,400,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY REVENUE BONDS, SERIES THREE-E

(College of St. Scholastica, Inc.)

Sealed bids for the Bonds will be received and will be opened by Dr. Joseph E. LaBelle, Executive Director, Minnesota Higher Education Facilities Authority (the "Authority") or his duly appointed representative on Wednesday, May 22, 1991 at 11:00 A.M., Central Time, at Suite 450, Galtier Plaza, 175 East Fifth Street, Saint Paul, Minnesota 55101, telephone (612) 296-4690. Consideration for award of the Bonds will be by the Board of the Authority at its meeting at 2:00 P.M., Central Time, of the same day.

DETAILS OF THE BONDS

The Bonds will be dated June 1, 1991, as the date of original issue, and will bear interest payable on June 1 and December 1 of each year, commencing December 1, 1991. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. The Bonds will be issued in the denomination of \$5,000 each, or in integral multiples thereof as requested by the Purchaser, and fully registered as to principal and interest. Principal will be payable at the main corporate office of the Trustee and interest on each Bond will be payable by check or draft of the Trustee mailed to the registered holder thereof at the address that appears on the books of the Trustee as of the 15th day of the calendar month next preceding the interest payment.

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

1992	\$ 90,000	1997	\$115,000	2002	\$160,000	2007	\$225,000
1993	\$ 90,000	1998	\$125,000	2003	\$170,000	2008	\$245,000
1994	\$100,000	1999	\$135,000	2004	\$185,000	2009	\$260,000
1995	\$105,000	2000	\$140,000	2005	\$200,000	2010	\$280,000
1996	\$110,000	2001	\$150,000	2006	\$210,000	2011	\$305,000

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

OPTIONAL REDEMPTION

At the option of the Authority all Bonds maturing on or after December 1, 2001 may be redeemed prior to maturity commencing December 1, 2000. Redemption of the outstanding Bonds may be on any date if in whole or on any interest payment date if in part, and if in part, in any maturity or maturities as the College shall direct and by lot within a maturity in integral multiples of \$5,000.

The Bonds are also subject to redemption in whole on any date or in part on any interest payment date in certain events of damage or destruction described in a Loan Agreement between the College and the Authority and a Trust Indenture between the Authority and the Trustee, or in whole or in part on any date in the event of a Determination of Taxability as defined therein. All prepayments shall be at a price of par and accrued interest.

SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College pursuant to the Loan Agreement or from other amounts pledged therefor pursuant to the Trust Indenture. Pursuant to the Loan Agreement, loan repayments sufficient to pay principal, premium (if any) and interest on the Bonds when due are a full faith and credit obligation of the College. The Bonds are additionally secured by a debt service reserve in an amount equal to the maximum amount of principal and interest payable on the Bonds during any year, unless such amount exceeds 10% of the proceeds of the Bonds (par less original issue discount according to the reoffering scale) in which case the debt service reserve will be in the amount of such lesser sum. **The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority, or the State of Minnesota, or the taxing powers of the State, are pledged.** The Authority has no taxing powers. The proceeds will be used for the construction, furnishing and equipping of a 500-seat auditorium with a lower level addition for additional study, dining, mailroom and lounge use; construction, furnishing and equipping of an addition to Tower Hall for a new receiving dock, freight elevator, recycling center, and office space; and the renovation, expansion, furnishing, and equipping of an existing theater facility, each including site improvements, all located on the campus of the College in Duluth, Minnesota.

TYPE OF BID

A sealed bid for not less than \$3,338,800 and accrued interest on the total principal amount of the Bonds shall be filed by an eligible bidder with the undersigned on the Official Bid Form prior to the time set for the opening of bids. Bids shall be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of \$34,000, payable to the order of the Authority. If a check is used, it must accompany each bid. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the Authority. Such bond must be submitted to Springsted Incorporated prior to the opening of the bids. The Financial Surety Bond must identify each bidder whose Deposit is guaranteed by such Financial Surety Bond. If the Obligations are awarded to a bidder using a Financial Surety Bond, then that purchaser is required to submit its Deposit to Springsted Incorporated in the form of a certified or cashier's check or wire transfer as instructed by Springsted Incorporated not later than 3:30 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Authority to satisfy the Deposit requirement. The Authority will deposit the check of the purchaser, the amount of which will be deducted at settlement and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted bid, said amount will be retained by the Authority. No bid can be withdrawn after the time set for receiving bids unless the meeting of the Authority scheduled for award of the Obligations is adjourned, recessed, or continued to another date without award of the Obligations having been made. Rates offered by bidders shall be in integral multiples of 5/100 or 1/8 of 1%. No basic rate of interest specified for a maturity shall exceed the basic rate of interest specified for any subsequent maturity. Bonds of the same maturity shall bear a single basic rate from the date of the Bonds to the date of maturity.

AWARD

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

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

TERMS AND CONDITIONS OF CONTRACT OF SALE

In addition to the provisions of the Official Terms of Offering, the sale of the Bonds will be subject to the Terms and Conditions of Contract of Sale set forth on the Official Bid Form. Reference is made to the Official Bid Form for a complete statement of the Terms and Conditions of Contract of Sale.

REOFFERING OF BONDS

Prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than par with the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes; however, the Purchaser of the Bonds shall be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell (but may offer) any of the Bonds to Minnesota buyers at a price greater than par until the Bonds have been re-registered for sale at such higher price by the Department of Commerce, as more fully provided in the Terms and Conditions of Contract of Sale set forth on the Official Bid Form to be executed by the Authority and the Purchaser in connection with the sale of the Bonds.

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the Authority has requested and received a rating on the Bonds from a rating agency, the Authority will pay the fee for the requested rating. Any other rating agency fees shall be the responsibility of the Purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery on the Bonds.

TRUSTEE/REGISTRAR/PAYING AGENT

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

CUSIP NUMBERS

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

OFFICIAL STATEMENT

The Authority has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will be distributed and designated as a "near-final" Official Statement as required by Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement and the Official Bid Form or for any

additional information prior to sale, any prospective Purchaser is referred to the Financial Advisor of the Authority, Springsted Incorporated, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101, telephone (612) 223-3000.

The Official Statement, when supplemented by an addendum prepared by the Authority or its Financial Advisor and specifying the maturity dates, principal amounts and interest rates of the Bonds, together with certain additional information as more fully described in Section 3 of the Terms and Conditions of Contract of Sale (the "Terms and Conditions") set forth on the Official Bid Form to be executed by the Authority and the Purchaser of the Bonds, shall constitute a "Final Official Statement" of the Authority, as that term is defined in Rule 15c2-12. Pursuant to the Terms and Conditions, the Authority shall agree that, no more than seven business days after the award of sale of the Bonds (unless the Purchaser fails to comply with the obligation to provide certain information as required by Section 1 of the Terms and Conditions), it shall provide without cost to the Purchaser c/o the Account Manager 150 copies of such Final Official Statement and shall designate the Account Manager as its agent for purposes of distributing copies of the Final Official Statement.

SETTLEMENT

It is expected that on or about June 19, 1991, the Bonds will be delivered without cost to the Purchaser at a place mutually satisfactory to the Authority and the Purchaser. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Faegre & Benson of Minneapolis, Minnesota, as to the validity and exemption of the Bonds from federal and State of Minnesota income tax, which opinion will be printed on the Bonds, and of customary closing papers, including a no-litigation certificate and a certificate pertaining to information in the Official Statement. Certain legal matters will be passed on for the College by its counsel, Hanft, Fride, O'Brien, Harries, Swelbar & Burns, Duluth, Minnesota. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the Trustee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the Authority, or its agents, the Purchaser shall be liable to the Authority for any loss suffered by the Authority by reason of the Purchaser's non-compliance with said terms of payment.

Dated April 24, 1991

BY ORDER OF THE MINNESOTA HIGHER
EDUCATION FACILITIES AUTHORITY

/s/ Joseph E. LaBelle
Executive Director

SCHEDULE OF BOND YEARS

\$3,400,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY REVENUE BONDS, SERIES THREE-E

<u>Year</u>	<u>Principal</u>	<u>Bond Years</u>	<u>Cumulative Bond Years</u>
1992	\$90,000	135.0000	135.0000 _____
1993	\$90,000	225.0000	360.0000 _____
1994	\$100,000	350.0000	710.0000 _____
1995	\$105,000	472.5000	1,182.5000 _____
1996	\$110,000	605.0000	1,787.5000 _____
1997	\$115,000	747.5000	2,535.0000 _____
1998	\$125,000	937.5000	3,472.5000 _____
1999	\$135,000	1,147.5000	4,620.0000 _____
2000	\$140,000	1,330.0000	5,950.0000 _____
2001	\$150,000 c	1,575.0000	7,525.0000 _____
2002	\$160,000 c	1,840.0000	9,365.0000 _____
2003	\$170,000 c	2,125.0000	11,490.0000 _____
2004	\$185,000 c	2,497.5000	13,987.5000 _____
2005	\$200,000 c	2,900.0000	16,887.5000 _____
2006	\$210,000 c	3,255.0000	20,142.5000 _____
2007	\$225,000 c	3,712.5000	23,855.0000 _____
2008	\$245,000 c	4,287.5000	28,142.5000 _____
2009	\$260,000 c	4,810.0000	32,952.5000 _____
2010	\$280,000 c	5,460.0000	38,412.5000 _____
2011	\$305,000 c	6,252.5000	44,665.0000 _____

Average Maturity: 13.14 Years

Bonds Dated: June 1, 1991

Interest Due: December 1, 1991 and each June 1 and December 1 to maturity.

Principal Due: December 1, 1992-2011 inclusive.

Optional Call: Bonds maturing on or after December 1, 2001 are callable
commencing December 1, 2000 at par.
(See Official Terms of Offering.)

c: subject to optional call

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OFFICIAL STATEMENT

\$3,400,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES THREE-E (College of St. Scholastica, Inc.)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the College of St. Scholastica, Inc. as owner and operator of the College of St. Scholastica (the "College"), an institution of higher education located in Duluth, Minnesota, in connection with the issuance of the Authority's \$3,400,000 Revenue Bonds, Series Three-E (College of St. Scholastica, Inc.), (the "Bonds" or the "Issue").

The Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, 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 to finance certain projects.

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

Pursuant to a Loan Agreement between the College and the Authority, the College will covenant as a general obligation of the College to make Loan Repayments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the College by the Authority to finance (i) the acquisition, construction, furnishing and equipping of an approximately 21,300 square-foot, 500 seat auditorium for performances, lectures, and seminars, with an approximately 13,900 square-foot lower level addition for additional study, dining, mailroom, and lounge use, (ii) the acquisition, construction, furnishing and equipping of an approximately 5,900 square-foot addition to Tower Hall for a new receiving dock, freight elevator, recycling center, and office space, (iii) the renovation, expansion, furnishing and equipping of the existing theater facility; all including appurtenant site improvements, as more fully described in "THE PROJECT," pages 7 and 8, herein.

The Bonds are secured by a pledge of the Loan Repayments, a general obligation of the College, and by moneys received after December 31, 1993 by the Trustee from the College as contributions and payments on pledges restricted or designated by the donor to finance the Project (the "Gift Receipts"). Pursuant to a security agreement (the "Security Agreement") between the College and the Trustee, the Trustee shall have a security interest in all Gift Receipts as well as funds, securities and deposits in the other accounts held by the Trustee. However, bondholders should rely principally on current operations of the College for debt service repayment, not Gift Receipts.

The Reserve Account will be funded in the amount of the lesser of the maximum annual debt service payable in any Bond Year or 10% of the proceeds (par value less original issue discount according to the reoffering scale) (the "Reserve Requirement").

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

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

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, interest on, or the purchase price of the Bonds.

Risk of Insufficient Collateral

The Bonds are secured by (a) a pledge of amounts payable under the Loan Agreement, and (b) a Reserve Account which will be held by the Trustee and applied to the payment of principal and interest on the Bonds. If an Event of Default occurs, there can be no assurance that such security will be sufficient to pay the principal of, premium, if any, or interest on the Bonds.

Adequacy of Revenues

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

Reliance on Tuition

The adequacy of College revenues will be largely dependent on the amount of future tuition revenue received by the College. Such revenue in turn will depend primarily on the ability of the College to charge sufficient rates for tuition and to maintain enrollment levels. Because of the relatively high acceptance rate for applicants to the College, future enrollment levels will depend on the number of students applying to the College. A number of various factors, including, without limitation, such factors as any increases in tuition rates, competition from other colleges, a decline in the number of college age students generally (which is expected for the near future), and adverse general economic conditions will influence the number of applicants to the College.

Financial Aid

Approximately 74% of the College's students currently receive some Federal financial aid and 58% receive State financial aid covering tuition and fees or living expenses. No assurance can be given that Federal and State financial aid will continue to be funded 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.

Construction Contracts

As of Bond Closing, the College may not have entered into construction contracts for any of the expansions and/or improvements of College facilities which make up the Project. All costs quoted herein are based on architect's estimates (See "ESTIMATED SOURCES AND USES OF FUNDS"). Although the College expects that construction bids, when received, will be substantially in line with cost estimates, there is no assurance that they will not be higher, which may cause delays in the Project's construction schedule or may require the College to deposit in the Construction Account funds otherwise used for operations to supplement the costs of construction.

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.

Nature of 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 "Annual Debt Service by Fiscal Year and Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and Bond debt service requirements.

Limited Obligation

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Trust Indenture or the Bonds or the other obligations of the College. Accordingly, for payment of principal, interest, premium, if any, on the Bonds, holders of the Bonds must look solely to the security under the Loan Agreement and the Indenture.

Bankruptcy

The ability of the Trustee to exercise rights under the Loan Agreement, the Security 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 generally.

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) Reinstatement of or establishment of mandatory governmental wage and price controls.
- (2) 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.
- (3) Employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without corresponding increase in revenues.
- (4) Adoption of Federal, State or local legislation or regulations having an adverse effect on the future operating or financial performance of the College.

THE BONDS

The Bonds will be dated June 1, 1991 and will mature annually each December 1, commencing December 1, 1992, 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, 1991.

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

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

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

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

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

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

Prior Redemption

Bonds maturing on or after December 1, 2001 are subject to optional redemption on December 1, 2000 and thereafter, in whole on any date or in part on any interest payment date thereafter, and if in part, in such order of maturity as the College shall direct and by lot within a maturity, in integral multiples of \$5,000, at par plus accrued interest.

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 damage to or destruction or condemnation of the Project Facilities, and upon a Determination of Taxability as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS - The Loan Agreement"). If Bonds are redeemed in whole, they may be called on any date; if redeemed in part, redemption may be on any interest payment date.

Partial Redemption

In the case of Bonds of denominations greater than \$5,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each \$5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of \$5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. If it is determined that one or more, but not all of the \$5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the \$5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the registered Owner thereof, without charge therefor. If the Owner of any such Bond of a denomination greater than \$5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the \$5,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such \$5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said \$5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture, the Loan Agreement or the Security 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 thirty days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the 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 respective dates on which the principal of the Bonds is paid. See "Tax Exemption" on pages 14 through 16 and Appendix III, "DEFINITION OF CERTAIN TERMS."

The College will have the option to prepay the Loan from the first practicable date, in full or in part on any date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability).

Additional Bonds

In addition to the Bonds, the Authority may in its discretion and with the consent of the College issue Additional Bonds (i) to provide funds to complete the Project, or (ii) to refund all or any series or portion of series of the then outstanding Bonds, or (iii) to provide funds for improvements to or alterations, repairs or replacement of the Project Facilities or (iv) for another project or projects, as defined in and authorized by the Act, provided that no such Additional Bonds will be issued under the Indenture or secured by the Trust Estate on a parity with the Bonds then outstanding unless:

1. The interest on the outstanding Bonds and the Additional Bonds is excludable from gross income of the holders of the Bonds for purposes of federal income taxation under the Code.
2. A supplement to the Security Agreement is executed and delivered describing the Additional Bonds as additional indebtedness secured thereby.
3. No Default or Event of Default on the part of the College exists under the Loan Agreement or the Security Agreement.
4. The College furnishes evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds and, to the extent required by the Authority, deposits additional monies or investments in the Reserve Fund, or grants to the Trustee a security interest in additional collateral, to be held by the Trustee under the Security Agreement and the Indenture in such amount and value as the Authority may require, and executes supplements to the Loan Agreement, the Security Agreement and the Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:

Bond Proceeds	\$3,400,000
College Funds	<u>1,554,000</u>
	<u>\$4,954,000</u>

Uses:

Construction Costs:

Auditorium and Student Union	\$3,575,000
Tower Hall Addition	400,000
Theater Renovation and Expansion	582,000
Debt Service Reserve	329,000
Costs of Issuance	<u>68,000</u>
	<u>\$4,954,000</u>

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

Accrued interest received at Bond Closing will be deposited into the Bond and Interest Sinking Fund Account and applied as a credit against the amount to be deposited in the Bond and Interest Sinking Fund Account on or before the next interest payment date.

The completion of the Project is expected to be December 31, 1993, but Bond proceeds are expected to be expended by June 1, 1993 (see "RISK FACTORS - Construction Contracts").

THE PROJECT

Since 1988 the College has been working on a comprehensive facilities plan to provide adequately for a student population that has grown from 1,115 in 1980 to 1,969 in the fall of 1990. At the direction of the Board of Trustees, plans include the capacity to handle a continued growth with incremental increases up to 2,400 students. Each component of the Project consists of expansions and/or improvements to existing College facilities.

1. Auditorium and Student Union

The existing auditorium in the Science Center seats 289. While adequate as a lecture hall, this facility is not large enough for the current needs of the College. Therefore, a 21,300 square-foot, 500 seat, auditorium to meet a variety of needs is planned. The multi-purpose space will be used for artistic performances, lectures, seminars, convocations and conferences. The new facility will connect to the west side of Tower Hall.

The lower level of the auditorium addition will provide expanded space for the existing student union on the ground level of Tower Hall. This 13,900 square-foot addition will include additional study, dining and lounge space for the growing commuter student population. A new mailroom with mailboxes for all students is also planned for this area.

Site plans developed in conjunction with the new auditorium include moving all receiving, truck and maintenance traffic to the rear of Tower Hall and away from the new facility.

Construction for this portion of the Project is expected to occur between May, 1992 and December, 1993.

2. Tower Hall Addition

A 5,900 square foot addition to Tower Hall will provide for a new receiving dock, recycling center and full-sized freight elevator in addition to expanded space needed for the buildings and grounds management staff, purchasing, print shop and administrative computing. Construction on the Tower Hall addition is expected to begin in June, 1991 and be completed in October, 1991.

3. Theater Renovation and Expansion

The current theater facility is inadequate to meet the needs of either performers or audiences. The facility, built as a combination gym/auditorium in 1921, has no access ramps or facilities for the handicapped. The production and performance area has little design flexibility, and the meeting area needs expansion and updating. Renovations to and expansion of the theater will convert the crowded and outdated building into an intimate and modernized performance space with high aesthetic standards. Renovations to the theater will be made during the summer of 1991; the expansion of the facility will be constructed the summer of 1992.

THE LEASE

The College currently leases Tower Hall, the principal College Building, as well as certain other facilities, pursuant to a Lease dated June 11, 1987 and amended on June 1, 1989 between the College and the Benedictine Sisters Benevolent Association (the "BSBA"), which Lease is automatically renewable at the College's option for successive ninety-nine year terms. In connection with Bond Closing, the Lease will be amended to include additional property which constitutes the Project Site. Under the Lease, the College is obligated to pay, in addition to \$1 per year base rent, its allocable share of real estate taxes and assessments, and certain maintenance and other expenses pursuant to a Maintenance Agreement executed in connection with the Lease.

SUMMARY OF SECURITY FOR THE BONDS

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 including moneys and investments in the Gift Receipts Account and the Reserve Account. The Reserve Account will be fully funded from proceeds of the Bonds in the amount of the Reserve Requirement.

The Bonds are secured by the pledge of the College of its full faith and credit. 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, subject to a prior lien on the gross revenues of certain student residence facilities pledged to the payment of the principal of and interest on the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-T (College of St. Scholastica, Inc.) (the "Series Two-T Bonds").

The College covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the College as they become due. In connection with the issuance of the Series Two-T Bonds, the College assigned to the Series Two-T Trustee, pursuant to the Series Two-T Security Agreement, a lien on all cash and rights to payment, including accounts receivable and general intangibles, in respect to Available Tuition and proceeds thereof in an amount not exceeding 4% of the Tuition payable to the College in the Fiscal Year of the Institution in which the Series Two-T Trustee first exercises its rights or remedies under the Series Two-T Security Agreement upon an event of default under such Security Agreement.

Bondholders should rely principally on current operations of the College for debt service payments, not Gift Receipts. However, to the extent available, a portion of the debt service on the Bonds may be supported from Gift Receipts received after December 31, 1993 as contributions and payments on pledges restricted or designated by the donor or designated by the College to be used for the Project. All such Gift Receipts shall be deposited every thirty days into the Gift Receipts Account, to be held and administered by the Trustee. Pursuant to a Security Agreement between the College and the Trustee, the Trustee shall have a security interest in all funds, securities and deposits in the Gift Receipts Account as well as all the other Accounts held by the Trustee, pledged for payment of principal and interest on the Bonds. Unrestricted gifts received by the College are not pledged for payment of debt service. No attempt has been made to provide a security interest in Gift Receipts prior to their deposit with the Trustee.

The College will also covenant that:

- a. For at least two of the preceding three complete Fiscal Years, Current Fund revenues shall be not less than Current Fund expenditures, including mandatory transfers, according to the principles of accounting used in the preparation of the College's financial statements for the Fiscal Year ended June 30, 1990. In the event that, following any Fiscal Year, the College shall not be in compliance with this paragraph (a), the College may cure such deficiency by making a deposit to the Current Fund, during or within 180 days of the close of such Fiscal Year, sufficient to cure the deficiency. Such deposit may be made from the unencumbered Board-controlled Unrestricted General Endowment Funds, if such Unrestricted General Endowment Funds may legally be transferred to the Current Fund by action of the Board of Trustees, but not if such deposit will cause the College's unencumbered Board-controlled Unrestricted General Endowment Fund Balance to be less than \$800,000. No such deposit may be made from any proceeds of the Bonds or other borrowed funds.
- b. At June 30, 1991 and at the end of each Fiscal Year thereafter, the Board-controlled unencumbered Unrestricted General Endowment Fund Balance shall not be less than \$800,000. Within 30 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an authorized institution representative showing the unencumbered, Board-controlled Unrestricted General Endowment Fund Balance, the investments thereof, the estimated valuations of such investments, and the amount thereof (if any), which is pledged to secure obligations of the College or is otherwise encumbered, all as of the end of the Fiscal Year. If at the end of any Fiscal Year, the unencumbered, Board-controlled Unrestricted General Endowment Fund Balance does not equal or exceed \$800,000, the College shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) and cause to be credited to unencumbered Unrestricted General Endowment Fund Balance additional unencumbered, Board-controlled moneys or investments at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close

of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the College for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

- c. For so long as the Bonds remain outstanding, the College shall incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt outstanding which does not increase the amount of the Funded Debt outstanding and further excepting indebtedness for capital projects for which the College has received funds on hand or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless at the end of the last Fiscal Year for which audited financial statements are available the Debt Service Coverage Ratio was at least 120% of Maximum Annual Debt Service of (A) then outstanding Funded Debt and (B) Funded Debt thereafter issued or proposed to be issued; provided that if the additional Funded Debt proposed to be issued is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for the most recent complete Fiscal Year for purposes of this paragraph, the estimated Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an independent management consultant to the College and the Trustee; and provided further that if the additional Funded Debt proposed to be issued is to finance other College facilities and if the Board of Trustees has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, for purposes of this paragraph (c), there shall be added to Net Income Available for Debt Service for the earlier first complete Fiscal Year the amount of increase net of increased operating expenses, as estimated in a report of an independent management consultant to the College and the Trustee.

For purposes of (a), (b), and (c) above, all capitalized terms used but not otherwise defined in Appendix III, "DEFINITION OF CERTAIN TERMS" shall have the meanings provided for audits of colleges and universities, as applied in the College's audited financial statements for the Fiscal Year ended June 30, 1990.

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

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

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

Defeasance of Outstanding Debt

Prior to Bond Closing, the College will place money in escrow accounts which, together with reinvestment income, will be sufficient to fund fully the debt service on the Authority's First Mortgage Revenue Bonds, Series Two-B (the "Series Two-B Bonds") and Revenue Bonds, Series Two-L (the "Series Two-L Bonds"), both issued on behalf of the College. The indentures for the two series will not be, as of that date, satisfied and released. Therefore, the covenants will continue to apply. Under the indenture for the Series Two-L Bonds, the holders of the bonds have a lien on and security interest in the first 2.2% of tuition.

ACCOUNTS

Summary

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

Construction Account

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

Bond and Interest Sinking Fund Account

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

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the amount of the Reserve Requirement irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time. All amounts paid by the College as Loan Repayments (including deposits of Gift Receipts to the extent required) not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account will be deposited into the Reserve Account in order to maintain the Reserve Account in

an amount not less than the Reserve Requirement, initially expected to be approximately \$329,000.

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the College shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the College for amounts so withdrawn. Investments in the Reserve Account which are eligible investments under the Arbitrage Regulations for such valuation method shall be valued at par or (if purchased at a premium or discount) at amortized cost, and other investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued quarterly on the first day of each calendar quarter commencing October 1, 1991, provided that the valuation of investments with respect to the Reserve Account shall be adjusted whenever there is a withdrawal from or addition to the Reserve Account or any investment held in the Reserve Account is bought or sold or matures. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of earned or accrued interest on moneys or investments therein) is more than the amount of the Reserve Requirement, or more than the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If at the end of any Fiscal Year the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the deficiency is equal to or less than the excess of the amount of the Reserve Requirement over the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days.

Interest and income in the Reserve Account shall be transferred first, to the Bond and Interest Sinking Fund Account to the extent the amount on deposit in the Bond and Interest Sinking Fund Account is less than the amount permitted for a bona fide debt service fund under the Arbitrage Regulations, and second, to the Redemption Account any excess interest and income, and when the moneys and investments in the Reserve Account shall be sufficient to pay the principal of and interest on all outstanding Bonds when due, such moneys and investments shall be transferred, as appropriate, into the Bond and Interest Sinking Fund Account or the Redemption Account; provided that the Trustee is authorized, in its discretion, to use funds and investments in the Reserve Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Gift Receipts Account

The College shall deposit into the Gift Receipts Account all contributions and payments on pledges restricted or designated by the donor or allocated to the Project pursuant to a resolution of the Board of Trustees of the College received after December 31, 1993 promptly when received but not less often than every thirty days; provided that any contributions or pledge receipts not so designated, restricted or allocated to the Project to finance the Project are not required to be deposited in the Gift Receipts Account and shall not be available for the payment of principal and interest on the Bonds. All moneys and investments in the Gift Receipts Account shall be used to pay debt service on the Bonds when due or at the redemption date if Bonds are called for redemption in whole or in part. The Trustee shall transfer from time to time amounts to the Bond and Interest Sinking Fund Account to the extent moneys and investments credited to the Bond and Interest Sinking Fund Account do not at least equal the total amount of principal of and interest due or to become due on the Bonds within the succeeding 13 months, after adjusting for interest to be received on Authorized Investments in such account and for the redemption price of Bonds to be met from amounts on

deposit in the Redemption Account. If the amount in the Bond and Interest Sinking Fund Account (as adjusted) is sufficient to meet debt service on the Bonds due or to become due during the succeeding 13 months, the Trustee shall forthwith transfer amounts from the Gift Receipts Account to the Reserve Account if the moneys and investments in the Reserve Account do not at least equal the Reserve Requirement. If moneys and investments in the Gift Receipts Account are not required to be transferred to the Bond and Interest Sinking Fund Account or the Reserve Account, any amounts in the Gift Receipts Account may be transferred to the Redemption Account at the direction of the College and used by the Trustee for the purchase or redemption of outstanding Bonds.

The Trustee is authorized, in its discretion, to use funds and investments in the Gift Receipts 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 shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Redemption Account

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

General Bond Reserve Account

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account, Bond and Interest Sinking Fund Account, Gift Receipts Account, the Reserve Account, or the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments and state housing finance agencies, rated at least A; revenue bond obligations of states and local governments rated at least AA or Aa; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements or reverse repurchase agreements collateralized by the foregoing obligations; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation or collateralized by certain government obligations; certain guaranteed investment contracts issued by a bank or insurance company rated at least A; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.05 of the Indenture sets forth further restrictions as to type and maturity of investments.

THE AUTHORITY

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

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$250 million. The Authority has had 60 issues (including refunded and retired issues) totaling \$225,925,000 of which \$147,551,929 (excluding the Bonds) is outstanding as of May 2, 1991. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. However, pursuant to special legislation, the Authority has once issued bonds on behalf of a State owned and operated post-secondary institution. In addition, State community and technical colleges are eligible for assistance in financing child-care facilities, but not other types of projects. 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.

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

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

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

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

FINANCIAL ADVISOR

Springsted Incorporated, Saint Paul, Minnesota, has served as financial advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor has participated in the preparation of certain portions of this Official Statement, but has not independently verified the factual and financial information contained herein, and accordingly expresses no view as to the accuracy or sufficiency thereof.

RATING

An application for a rating of the Bonds has been made to Moody's Investors Service ("Moody's"), 99 Church Street, New York, New York. If a rating is assigned, it will reflect only the opinion of Moody's. Any explanation of the significance of the rating may be obtained only from Moody's.

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

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the Authority has requested and received a rating on the Bonds from a rating agency, the Authority will pay that rating fee. Any other rating agency fees shall be the responsibility of the Purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery on the Bonds.

LITIGATION

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

LEGALITY

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

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

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) a limitation of \$150,000,000 on the aggregate principal amount of "tax-exempt non-hospital bonds" (generally defined as bonds for other than acute care, in-patient hospital facilities) that is allocated to the College or any 501(c)(3) organization under common management or control with the College as an owner or user of facilities financed with proceeds of such bonds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) a requirement that at least 95% of the proceeds of the Bonds be used for purposes of the College constituting the basis for its being an organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and that not more than 5% of the proceeds of the Bonds be used in (or provide a facility to be used in) an unrelated trade or business of the College or the trade or business of any nonexempt person. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

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

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

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (determined as described above) over \$2 million. Regardless of whether a corporation is subject to the alternative minimum tax, the environmental tax applies with respect to taxable years beginning after December 31, 1986 and before January 1, 1996.

The Code imposes a branch profits tax equal to 30% of the "dividend equivalent amount" which is measured by "earnings and profits" effectively connected to the United States, net of certain adjustments. Included in the earnings and profits of a United States branch of a foreign

corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Bonds.

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

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

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

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

Legislation recently introduced into the U.S. House of Representatives would, if passed by Congress in its current form, disallow a portion of the otherwise allowable itemized deductions for individuals who itemize deductions and who receive or accrue tax-exempt interest in a given year. The amount of the itemized deductions disallowed would be a percentage equal to the ratio of the taxpayer's tax-exempt interest to his or her adjusted gross income plus tax-exempt interest. This provision would apply to taxable years beginning after the date the provision becomes law.

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

Governance

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

The current By-Laws of the College provide for a Board of Trustees of not less than 24 members (there are currently 37 members) of whom one shall be the President of the BSBA and one shall be the President of the College, neither of whom shall be eligible for election as Chair of the Board. The President of the Alumni Association is designated a member of the Board. The remaining members of the Board are elected by a majority vote of a quorum of the Board. At all times at least 25% of the members of the Board must be members of the BSBA.

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

Members and Officers of the Board of Trustees

<u>(Name and Office)</u>	<u>(Business or Address)</u>
Cabrini Beauvais, O.S.B.	St. Anthony's Parish, Ely, Minnesota
Martha Bechtold, O.S.B.	McCabe Renewal Center, Duluth, Minnesota
Jean Patrick Bennett, O.S.B.	St. Francis School, Brainerd, Minnesota
Sharon N. Bredeson	Staff-Plus, Minneapolis, Minnesota
Elizabeth M. Burns	Morgan Murphy Stations, Madison, Wisconsin
Mary Odile Cahoon, O.S.B. Secretary*	Senior Vice President/Dean, College of St. Scholastica Duluth, Minnesota
Mark J. Carlson, M.D. Vice Chair	Orthopaedic Associates of Duluth, Duluth, Minnesota
Joanne Docteur	Duluth Public Schools, Duluth, Minnesota
Mary Stephen Eckes, O.S.B.	St. Scholastica Priory, Duluth, Minnesota
Verda Clare Eichner, O.S.B.	St. Mary's Medical Center, Duluth, Minnesota
Edwin F. Erickson	Potlatch Corporation, Northwest Paper Division Cloquet, Minnesota
James Gels	Duluth News - Tribune, Duluth, Minnesota
Manley Goldfine, Chair	Manley Investment Company, Duluth, Minnesota

Gene W. Halverson	Halverson, Watters, Bye, Downs & Maki, Ltd., Duluth, Minnesota
Kathleen Hofer, O.S.B.	St. Mary's Medical Center, Duluth, Minnesota
Charles E. House	Charles E. House Company, Duluth, Minnesota
Mary Christa Kroening, O.S.B.	St. Scholastica Priory, Duluth, Minnesota
Sharon Labovitz	Duluth, Minnesota
John F. LaForge	KDLH-TV, Duluth, Minnesota
Kathy D. Langemo, Treasurer*	Vice President for Finance, College of St. Scholastica, Duluth, Minnesota
Carmelita Lennon	Tabernash, Colorado
Joseph Lindsley	First Bank Duluth, Duluth, Minnesota
Mary Charles McGough, O.S.B.	McCabe Art Center, Duluth, Minnesota
James J. Monge, M.D.	Duluth Clinic, Ltd., Duluth, Minnesota
Daniel H. Pilon, President	College of St. Scholastica, Duluth, Minnesota
Maxwell O. Ramsland, Jr.	Ramsland & Vigen, Inc., Duluth, Minnesota
Claudia Riehl, O.S.B.	St. Scholastica Priory, Duluth, Minnesota
Leonard H. Rudolph	Young & Rudolph Insurance, Duluth, Minnesota
Charles A. Russell	Norwest Corporation, Region I, Duluth, Minnesota
Edward A. Ryan, M.D.	Duluth Clinic, Ltd., Duluth, Minnesota
John R. Ryan, Sr.	Ryan-Kasner-Ryan, Hibbing, Minnesota
Arend J. Sandbulte	Minnesota Power, Duluth, Minnesota
Gregory Scherer	Scherer Brothers Lumber Company, Minneapolis, Minnesota
Robert J. Schroeder	Warehouse Specialists, Inc., Appleton, Wisconsin
Rosemary Scott	Gilbert, Minnesota
Ann Fee Shiely	Saint Paul, Minnesota
Clare Marie Trettel, O.S.B.	St. Scholastica Priory, Duluth, Minnesota
Donald C. Wegmiller	The Health Central System, Minneapolis, Minnesota
Anne Welliver	Grand Rapids, Minnesota

* *Not a member of the Board of Trustees.*

President

Dr. Daniel Pilon, 48, became the ninth president of the College of St. Scholastica, Duluth, Minnesota, on August 1, 1981.

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

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

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

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

Benedictine Sisters Benevolent Association ("BSBA")

The BSBA holds title to all except 34 acres of the 160 acre College campus. The buildings situated on land owned by the BSBA include: (i) The Chapel and Library, (ii) Tower Hall (classrooms, offices and residential facilities), and (iii) the Home Management House. In 1987, the BSBA and the College entered into a Lease Agreement which superseded any prior agreement, and by which the BSBA gave the College exclusive use of the classroom and office areas of Tower Hall, of the Library and of certain other facilities owned by the BSBA on the Campus for a period of 99 years. (See page 8, "The Lease.")

Twenty-six BSBA members are employed full-time and part-time by the College. The College charges the services of BSBA members as an operating expense at rates comparable to salaries for comparable positions but includes the sum thereof ("Contributed Services") as Current Revenue. For Fiscal Year 1989/90 the net amount of Contributed Services was \$423,978, after maintenance services to BSBA of \$317,724.

The BSBA has pledged its full faith and credit to the Minnesota Higher Education Facilities Authority \$520,000 First Mortgage Revenue Bonds, Series D (College of St. Scholastica, Inc.) issued March 1, 1973, but has made no commitment for payment of the Bonds to which this Official Statement relates. The BSBA has no legal commitment for financial support of the College.

The Campus

The 160 acre campus is located on the north edge of the City of Duluth (1990 population 85,493). The campus is close to national forests and parks, ski areas, lakes and rivers making it an attractive setting for students.

Campus Facilities

<u>Facility</u>	<u>Year Built</u>	<u>Estimated Cost</u>	<u>1991 Replacement Value</u>	<u>Use</u>
1. Tower Hall*	1910-1926	\$2,054,016	\$11,622,810	Classroom & Offices
2. Gymnasium*	1925	47,000	333,160	Drama Theatre
3. Home Economics Building*	1950	7,000	31,599	Home Economics Department
4. Warming House*	1947	3,000	25,989	Field Sports
5. Somers Hall	1964	2,195,795	7,519,605	Dormitory
6. Science Center	1969	2,882,300	7,107,532	Classrooms
7. Greenhouse		Part of		
	1968	Science Center	63,761	Greenhouse
8. Grove Apartments	1973	425,070	952,539	Student Housing
9. Chapel*	1938	928,333	1,818,787	Chapel
Library*	1938	1,856,667	3,530,735	Library
10. Pine Apartments	1974	285,000	681,340	Student Housing
11. Myles Reif Recreation Facility	1979	995,290	1,730,103	Recreation & Sports
12. Maple Apartments	1989	674,596	681,340	Student Housing
13. Willow Apartments	1989	674,596	681,340	Student Housing
14. Birch Apartments	1990	<u>680,000</u>	<u>681,340</u>	Student Housing
Total		\$13,708,663	\$37,461,980	

* Owned by the BSBA and used by the College under agreements with the BSBA.

Academic Information

The College's academic year consists of fall, winter and spring quarters and two summer sessions. The full-time student quarterly load is 16 quarter credits. Satisfactory completion of a minimum of 192 quarter credits is needed for graduation. The College grants a Bachelor of Arts Degree (B.A.). The College also grants a Master of Education Degree (M.Ed.), a Master of Arts degree in Psychology, a Master of Arts degree in Nursing, a Master of Arts degree in management, and will offer a Master of Arts degree in Physical Therapy, effective September 1991.

The College offers courses in more than 40 majors, five pre-professional programs, a certificate program in gerontology, and licensure programs in teaching and coaching.

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

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

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

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

St. Scholastica has cooperative arrangements with Brainerd and Itasca Community Colleges in which St. Scholastica faculty offer upper-division courses in Brainerd and Grand Rapids to enable residents of those communities to earn baccalaureate degrees in management without leaving home. Psychology and nursing programs have also been offered at these sites.

Student Body

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

	(Fall) <u>Year</u>	<u>Headcount</u>	<u>Full-Time</u>
Actual:	1986	1,535	1,182
	1987	1,653	1,272
	1988	1,849	1,440
	1989	1,901	1,466
	1990	1,969	1,494
Projected:	1991	2,000	1,520
	1992	2,025	1,539
	1993	2,050	1,558
	1994	2,075	1,577
	1995	2,100	1,596

The College's Board of Trustees has established a cap on enrollment at 2,400 students, a 23% increase over the current enrollment. As of April 21, 1991, the College had received 677 applications from traditional and non-traditional, new and transfer students for the 1991 fall term, compared to 730 at that same date in 1990; 143 enrollment deposits, compared to 130 last year at that date; and 217 signed housing contracts, compared to 223 last year at that date.

First-Time Traditional-Age Applications, Acceptances and Enrollments

	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>
Applications	417	501	518	572	656
Acceptances	389	452	472	505	571
Percent Accepted	93%	90%	91%	88%	87%
Enrolled	233	268	279	274	311
Percent Enrolled to Accepted	60%	59%	59%	54%	54%

Completion Rates

	<u>Number of Entering Freshmen*</u>	<u>Number Graduated</u>	<u>Percent Graduated</u>
1981	201	117	58%
1982	233	140	60
1983	257	124	48
1984	243	134	55
1985	222	137	62

* *Traditional, non-traditional, new and transfer students.*

Persistence Rates for Students Still Enrolled

	<u>Number of Entering Freshmen*</u>	<u>Number Continuing As Sophmores</u>	<u>Percent</u>
1985	222	182	82%
1986	264	205	77
1987	289	239	83
1988	304	247	81
1989	289	231	80

* *Traditional, non-traditional, new and transfer students.*

Tuition and Fees

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

	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>
Annual Tuition	\$6,132	\$6,594	\$7,236	\$7,887	\$9,147
Room:					
Grove Apts.	996	1,035	1,077	1,110	1,422
Pine Apts.	1,173	1,221	1,269	1,308	1,638
Residence Hall	1,401	1,458	1,515	1,560	1,683
Maple, Willow or Birch Apt.				1,395	1,731
Board	1,143	1,176	1,200	1,236	1,335
Fees	<u>135</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>
Total for Student in Residence Hall	\$8,811	\$9,273	\$9,996	\$10,728	\$12,210

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

**1990-91 Undergraduate Rate Comparison of Minnesota Private Colleges
(Ranked by Comprehensive Fee)**

	<u>Tuition & Fees</u>	<u>Room & Board</u>	<u>Comprehensive Fee</u>
Carleton College	\$15,160	\$3,090	\$18,250
Macalester College	12,471	3,714	16,185
Hamline University	10,828	3,808	14,636
St. Olaf College	11,200	3,100	14,300
Gustavus Adolphus College	11,000	2,750	13,750
College of St. Benedict - 1st & 2nd Year	9,520	3,920	13,440
3rd Year	8,985	3,920	12,905
4th Year	8,405	3,920	12,325
University of St. Thomas - 1st & 2nd Year	9,785	3,386	13,171
University of St. Thomas - 3rd & 4th Year	9,209	3,386	12,595
Minneapolis College of Art and Design	9,620	3,391	13,011
St. John's University - 1st & 2nd Year	9,510	3,500	13,010
3rd Year	8,975	3,500	12,475
4th Year	8,395	3,500	11,895
Augsburg College	9,484	3,498	12,982
College of St. Catherine	9,464	3,436	12,900
Bethel College	9,250	3,380	12,630
College of St. Scholastica	9,192	3,018	12,210
St. Mary's College - 1st Year	8,600	3,000	11,600
2nd Year	8,300	3,000	11,300
3rd & 4th Year	7,800	3,000	10,800
Concordia College - Moorhead	8,125	2,525	10,650
Concordia College - St. Paul	7,800	2,850	10,650

Source: Minnesota Private College Council.

Financial Aid

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

	<u>1986/87</u>	<u>1987/88</u>	<u>1988/89</u>	<u>1989-90</u>	<u>1990-91</u>
Federal:					
Work/Study	\$ 169,151	\$ 166,634	\$ 168,947	\$ 178,237	\$ 179,160
Guaranteed Student Loans	2,266,846	2,676,251	3,091,596	3,537,511	3,978,692
NDSL	360,409	333,114	425,000	452,743	456,000
SEOG	155,506	161,307	157,172	170,261	189,921
Pell Grants	790,160	885,205	1,262,009	1,215,760	1,156,519
Miscell. Grants	130,623	192,260	291,854	460,629	402,663
State of Minnesota:					
Grants	1,737,784	2,197,415	2,270,000	2,623,556	3,189,137
Loans	190,905	253,439	243,484	350,627	367,509
Work/Study	30,731	28,989	36,763	41,671	42,991
College:					
Grants/Scholarships	1,030,787	1,101,795	1,537,597	1,662,677	2,224,668
Student Discount	170,138	210,415	205,670	162,931	171,070
Endowed Scholarships	29,216	34,601	44,940	66,678	91,049
Foundation Scholarships	148,854	158,001	153,784	370,664	401,996
Faculty/Staff Discounts	229,227	249,675	322,300	398,736	411,800
Work/Study	<u>222,887</u>	<u>197,216</u>	<u>185,294</u>	<u>253,701</u>	<u>319,478</u>
Total	\$7,663,224	\$8,846,317	\$10,396,410	\$11,946,382	\$13,582,653

Faculty and Staff

The College employs a total of 246 persons full-time and 95 persons part-time, including 156 lay and religious faculty.

	<u>Full-Time</u>	<u>Part-Time</u>
Lay Faculty	100	42
Religious Faculty	<u>13</u>	<u>1</u>
Total	113	43

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

Unions

Seven College employees and another twenty employees shared with the BSBA are members of the International Union of Operating Engineers. The current contract expires on June 30, 1992. No other employees are in organized bargaining units or are covered by union contracts.

Insurance

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

Pensions

The College participates in the Teachers Insurance and Annuity Association and College Retirement Equities Fund program (TIAA-CREF) which covers faculty and staff employees working more than 1,000 hours per year. Benefits are based upon amounts accumulated for the account of each individual employee at date of retirement. For the Fiscal Year ending June 30, 1990, the College contributed \$283,130.

Litigation

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

Endowment Funds

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

<u>Year Ending June 30</u>	<u>Unrestricted Endowment Funds</u>	<u>Restricted Endowment Funds</u>
1990	\$1,337,009	\$3,267,818
1989	1,094,728	2,989,303
1988	872,205	2,244,529
1987	745,689	1,287,603
1986	643,556	1,006,960

Unrestricted Endowment Funds are funds designated by the College's⁸ Board of Trustees to be used for endowment purposes. Restricted Endowment Funds include both Board-restricted funds and donor-restricted funds.

Capital Campaign

In 1988, the College began a capital campaign drive with a goal of \$10,750,000. The campaign was officially made public in December, 1990. Approximately one-half of the campaign is dedicated to increasing endowment and one-half is for physical facilities. As of April 15, 1991, \$7,866,216 has been paid or pledged.

Financial Statements

The College's fiscal year ends on June 30 of each year. Financial records are maintained on the fund accounting system and financial statements have been prepared on the accrual basis of accounting. Appendix V sets forth the financial statements of the College for the year ended June 30, 1990 with comparative totals for 1989, which statements have been examined by McGladrey & Pullen. McGladrey & Pullen has not read this Official Statement and expresses no opinion on its contents.

Page I-10 is the College's Current Fund summary of revenues, expenditures and other changes for Fiscal Years 1986 through 1990, taken from the annual financial statements. Page I-11 is a statement of Current Fund revenues, expenditures and other changes for the period July 1, 1990 through April 25, 1991 actual and projected to June 30, 1991, compared to the Current Fund budget for Fiscal Year 1991.

COLLEGE OF ST. SCHOLASTICA, INC.

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

	1986	1987	1988	1989	1990
REVENUES:					
Educational and general:					
Student tuition and fees	\$7,296,164	\$8,217,382	\$9,711,195	\$11,788,495	\$13,426,980
Current Fund investment income	128,407	61,081	104,649	130,428	192,018
Endowment investment income	193,076	203,602	239,749	299,775	214,985
Federal government programs	795,135	606,246	493,178	281,036	413,890
College work study programs	200,985	200,337	213,233	236,662	251,527
Grants	667,125	641,895	668,898	855,538	943,232
Contributed services	469,720	471,886	431,290	469,859	423,978
B.S.B.A. debt forgiveness, net					350,408
Other revenues	440,793	394,766	344,523	515,334	541,521
Total educational and general	<u>10,191,405</u>	<u>10,797,195</u>	<u>12,206,715</u>	<u>14,577,127</u>	<u>16,758,539</u>
Auxiliary enterprises	<u>1,076,410</u>	<u>1,373,226</u>	<u>1,466,304</u>	<u>2,045,955</u>	<u>2,361,565</u>
Total Revenues	<u>11,267,815</u>	<u>12,170,421</u>	<u>13,673,019</u>	<u>16,623,082</u>	<u>19,120,104</u>
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and general	9,895,358	10,277,713	11,279,688	13,669,176	15,645,320
Auxiliary enterprises (including mandatory transfers for interest on long-term debt)	<u>1,039,389</u>	<u>1,187,030</u>	<u>1,228,646</u>	<u>1,849,438</u>	<u>2,235,323</u>
Total Expenditures	<u>10,934,747</u>	<u>11,464,743</u>	<u>12,508,334</u>	<u>15,518,614</u>	<u>17,880,643</u>
Net Current Fund increase before mandatory transfers for principal payments, additions, reserves or other transfers	<u>333,068</u>	<u>705,678</u>	<u>1,164,685</u>	<u>1,104,468</u>	<u>1,239,461</u>
Mandatory transfers for principal	(182,680)	(272,410)	(285,156)	(309,240)	(329,753)
Mandatory transfers to equipment and renewal reserves	(15,000)	(25,000)	(25,000)	(25,000)	(25,000)
Transfer to plant fund	(84,000)	(174,654)	(520,000)	(423,000)	(440,000)
Transfer to endowment fund		(172,595)	(126,517)	(222,523)	(230,910)
Transfer to scholarship fund		<u>(33,544)</u>	<u>(164,698)</u>	<u>(101,076)</u>	<u>(193,795)</u>
Net Increase in Fund Balance	<u>51,388</u>	<u>27,475</u>	<u>43,314</u>	<u>23,629</u>	<u>20,003</u>
Beginning Fund Balance	216,957	268,345	295,820	339,134	362,763
Ending Fund Balance	<u>\$268,345</u>	<u>\$295,820</u>	<u>\$339,134</u>	<u>\$362,763</u>	<u>\$382,766</u>

Source: College of St. Scholastica annual financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

**SUMMARY OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES
PROJECTED FOR THE YEAR ENDING JUNE 30, 1991 COMPARED WITH
1991 BUDGET AND FISCAL YEAR 1990**

	<u>1990</u> <u>(Audited)</u>	<u>1991</u> <u>Budget</u>	<u>Actual</u> <u>YTD as of</u> <u>4/25/91</u>	<u>6/30/91</u> <u>Projected*</u>
REVENUES:				
Educational and general:				
Student tuition and fees	\$13,426,980	\$15,348,136	\$14,845,149	\$15,160,600
Current Fund investment income	192,018	69,420	110,192	120,523
Endowment investment income	214,985	284,599	67,976	284,599
Federal government programs	413,890	602,397	5,377	602,397
College work study programs	251,527	243,235	209,431	243,251
Grants	943,232	1,350,265	830,721	1,350,553
Contributed services	423,978	353,840	434,540	353,840
B.S.B.A. debt forgiveness, net	350,408			
Other revenues	541,521	510,426	530,285	571,475
Total educational and general	<u>16,758,539</u>	<u>18,762,318</u>	<u>17,033,671</u>	<u>18,687,238</u>
Auxiliary enterprises	<u>2,361,565</u>	<u>2,628,467</u>	<u>2,413,499</u>	<u>2,446,945</u>
Total Revenues	<u>19,120,104</u>	<u>21,390,785</u>	<u>19,447,170</u>	<u>21,134,183</u>
EXPENDITURES AND MANDATORY TRANSFERS:				
Educational and general	15,645,320	18,335,099	13,954,348	17,658,354
Auxiliary enterprises (including mandatory transfers for interest on long-term debt)	<u>2,235,323</u>	<u>2,348,232</u>	<u>1,786,196</u>	<u>2,324,271</u>
Total Expenditures	<u>17,880,643</u>	<u>20,683,331</u>	<u>15,740,544</u>	<u>19,982,625</u>
Net Current Fund increase before mandatory transfers for principal payments, additions, reserves or other transfers	<u>1,239,461</u>	<u>707,454</u>	<u>3,706,626</u>	<u>1,151,558</u>
Mandatory transfers for principal	(329,753)	(470,986)	(455,986)	(470,986)
Mandatory transfers to equipment and renewal reserves	(25,000)	(25,000)	(15,000)	(25,000)
Transfer to plant fund	(440,000)			(215,801)
Transfer to endowment fund	(230,910)	(172,400)		(174,275)
Transfer to scholarship fund	<u>(193,795)</u>			<u>(242,941)</u>
Net Increase in Fund Balance	<u>20,003</u>	<u>39,068</u>	<u>3,235,640</u>	<u>22,555</u>
Beginning Fund Balance	362,763	382,766		382,766
Ending Fund Balance	<u><u>\$382,766</u></u>	<u><u>\$421,834</u></u>		<u><u>\$405,321</u></u>

* Based on preliminary unaudited results through April 25, 1991 and estimates for April 26 through June 30, 1991.

NOTE: The financial information presented on this page for Fiscal Year 1991 was prepared by College staff and is unaudited. The data as of June 30, 1990 was taken from the College's audited financial statements.

Long-Term Debt of the College as of May 1, 1991

1. College of St. Scholastica Dormitory and Dining Hall Bonds of 1962 at 3.5%; purchased by the United States Department of Housing and Urban Development. The net operating revenues of the Somers Hall complex and the full faith and credit of the College are pledged. As of the end of Fiscal Year 1990 \$33,549 was on deposit in the repair and replacement reserve account. \$930,000 is outstanding with final maturity October 1, 2002.
2. College of St. Scholastica Science Building Bonds of 1968 at 3%; purchased by the United States Department of Housing and Urban Development. The bonds are secured by a first mortgage on the Science Building, and, in addition to a pledge of the full faith and credit of the College, are guaranteed by the BSBA. As of June 30, 1990, there was \$64,919 deposited in the debt service reserve fund for the issue which reserve fund is funded by Endowment Fund assets. \$406,000 is outstanding with final maturity October 1, 1998.
3. Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series D (College of St. Scholastica, Inc.). The bonds are secured by a first mortgage on the Grove Apartment complex owned by the Authority and leased to the College. The net operating revenues of the Grove Apartment complex and the full faith and credit of the College are pledged for payment of the bonds, and in addition prompt payment of the bonds is guaranteed by the BSBA. Interest is subsidized to 3% under a grant agreement with the United States Department of Housing and Urban Development. As of the end of the Fiscal Year 1990, \$36,478 was on deposit in the debt service reserve account and \$55,789 in the repair and replacement reserve account. \$190,000 is outstanding with a final maturity of March 1, 1997.
4. Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series H (College of St. Scholastica, Inc.). The bonds are secured by a first mortgage on the Pines Apartment complex owned by the Authority and leased to the College. The net operating revenues of the Pines Apartment complex and the full faith and credit of the College are pledged for payment of the bonds. As of the end of the Fiscal Year 1990, \$41,808 was on deposit in the debt service reserve account. \$205,000 is outstanding with a final maturity of June 1, 1999.
5. A \$566,205 share in the Minnesota Higher Education Facilities Authority Pooled Revenue Bonds, Series 1983-A. The full faith and credit of the College are pledged for payment of the bonds. \$113,011 is outstanding, payable on September 1, 1991.
6. Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-T (College of St. Scholastica, Inc.). The bonds are secured by the full faith and credit of the College, a mortgage on and a revenue pledge on Birch, Maple and Willow apartments, a security interest in 4% of tuition under certain events of default and a debt service reserve of \$507,605. \$4,985,000 is outstanding with a final maturity of December 1, 2014.
7. The Bonds.

Total long-term debt adjusted to include the Series Three-E Bonds as of May 1, 1991: \$10,229,011.

NOTE: *The above-listed debt of the College does not include the Authority's First Mortgage Revenue Bonds, Series Two-B and Revenue Bonds, Series Two-L, both issued on behalf of the College. Prior to Bond Closing, both issues will be defeased by placing sufficient moneys in escrow accounts to fully fund debt service to maturity in the case of the Series Two-B Bonds and to the first call date in the case of the Series Two-L Bonds. See "SUMMARY OF SECURITY FOR THE BONDS."*

Annual Debt Service by Fiscal Year and Coverage Statement

The table on page I-12 sets forth the principal and estimated debt service on the Bonds and the College's outstanding debt service by Fiscal Year. Debt service coverage calculations use \$1,719,207, which for Fiscal Year 1990 was the sum of Current Fund revenues less expenditures and mandatory transfers, excluding mandatory transfers for debt service.

**ANNUAL DEBT SERVICE BY FISCAL YEAR
AND COVERAGE STATEMENT**

FISCAL YEAR ENDING	DEBT SERVICE ON 1991 BONDS*	EXISTING LONG TERM DEBT SERVICE**	COMBINED LONG TERM DEBT SERVICE	AMOUNT AVAILABLE FOR DEBT SERVICE***	COVERAGE (times)
	(1)	(2)	(3)	(4)	(5)
30-Jun-91	0	\$891,588	\$891,588	\$1,719,207	1.93
30-Jun-92	\$239,168	899,443	1,138,611	1,719,207	1.51
30-Jun-93	326,670	791,239	1,117,909	1,719,207	1.54
30-Jun-94	321,585	831,294	1,152,879	1,719,207	1.49
30-Jun-95	326,023	827,949	1,153,972	1,719,207	1.49
30-Jun-96	324,845	828,203	1,153,048	1,719,207	1.49
30-Jun-97	323,205	830,508	1,153,713	1,719,207	1.49
30-Jun-98	321,088	698,803	1,019,891	1,719,207	1.69
30-Jun-99	323,345	696,978	1,020,323	1,719,207	1.68
30-Jun-2000	324,828	611,570	936,398	1,719,207	1.84
30-Jun-2001	320,648	608,187	928,835	1,719,207	1.85
30-Jun-2002	320,785	613,016	933,801	1,719,207	1.84
30-Jun-2003	320,088	443,975	764,063	1,719,207	2.25
30-Jun-2004	318,535	395,890	714,425	1,719,207	2.41
30-Jun-2005	320,929	398,419	719,348	1,719,207	2.39
30-Jun-2006	322,065	399,798	721,863	1,719,207	2.38
30-Jun-2007	317,098	400,065	717,163	1,719,207	2.40
30-Jun-2008	315,999	399,210	715,209	1,719,207	2.40
30-Jun-2009	318,430	402,050	720,480	1,719,207	2.39
30-Jun-2010	314,428	403,392	717,820	1,719,207	2.40
30-Jun-2011	313,973	403,232	717,205	1,719,207	2.40
30-Jun-2012	316,666	406,452	723,118	1,719,207	2.38
30-Jun-2013		407,787	407,787	1,719,207	4.22
30-Jun-2014		407,231	407,231	1,719,207	4.22
30-Jun-2015		414,500	414,500	1,719,207	4.15
TOTALS	\$6,650,396	\$14,410,779	\$21,061,175		

* Estimated, based on average rate of 7.27%.

** Excludes Series Two-B and Two-L Bonds. (See page I-12).

*** Amount Available For Debt Service (Current Fund), based on fiscal year 1989-90 audited financial report of the College:

Current Fund ("UCF") Revenues:	\$19,120,104
Less Expenditures & Mandatory Transfers:	18,235,396
Excess of Revenues over Expenditures and Mandatory Transfers:	\$884,708
Add: Mandatory Transfers for Debt Service:	834,499
Amount Available For Debt Service:	<u>\$1,719,207</u>

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\$3,400,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Three-E
(College of St. Scholastica, Inc.)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered Revenue Bonds, Series Three-E (College of St. Scholastica), in the aggregate principal amount of \$3,400,000 (the "Bonds"), dated June 1, 1991, in the denomination of \$5,000 each and integral multiples thereof, maturing on December 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

<u>Year</u>	<u>Amount</u>	<u>Basic Interest Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Basic Interest Rate</u>
1992	\$ 90,000		2002	\$160,000	
1993	\$ 90,000		2003	\$170,000	
1994	\$100,000		2004	\$185,000	
1995	\$105,000		2005	\$200,000	
1996	\$110,000		2006	\$210,000	
1997	\$115,000		2007	\$225,000	
1998	\$125,000		2008	\$245,000	
1999	\$135,000		2009	\$260,000	
2000	\$140,000		2010	\$280,000	
2001	\$150,000		2011	\$305,000	

The Bonds are subject to optional redemption prior to the stated maturities thereof as provided in the Bonds. Interest on the Bonds is payable on each June 1 and December 1, commencing December 1, 1991. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds will bear additional interest at the rate of 2.00% per annum from the Date of Taxability (as defined). Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and

principal is payable at the principal corporate trust office of Norwest Bank Minnesota North, National Association, in Duluth, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to the College of St. Scholastica, a Minnesota nonprofit corporation (the "College"), as owner and operator of the College of St. Scholastica, a Minnesota nonprofit institution of higher education having its main campus in the City of Duluth, Minnesota (the "Institution"), in order to finance the costs of a project consisting of the acquisition, construction, renovation, improving, furnishing and equipping, including appurtenant site improvements, of buildings on the campus of the Institution, with appurtenant site improvements, and acquisition and installation of equipment (as further described in the Loan Agreement and Indenture, the "Project"). We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College, the Trust Indenture (the "Indenture") between the Authority and the Trustee, and the Security Agreement (the "Security Agreement") from the College to the Trustee, all dated as of June 1, 1991, the opinion of Hanft, Fride, O'Brien, Harries, Swelbar & Burns, P.A., as counsel to the College, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

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

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

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

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

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

3. The Bonds are secured by the assignment of the loan repayments payable by the College under the Loan Agreement, to the Trustee in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of the funds and rights to payment held by the Trustee under the Security Agreement.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of Federal income taxation or in taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in "book income" or in "earnings or profits" for the purpose of determining the "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the environmental tax imposed on corporations, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

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

Dated at Minneapolis, Minnesota, _____, 1991.

DEFINITION OF CERTAIN TERMS

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

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

Authority: The Minnesota Higher Education Facilities Authority.

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

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

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

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

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

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

Bonds: \$3,400,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-E (College of St. Scholastica, Inc.) and any Additional Bonds then outstanding.

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

Bond Resolution: The Series Resolution of the Authority adopted on May 22, 1991, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

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

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

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

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

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

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

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

Contributions and Pledge Receipts: Contributions to the College and payments on Pledges specifically designated or restricted by the donor to be used to finance the Project, or allocated to the Project pursuant to a resolution of the Board of Trustees of the College.

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

Determination of Taxability: A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that the interest payable on the Bonds is includable in gross income for purposes of federal income taxation by reason of the application of the provisions of Section 103 of the Internal Revenue Code, related sections and regulations thereunder, in effect on the date of issuance of the Bonds. A determination that interest on the Bonds is includible in the computation of any alternative minimum tax is not a Determination of Taxability.

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

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

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

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

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

Gift Receipts: Contributions and Pledge Receipts.

Gift Receipts Accounts: The account established pursuant to the Indenture into which certain Contributions and Pledge Receipts shall be deposited from time to time by the College.

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

Indenture: The Trust Indenture between the Authority and the Trustee, dated as of June 1, 1991, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: The College.

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

Issue: The Bonds.

Lease: The lease dated June 11, 1987, as amended June 1, 1989 and May 17, 1991, between the College and BSBA, which Lease is automatically renewable at the College's option for successive ninety-nine year terms, as from time to time amended or supplemented.

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

Loan Agreement: The Loan Agreement between the Authority and the Institution dated as of June 1, 1991, as amended or supplemented from time to time.

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

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

Net Income Available for Debt Service: The excess of Current Fund revenues over Current Fund expenditures but excluding depreciation, amortization and interest from expenditures plus income from investment of Accounts held by the Trustee under the Indenture, all as determined by generally accepted accounting principles.

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

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

Pledges: Written pledges or donors' expressions of the intent of the donors to pay to the College or the Institution, contributions in a lump sum or in installments from time to time.

Project: (i) The acquisition, construction, furnishing and equipping of an approximately 21,300 square-foot, 500 seat auditorium for performances, lectures, and seminars, with an approximately 13,900 square-foot lower level addition for additional study, dining, mailroom and lounge use, (ii) the acquisition, construction, furnishing and equipping of an approximately 5,900 square-foot addition to Tower Hall for a new receiving dock, freight elevator, recycling center and office space, (iii) the renovation, expansion, furnishing and equipping of the existing student bookstore, and (iv) the renovation, expansion, furnishing and equipping of the existing theatre facility; all including appurtenant site improvements and all to be owned and operated by the College and located on the campus of the Institution in Duluth, Minnesota.

Project Buildings: The existing theatre facility and the new auditorium and new addition to Tower Hall to be acquired, improved or constructed as part of the Project.

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

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

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

Project Site: The land on which the Project Buildings are to be located or otherwise to be improved as part of the Project.

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

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

Reserve Account: The Reserve Account established under the Indenture, into which at Bond closing will be placed Bond proceeds in the amount of the Reserve Requirement (approximately \$329,300). Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient therefor and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College or the Authority fails to provide for payment of any rebate.

Reference Rate: The rate published by the Wall Street Journal from time to time under the heading "Money Rates" as the prime rate of interest on corporate loans at large U.S. Money Center Commercial Banks, with the understanding that the prime rate is a guide to general levels and does not always represent actual transactions. In the event that the rate as published is stated as a range of rates, the highest published rate shall be used.

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

Security Agreement: The Security Agreement dated as of June 1, 1991, between the College and the Trustee.

Series Three-E Bonds: The Bonds.

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

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

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

SUMMARY OF DOCUMENTS**THE LOAN AGREEMENT**

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

Construction of Project

The College represents that the acquisition, construction and improvement of the Project are to be substantially completed by no later than December 31, 1993 subject only to "force majeure," as provided in the Loan Agreement, provided that the College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs are not met from proceeds of the Bonds in the Construction Account. In addition, the College covenants that it will not apply proceeds of the Bonds in an amount exceeding 2.00% of the proceeds (par value less original discount, if any, according to the reoffering scale) of the Bonds to the payment of any costs of issuance of the Bonds, including underwriting discount, initial fees of the Trustee and the Authority, financial advisory fees, legal fees, and other issuance expenses.

Loan Repayments

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

- (a) Into the Gift Receipts Account all Contributions and Pledge Receipts received after December 31, 1993 promptly when received, as more fully described in Section 6.13 of the Loan Agreement; and
- (b) at least 10 Business Days prior to each June 1 and December 1, commencing December 1, 1991, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest, or as principal and interest, on the Series Three-E Bonds on the next succeeding interest payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.02, 5.03, 5.04 or 5.05 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds) or Section 6.13 of the Loan Agreement (relating to amounts on deposit in the Gift Receipts Account); and

- (c) prior to a date established for the optional redemption and prepayment of the Series Three-E Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Three-E Bonds called for redemption from the Redemption Account; and
- (d) forthwith into the Bond and Interest Sinking Fund Account or Redemption Account, as appropriate, the amount of any deficiency in the event that the funds on deposit in the Bond and Interest Sinking Fund Account or Redemption Account on any Bond principal or interest payment date are for any reason insufficient to pay principal, premium (if any) and interest on the Series Three-E Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and
- (e) into the Reserve Account forthwith any amounts then required to be deposited therein by Section 5.02 of the Indenture; and
- (f) into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.06 of the Indenture (relating to arbitrage rebate).

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation. The College may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities, so long as the tax-exempt status of the Bonds will not be affected thereby and such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, the Security Agreement or the Act.

Title to Property and Liens

Except for Permitted Encumbrances, the College will not permit any liens to be established or to remain against the Project Facilities including any mechanics liens for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided the College may in good faith contest any liens filed or

established against the Project Facilities and may permit the items so contested to remain undischarged and unsatisfied during the period of such contest unless the Authority or Trustee shall notify the College that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities will be subject to loss or forfeiture, in which event the College shall promptly pay all such items.

Taxes and Other Governmental Charges

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

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

Insurance

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

- (a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Buildings.
- (b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of \$5,000,000 and aggregate for each year of \$5,000,000 and against liability for property damage in the minimum amount for each occurrence of \$100,000.
- (c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College.

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

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

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than \$100,000, the College 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 will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds \$100,000, the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement. For purposes of this provision, "pro rata portion" shall mean 67.2% of the principal amount of outstanding Bonds in the case of the auditorium and lower level addition to be constructed as part of the Project; 13.4% of the principal amount of outstanding Bonds in the case of the addition to Tower Hall to be constructed as part of the Project; and 19.4% of the principal amount of outstanding Bonds in the case of the theatre facility to be renovated, expanded, furnished and equipped as part of the Project.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any Project Building or Buildings and site thereof shall be taken in any proceeding involving the exercise of the right of eminent domain, the College shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

Indemnification

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

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

Existence and Accreditation of College and Institution

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets or all or substantially all the assets of the Institution, or consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution except upon the conditions

provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee corporation or institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation or institution shall assume in writing all of the obligations of the College in the Loan Agreement and the Security Agreement and shall be either a state university or college or a nonprofit corporation operating or authorized to operate an institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against discrimination and requiring that the Institution be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

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

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

Institution To Be Nonsectarian

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

Federal Income Tax Status

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

Determination of Taxability

In the event a Determination of Taxability is made that interest payable on the Bonds is includible in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, as a whole or in part, on the next practicable date and on any date

thereafter and the redemption price therefor shall be equal to par plus accrued interest (including additional interest from the Date of Taxability).

Other Covenants

The College agrees to establish and maintain, according to the terms of Section 6.13 of the Loan Agreement, a Gift Receipts Account, into which shall be deposited all Contributions and Pledge Receipts received after December 31, 1993 promptly when received but not less often than every thirty days.

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

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

Events of Default

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

- (a) If the College shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, Gift Receipts Account, Reserve Account or Redemption Account, as the case may be, on a Bond principal or interest payment date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for 5 Business Days after notice from the Trustee or the Authority to the College that such payment has not been made; or
- (b) If the College shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or
- (c) If the College shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement, provided failure to comply with such requirement shall not become an Event of Default unless the College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or
- (d) If the College sells or otherwise disposes of any interest in the Gift Receipts Account or creates or permits to exist any lien, security interest or other charge or encumbrance upon or with respect to the Gift Receipts Account, in violation of the provisions of Section 6.13 of the Loan Agreement, except as provided in or contemplated by the Loan Agreement.
- (e) If the College fails to observe the financial covenants set forth in Section 6.14 of the Loan Agreement, provided that failure to comply with Section 6.14(a) relating to the

Unrestricted Current Fund balance shall not become an Event of Default unless the College fails to restore the deficiency within a period of 180 days after the close of the Fiscal Year in which such deficiency has occurred.

- (f) If the College shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the College by the Authority or the Trustee; or
- (g) If there shall occur an event of default (as defined therein) under the Security Agreement; or
- (h) If the College shall default (as defined in the Lease) under the Lease, or if any portion of the Lease shall be terminated by the College or BSBA other than in connection with (i) the redemption of outstanding Bonds as a whole or in part pursuant to Section 5.08 or 5.09 of the Loan Agreement (relating to extraordinary redemption in the event of damage or destruction or condemnation of Project Facilities) or (ii) the redemption in whole or in part of the Authority's outstanding Revenue Bonds, Series Two-T (College of St. Scholastica), dated June 1, 1989, pursuant to Section 5.08 or 5.09 of that certain Loan Agreement dated as of May 1, 1989 between the Authority and College; or
- (i) 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 the Institution; or
- (j) 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 or the Institution, and such order, judgment or decree shall not be vacated or set aside or stayed within ninety days from the date of the entry thereof; or
- (k) 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 the Institution or of the whole or any substantial part of the property of the College or the Institution, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the College. The provisions of paragraph (f) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the College has taken all action reasonably possible to remedy such default within such thirty-day period, the default shall not become an Event of Default for so long as the 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 under and payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.
- (b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due under the Loan Agreement.
- (c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement, the Security Agreement or the Indenture in accordance with the provisions thereof.

Amendments

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

THE INDENTURE

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

Granting Clauses

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

- (a) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority's annual fee and rights to indemnity and reimbursement;
- (b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and
- (c) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the

Authority or the College or by anyone in behalf of them or with their written consent, to the Trustee, including, but not limited to, the Security Agreement.

Accounts

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

Additional Bonds

Provided certain conditions more fully described in the Indenture have been met, the Authority may in its discretion and with the consent of the College issue Additional Bonds, to be secured on a parity with the Series Three-E Bonds, (i) to provide funds to complete the Project, or (ii) to refund all or any series or portion of series of the then outstanding Bonds, or (iii) to provide funds for improvements to or alterations, repairs or replacement of the Project Facilities or (iv) for another project or projects, as defined in and authorized by the Act.

Trustee's Right to Payment

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

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

- (a) If payment of the principal of any of the Bonds, when the same shall become due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), shall not be made; or
- (b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or
- (c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the 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 or the Security Agreement, shall occur and be continuing.

Remedies

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

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

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other

appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce the Security Agreement and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Concerning the Trustee

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

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the College shall:

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

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

then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

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

- (a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;
- (b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority;
- (c) to evidence the succession of any other department, agency, body or corporation to the Authority;
- (d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental indentures or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same; and
- (e) to create a series of and authorize Additional Bonds.

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

Amendments to the Loan Agreement and the Security Agreement

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement, or the Security Agreement as may be required (a) by the provisions of the Loan Agreement, the Security Agreement, or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission, or (c) so as to add additional rights acquired in

accordance with the provisions of the Loan Agreement or the Security Agreement, or (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

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

Registration

The Bonds shall be fully registered as to principal and interest at the principal corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and 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.

THE SECURITY AGREEMENT

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

To secure its obligations under the Loan Agreement, the College pledges and assigns to the Trustee a security interest in the following property (the "Collateral"): (i) All Contributions and Pledge Receipts, when received by the Trustee from time to time and held in the Gift Receipts Account, the Bond and Interest Sinking Fund Account and the Redemption Account and all investments of such Contributions and Pledge Receipts, however held, and (ii) any and all proceeds thereof.

From and after the occurrence of an "event of default" under the Indenture or a default on the part of the College in its obligations under the Security Agreement, the Trustee may exercise any rights and remedies available to it under the Loan Agreement, the Indenture and the Security Agreement; exercise all voting and other rights as a holder with respect to any securities included in the property pledged by the Security Agreement; exercise and enforce any and all rights and remedies available after default to a secured party under the Uniform Commercial Code, including the right to offer and sell the property pledged under the Security Agreement; notify any pledgor that the College's right to payment with respect to such Pledge has been transferred to the Trustee; and exercise or enforce any and all other rights and remedies available by law against the Collateral pledged in the Security Agreement, the College or any other person or property.

**COLLEGE OF ST. SCHOLASTICA, INC.
FINANCIAL REPORT**

June 30, 1990

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McGLADREY & PULLEN

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheet of College of St. Scholastica, Inc. as of June 30, 1990, and the related statements of changes in fund balances and current fund revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College of St. Scholastica, Inc. at June 30, 1990, and the changes in fund balances and the current fund revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

McGladrey & Pullen

Duluth, Minnesota
August 24, 1990

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEETS

June 30, 1990
With Comparative Totals for 1989

	<u>1990</u>	<u>1989</u>
ASSETS		
Current fund:		
Cash (Note 2)	\$ 705,848	\$ 381,707
Accounts and notes receivable:		
Students and staff (less allowance for doubtful accounts of \$143,279 and \$89,669)	305,656	238,798
Government programs and grants	152,055	316,482
Other	2,910	2,910
Inventories (Note 3)	162,417	131,461
Corporate stock (market value of \$4,000 and \$2,865)	5,650	5,650
Due from other funds, net	231,427	408,070
Prepaid expense and other assets	46,372	59,094
	<u>\$1,612,335</u>	<u>\$1,544,172</u>
Endowment funds:		
College scholarship fund:		
Savings account and certificates	\$ 95,553	\$ 105,697
Corporate stock (market value (\$1,850 and \$1,848))	2,384	2,384
Federal government obligations (market value \$147,258 and \$113,456)	145,350	108,207
South Africa Free common fund (market value \$1,435,456 and \$1,387,304)	<u>1,467,282</u>	<u>1,385,799</u>
	<u>\$1,710,569</u>	<u>\$1,602,087</u>
General endowment fund:		
Savings account and certificates	\$ 131,294	\$ 116,586
Corporate bonds and commercial paper (market value \$24,700 and \$24,625)	24,750	24,750
Corporate stock (market value \$469,253 and \$447,508)	370,290	394,217
Federal government obligations (market value \$529,733 and \$429,753)	524,786	422,894
South Africa Free common fund (market value \$1,856,186 and \$1,806,270)	1,896,740	1,806,898
Foreign bonds (market value \$47,646 and \$48,711)	47,126	49,045
Due from other funds	-	299
	<u>\$2,994,986</u>	<u>\$2,814,689</u>
Annuity funds:		
Cash	\$ 9,975	\$ 5,479
Corporate stock (market value \$200,100 and \$206,711)	<u>209,190</u>	<u>209,190</u>
	<u>\$ 219,165</u>	<u>\$ 214,669</u>

	<u>1990</u>	<u>1989</u>
LIABILITIES AND FUND BALANCES		
Current fund:		
Accounts payable:		
Trade	\$ 77,118	\$ 183,263
B.S.B.A.	107,743	433,068
Restricted funds	87,609	95,827
Accrued expenses	237,404	83,558
Deferred revenue	451,374	246,993
Other liabilities	268,321	138,700
Fund balance	<u>382,766</u>	<u>362,763</u>
	<u>\$1,612,335</u>	<u>\$1,544,172</u>
Endowment funds:		
College scholarship fund:		
Due to other funds	\$ -	\$ 156,185
Restricted fund balance	1,200,840	1,133,151
Designated fund balance	26,104	13,432
Unrestricted fund balance	<u>483,625</u>	<u>299,319</u>
	<u>\$1,710,569</u>	<u>\$1,602,087</u>
General endowment fund:		
Due to other funds	\$ 242,941	\$ 314,444
Restricted faculty development fund balance	789,337	784,530
Other restricted fund balance	377,088	385,166
Designated fund balance	248,611	235,821
Unrestricted fund balance	<u>1,337,009</u>	<u>1,094,728</u>
	<u>\$2,994,986</u>	<u>\$2,814,689</u>
Annuity funds:		
Accounts payable	\$ 76,952	\$ 76,785
Fund balance	<u>142,213</u>	<u>137,884</u>
	<u>\$ 219,165</u>	<u>\$ 214,669</u>

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEETS
(Continued)

June 30, 1990
With Comparative Totals for 1989

	<u>1990</u>	<u>1989</u>
ASSETS		
Plant funds:		
Unexpended:		
Cash	\$ 3,779	\$ 2,594
Savings	12,606	731,494
Federal government obligations (market value \$2,231,384 and \$3,309,824)	<u>2,231,384</u>	<u>3,309,824</u>
	<u>\$ 2,247,769</u>	<u>\$ 4,043,912</u>
Renewal and replacement:		
Cash	\$ -	\$ 216
Savings	<u>343,820</u>	<u>226,904</u>
	<u>\$ 343,820</u>	<u>\$ 227,120</u>
Retirement of indebtedness:		
Savings	\$ 934,097	\$ 751,960
Federal government obligations (market value \$826,827 and \$822,986)	<u>826,827</u>	<u>815,429</u>
	<u>\$ 1,760,924</u>	<u>\$ 1,567,389</u>
Investment in plant:		
Real estate investment	\$ 164,406	\$ 164,406
Due from other funds	11,515	62,260
Land and land improvements (Note 4)	607,780	588,585
Buildings (Note 5)	13,981,781	13,447,080
Equipment, furniture and fixtures	3,436,603	3,045,566
Automotive equipment	257,001	250,078
Construction in progress	<u>1,802,723</u>	<u>444,558</u>
	20,261,809	18,002,533
Less accumulated depreciation, automotive equipment	<u>(122,850)</u>	<u>(110,514)</u>
	<u>\$20,138,959</u>	<u>\$17,892,019</u>
Capital Campaign:		
Savings	\$ 371,936	\$ 162,867
Real estate, at appraised value (less \$82,076 valuation reserve)	<u>127,924</u>	<u>127,924</u>
	<u>\$ 499,860</u>	<u>\$ 290,791</u>

	<u>1990</u>	<u>1989</u>
LIABILITIES AND FUND BALANCE		
Plant funds:		
Unexpended:		
Account payable	\$ 6,245	\$ -
Fund balance, restricted (Notes 5 and 6)	<u>2,241,524</u>	<u>4,043,912</u>
	<u>\$ 2,247,769</u>	<u>\$ 4,043,912</u>
Renewal and replacement:		
Fund balance, restricted (Notes 5 and 6)	<u>\$ 343,820</u>	<u>\$ 227,120</u>
	<u>\$ 343,820</u>	<u>\$ 227,120</u>
Retirement of indebtedness:		
Fund balance, restricted (Notes 5 and 6)	<u>\$ 1,760,924</u>	<u>\$ 1,567,389</u>
	<u>\$ 1,760,924</u>	<u>\$ 1,567,389</u>
Investment in plant:		
Accounts payable - construction	\$ -	\$ 216,796
- B.S.B.A. (1962 Revenue Fund)	19,874	423,576
Accrued interest	6,328	6,553
Loan payable (Note 8)	217,497	314,250
Bonds payable (Note 6):		
Dormitory and Dining Hall Bonds of 1962	990,000	1,050,000
Science Building Bonds of 1968	450,000	493,000
Library bonds	900,073	938,775
Birch, Maple and Willow Bonds (BMW)	5,023,156	5,019,745
Lease capitalized (Note 7):		
Grove Apartments	225,492	250,002
Pine Apartments	185,417	200,055
Reif facility	573,067	660,756
Fund balance, including \$3,361,575 property leased from B.S.B.A. (Note 5)	<u>11,548,055</u>	<u>8,318,511</u>
	<u>\$20,138,959</u>	<u>\$17,892,019</u>
Capital Campaign:		
Fund balance (Note 10)	<u>\$ 449,860</u>	<u>\$ 290,791</u>
	<u>\$ 449,860</u>	<u>\$ 290,791</u>

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEETS
(Continued)

June 30, 1990
With Comparative Totals for 1989

	<u>1990</u>	<u>1989</u>
ASSETS		
Loan funds:		
Perkins Loan Fund:		
Cash	\$ 84,431	\$ 94,691
Accounts receivable	13,524	40,299
Loan receivable from students	<u>2,490,988</u>	<u>2,341,585</u>
	<u>\$ 2,588,943</u>	<u>\$ 2,476,575</u>
Nursing Student Scholarship and Loan Fund:		
Cash	\$ 41,255	\$ 34,671
Loans receivable from students	<u>294,228</u>	<u>291,625</u>
	<u>\$ 335,483</u>	<u>\$ 326,296</u>
Student Work Study Program:		
Cash	\$ 36	\$ 36
Accounts receivable	<u>31,616</u>	<u>56,975</u>
	<u>\$ 31,652</u>	<u>\$ 57,011</u>

LIABILITIES AND FUND BALANCES

	<u>1990</u>	<u>1989</u>
Loan funds:		
Perkins Loan Fund:		
Accounts payable	\$ <u>5,544</u>	\$ <u>47,398</u>
Fund balance:		
Federal contributions	2,472,354	2,351,005
College contributions	274,707	261,224
Cost of principal and interest canceled		
net of undistributed income	(177,186)	(223,351)
Unexpended grant authorization	<u>13,524</u>	<u>40,299</u>
	<u>2,583,399</u>	<u>2,429,177</u>
	<u>\$ 2,588,943</u>	<u>\$ 2,476,575</u>
Nursing Student Scholarship and Loan Fund:		
Accounts payable	\$ <u>-</u>	\$ <u>1,527</u>
Fund balance:		
Federal contributions	627,406	627,406
College contributions	48,950	48,950
Cost of principal and interest canceled		
net of undistributed income	(149,326)	(160,040)
Nursing scholarships awarded	<u>(191,547)</u>	<u>(191,547)</u>
	<u>335,483</u>	<u>324,769</u>
	<u>\$ 335,483</u>	<u>\$ 326,296</u>
Student Work Study Program:		
Accounts payable	\$ <u>31,652</u>	\$ <u>57,011</u>
	<u>\$ 31,652</u>	<u>\$ 57,011</u>

COLLEGE OF ST. SCHOLASTICA, INC.

BALANCE SHEETS
(Continued)

June 30, 1990
With Comparative Totals for 1989

	<u>1990</u>	<u>1989</u>
ASSETS		
Pell Grant:		
Federal funds receivable	\$ 4,554	\$ 21,198
	<u>\$ 4,554</u>	<u>\$ 21,198</u>
Supplemental Educational Opportunity Grant:		
Federal funds receivable	\$ 24,818	\$ 1,384
	<u>\$ 24,818</u>	<u>\$ 1,384</u>
Institutional Aid Program:		
Federal funds receivable	\$167,709	\$167,709
	<u>\$167,709</u>	<u>\$167,709</u>
Indian Bilingual Education:		
Federal funds receivable	\$197,664	\$223,224
	<u>\$197,664</u>	<u>\$223,224</u>
Graduate Nursing in Rural Region:		
Federal funds receivable	\$ 58,273	\$ 58,273
	<u>\$ 58,273</u>	<u>\$ 58,273</u>
Professional Nursing Traineeship:		
Federal funds receivable	\$ 500	\$ 6,654
	<u>\$ 500</u>	<u>\$ 6,654</u>

See Notes to Financial Statements.

	<u>1990</u>	<u>1989</u>
LIABILITIES AND FUND BALANCES		
Pell Grant:		
Accounts payable	\$ 4,553	\$ 24,228
Unexpended grant authorization	<u>1</u>	<u>(3,030)</u>
	<u>\$ 4,554</u>	<u>\$ 21,198</u>
 Supplemental Educational Opportunity Grant:		
Accounts payable	<u>\$ 24,818</u>	<u>\$ 1,384</u>
	<u>\$ 24,818</u>	<u>\$ 1,384</u>
Institutional Aid Program:		
Unexpended grant authorization	<u>\$167,709</u>	<u>\$167,709</u>
	<u>\$167,709</u>	<u>\$167,709</u>
 Indian Bilingual Education:		
Accounts payable	\$ 26,740	\$ 85,433
Unexpensed grant authorization	<u>170,924</u>	<u>137,791</u>
	<u>\$197,664</u>	<u>\$223,224</u>
 Graduate Nursing in Rural Region:		
Unexpended grant authorization	<u>\$ 58,273</u>	<u>\$ 58,273</u>
	<u>\$ 58,273</u>	<u>\$ 58,273</u>
 Professional Nursing Traineeship:		
Accounts payable	\$ 500	\$ 6,654
	<u>\$ 500</u>	<u>\$ 6,654</u>

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENTS OF CHANGES IN FUND BALANCES

Year Ended June 30, 1990
With Comparative Totals for 1989

	Year 1990	Current Fund	College Scholarship Fund	General Endowment Fund	Annuity Funds	Unexpended Replacement	Plant funds Renewal and Retirement of Indebtedness in Plant	Investment in Plant	Capital Campaign Unrestricted
Revenues and other additions:									
Current Fund revenues	\$19,118,529	\$	\$ 85,865	\$ 163,827	\$ 19,626	\$ 223,017	\$ 25,753	\$ 133,266	\$ 20,380
Investment income	72,601								281,780
Contributed assets									
Current funds expended for capital assets									385,935
Retirement of indebtedness, included in current expenditures									369,753
Total revenues and other additions	19,191,130		85,865	163,827	19,626	223,017	25,753	133,266	755,688
Expenditures and other deductions:									
Current Fund expenditures	17,375,897								
Retirement of indebtedness									
Interest on indebtedness					4,402				
Indebtedness for annuity payments					10,895	6,325			48,218
Depreciation of autos									
Other expenses									
Total expenditures and other deductions	17,375,897			28,456	15,297	6,325			48,218
Transfers among funds, additions (deductions):									
Investment income and gains transferred to Current Fund	334,402		(78,796)	(136,189)				(119,417)	
Mandatory transfers from Current Fund expenditures:									
Principal and interest	(834,499)					25,000		834,499	
Repairs and replacement reserves	(25,000)								405,428
B.S.A. debt	(405,428)								1,796,063
Transfers within specific fund	(193,795)		257,598	21,708		(2,026,660)	65,947	164,650	(85,511)
Transfer to Scholarship Fund	(440,000)								(7,580)
Transfer to Plant Fund	(230,910)			230,910					440,000
Transfer to Endowment Fund									
Net increase (decrease) for year	(1,795,230)		178,802	116,422		(2,019,080)	90,947	999,149	(93,091)
Fund balance at July 1, 1989	20,003		264,667	251,800	4,329	(1,802,388)	116,700	193,535	209,069
Fund balance at June 30, 1990	362,763		1,445,902	2,500,245	137,884	4,043,912	227,120	1,567,389	290,791
	\$ 382,766		\$1,710,569	\$2,752,045	\$142,213	\$2,241,524	\$343,820	\$1,760,924	\$499,860

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CHANGES IN FUND BALANCES
(Continued)

Year Ended June 30, 1990
With Comparative Totals for 1989

	Current Fund		College Scholarship Fund	General Endowment Fund	Annuity Funds	Plant Funds			Capital Campaign Unrestricted
						Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant
Year 1989									
Revenues and other additions	\$16,266,727	\$	158,624	\$	312,812		\$ 47,555	\$ 589,637	\$ 664,405
Expenditures and other deductions	15,357,109				47,962		38,185	604,014	5,105,957
Transfers among funds	(885,989)		266,328		157,290		(33,771)	590,675	1,661,189
Net increase (decrease) for the year	23,629		424,952		72,243		(24,401)	576,298	(2,780,363)
Fund balance at July 1, 1988	339,134		1,020,950		65,641		251,521	991,091	11,098,874
Fund balance at June 30, 1989	\$ 362,763	\$1,445,902		\$2,500,245	\$137,884	\$4,043,912	\$227,120	\$1,567,389	\$ 8,318,511
									\$572,661
									(399,794)
									172,867
									117,924
									\$290,791

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CHANGES IN FUND BALANCES
(Continued)

Year Ended June 30, 1990
With Comparative Totals for 1989

	<u>Perkins Loan Fund</u>	<u>Nursing Student Scholarship and Loan Fund</u>
<u>Year 1990</u>		
Revenues and other additions:		
Federal contributions	\$ 121,349	\$
College contributions	13,483	
Interest added	<u>50,794</u>	<u>11,355</u>
Total revenues and other additions	<u>185,626</u>	<u>11,355</u>
Expenditures and other deductions:		
Loan principal canceled	6,884	603
Loan interest canceled	233	38
Net operating expenditures and collection costs	<u>24,287</u>	<u> </u>
Total expenditures and other deductions	<u>31,404</u>	<u>641</u>
Net increase for the year	154,222	10,714
Fund balance at July 1, 1989	<u>2,429,177</u>	<u>324,769</u>
Fund balance at June 30, 1990	<u>\$2,583,399</u>	<u>\$335,483</u>
<u>Year 1989</u>		
Revenues and other additions	\$ 182,450	\$ 11,117
Expenditures and other deductions	<u>44,165</u>	<u> </u>
Net increase for the year	138,285	11,117
Fund balance at July 1, 1988	<u>2,290,892</u>	<u>313,652</u>
Fund balance at June 30, 1989	<u>\$2,429,177</u>	<u>\$324,769</u>

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CHANGES IN FUND BALANCES
(Continued)

Year Ended June 30, 1990
With Comparative Totals for 1989

Year 1990

	Student Work Study Programs	Pell Grant Fund	Supplemental Educational Opportunity Grant Fund	Institutional Aid Program	Indian Bilingual Education	Graduate Nursing in Rural Region	Professional Nursing Traineeship
Revenues and other additions:							
Federal contributions	\$253,327	\$1,215,191	\$170,261	\$	\$268,654	\$	\$ 18,542
College contributions	71,970	-	-	-	-	-	-
Total revenues and other additions	325,297	1,215,191	170,261	-	268,654	-	18,542
Expenditures and other deductions:							
Net expenditures	325,297	1,212,160	170,261	-	235,521	-	18,542
Total expenditures and other deductions	325,297	1,212,160	170,261	-	235,521	-	18,542
Net increase for the year	-	3,031	-	-	33,133	-	-
Unexpended grant authorizations at July 1, 1989	-	(3,030)	-	167,709	137,791	58,273	-
Unexpended grant authorizations at June 30, 1990	\$ -	\$ 1	\$ -	\$167,709	\$170,924	\$ 58,273	\$ -
Year 1989							
Revenues and other additions	\$301,675	\$1,273,094	\$157,172	\$	\$226,949	\$	\$ 20,654
Expenditures and other deductions	301,675	1,265,205	157,172	-	161,142	-	20,654
Net increase (decrease) for the year	-	7,889	-	-	65,807	-	-
Unexpended grant authorizations at July 1, 1988	-	(10,919)	-	167,709	71,984	58,273	-
Unexpended grant authorizations at June 30, 1989	\$ -	\$ (3,030)	\$ -	\$167,709	\$137,791	\$ 58,273	\$ -

See Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENTS OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES

Year Ended June 30, 1990
With Comparative Totals for 1989

	<u>1990</u>	<u>1989</u>
Revenues:		
Educational and general:		
Student tuition and fees	\$13,426,980	\$11,788,495
Current Fund investment income, including income transferred from Plant Fund reserve accounts	192,018	130,428
Endowment investment income:		
General	136,189	205,292
Scholarship	78,796	94,483
Federal Government programs	413,890	281,036
College work study program	251,527	236,662
Grants	943,232	855,538
Contributed services (less maintenance expenses of \$317,724 and \$313,974)	423,978	469,859
B.S.B.A. debt forgiveness, net of \$405,428 transfer of plant fund portion	350,408	
Other revenues	<u>541,521</u>	<u>515,334</u>
Total educational and general	16,758,539	14,577,127
Auxiliary enterprises	<u>2,361,565</u>	<u>2,045,955</u>
Total revenues	<u>19,120,104</u>	<u>16,623,082</u>
Expenditures and mandatory transfers:		
Educational and general:		
General administration	667,121	667,196
Student services	1,298,995	1,163,143
Public service and information	869,754	805,491
General institutional	1,376,438	1,324,692
Instruction	5,742,621	5,083,225
Library	404,784	359,091
Plant operations (includes \$295,804 and \$94,213 mandatory transfers for interest on long-term debt)	1,907,709	1,329,652
Federal Government programs	406,666	324,866
Federal Government programs - college match	1,522	60,613
Other foundation projects	461,208	283,971
Student aid	<u>2,508,502</u>	<u>2,267,236</u>
	15,645,320	13,669,176
Auxiliary enterprises (includes \$208,942 and \$67,292 mandatory transfer for interest on long-term debt)	<u>2,235,323</u>	<u>1,849,438</u>
	<u>17,880,643</u>	<u>15,518,614</u>
Net Current Fund increase before mandatory transfers for principal payments, additions to equipment replacement and renewals reserves or other transfers	1,239,461	1,104,468

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENTS OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES
(Continued)

Year Ended June 30, 1990
With Comparative Totals for 1989

	<u>1990</u>	<u>1989</u>
Net Current Fund increase before mandatory transfers for principal payments, additions to equipment replacement and renewals reserves or other transfers	\$ 1,239,461	\$ 1,104,468
Mandatory transfers for principal payments on long-term debt	(329,753)	(309,240)
Mandatory transfers to equipment replacement and renewal reserves	(25,000)	(25,000)
Transfer to plant fund	(440,000)	(423,000)
Transfer to endowment fund	(230,910)	(222,523)
Transfer to scholarship fund	<u>(193,795)</u>	<u>(101,076)</u>
Net increase in fund balance	<u>\$ 20,003</u>	<u>\$ 23,629</u>

COLLEGE OF ST. SCHOLASTICA, INC.
NOTES TO FINANCIAL STATEMENTS

1 - Accounting Policies

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

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

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

Debt service requirements and additions to renewal and replacement funds for Dormitory Bonds, Science Building Bonds, Recreation Building Bonds, Pooled 1983 Improvement Project Debt, Pine, Grove and BMW Bonds are charged to Current Fund expenditures as mandatory transfers.

Land, buildings and equipment are recorded at cost. Depreciation is not charged to current operations; however, the investment in plant has been reduced by \$48,218 (\$48,838 in 1989) reflecting straight-line depreciation on automotive equipment.

Current purchases of library books totaling \$149,169 (\$124,055 for 1989) are charged to Current Fund expenditures as incurred.

2 - Cash

Current Fund cash consists of the following:

	1990	1989
Cash on hand	\$ 6,275	\$ 6,275
Checking	133,384	272,657
Savings	226,216	82,242
Money market trust fund	339,973	20,533
	<u>\$705,848</u>	<u>\$381,707</u>

3 - Inventories

Current Fund inventories consist of the following:

	1990	1989
Book store	\$146,500	\$115,872
Food Service	<u>15,917</u>	<u>15,589</u>
	<u>\$162,417</u>	<u>\$131,461</u>

Inventories are valued at the lower of cost or market on a first-in, first-out method.

4 - Investment in Plant - Land and Land Improvements

The following are included in the land and land improvement category:

	1990	1989
Somers Hall site	\$ 96,700	\$ 96,700
Pine/Grove site	11,947	11,947
Rice Lake Road land	340,000	340,000
Alpert Land - Triangle	6,500	6,500
- 1.17 acres south of College campus	58,000	58,000
Garage site	5,000	5,000
Land improvements	50,767	31,572
Athletic fields	18,866	18,866
Auditorium site	10,000	10,000
Theater site	<u>10,000</u>	<u>10,000</u>
	<u>\$607,780</u>	<u>\$588,585</u>

5 - Investment in Plant - Buildings

The following properties are included in the above category:

	1990	1989
Tower Hall (see comments below)		
Garage facilities	\$ 3,361,575	\$ 3,326,504
Dormitory Commons Complex - Somers Hall (pledged under provisions of the Dormitory and Dining Hall Bond of 1962)	64,893	64,893
Science Building (pledged under provisions of the Grove Apartments (Owned by the Minnesota Higher Education Facilities Authority, pledged under Provisions of their First Mortgage Revenue Bonds, Series D, College of St. Scholastica, Inc. operated under a long-term lease with option to purchase)	2,701,034	2,641,595
Pine Apartments (Owned by the Minnesota Higher Education Facilities Authority, pledged under Provisions of their First Mortgage Revenue Bonds, Series H, College of St. Scholastica, Inc. operated under a long-term lease with option to purchase)	2,922,803	2,857,153
Recreation building (Owned by the Minnesota Higher Education Facilities Authority, pledged under their First Mortgage Revenue Bonds Series Two-B, College of St. Scholastica, Inc., operated under a long-term lease with option to purchase)	645,474	569,560
Theater improvements		
Library renovation		
Chapel renovation		
Total	357,252	335,930
	1,287,952	1,177,083
	31,142	20,191
	2,066,814	1,931,081
	542,842	523,090
	<u>\$13,981,781</u>	<u>\$13,447,080</u>

Under an agreement dated June 11, 1987, the College agreed to lease from the Benedictine Sisters Benevolent Association, facilities currently used by the College for administration offices, classrooms and other educational purposes. The property includes Tower Hall and ten other facilities or areas to be used on a shared basis with the B.S.B.A. The lease term is 99 years for a fee of \$1.00 per year.

5 - Investment in Plant - Buildings (Continued)

In consideration of the payment of \$1,000,000 by the College to the B.S.B.A., the lease dated June 11, 1987 was amended and supplemented by adding to the leased premises additional portions of Tower Hall and additional land. The term of the lease is 99 years from July 1, 1989 and, if no default, termination or cancellation has occurred by a date one year prior to expiration, then the lease will automatically renew for 50 years, but will terminate no later than January 1, 2136.

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

The B.S.B.A. further agrees it will not cause Tower Hall facilities to become subject to indebtedness in addition to amounts outstanding at March 16, 1974.

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

Tower Hall is reflected in these financial statements at \$3,361,575 for 1990 (\$3,326,504 for 1989), the historical cost of the property. The lease land is reflected at \$25,000.

6 - Bonds Payable

Plant fund bonds payable consist of the following:

- College of St. Scholastica Dormitory and Dining Hall Bonds of 1962, balance June 30, 1990, \$990,000 are secured by a first mortgage on the Somers Hall complex. These 3 1/2 percent general obligation bonds of the College mature progressively from \$60,000 on October 1, 1990 to \$90,000 on October 1, 2002.

Current fund expenditures were charged \$60,000 (\$55,000 for 1989) debt retirement and \$35,700 (\$37,712 for 1989) interest paid or accrued and \$15,000 (\$15,000 for 1989) equipment repair and replacement reserve additions.

Somers Hall has accommodations for 17 single rooms at \$614 (\$596 for 1989) per quarter and 150 double rooms at \$520 (\$505 for 1989). The facility was approximately 96 percent occupied for the year ended June 30, 1990.

Insurance is included in a blanket policy (co-insurance waived) at an agreed amount of \$7,494,888. Boiler insurance carried is \$25,000,000 with \$10,000,000 umbrella excess liability coverage.

6 - Bonds Payable (Continued)

Funds established under the Indenture are:

A. 1962 Bond and Interest Sinking Fund:

	1990	1989
Balance, beginning of year	\$102,454	\$ 96,997
Current Fund transfers	96,041	98,169
Investment income	7,360	7,009
Payment of principal and interest	(95,700)	(92,712)
Transfer of income to Current Fund	(7,350)	(7,009)
Balance, end of year	<u>\$102,795</u>	<u>\$102,454</u>

B. 1962 Repair and Replacement Reserve Account:

Balance, beginning of year	\$ 69,068	\$121,356
Current Fund transfers	15,000	15,000
Investment income	5,320	10,741
Major repairs and replacements	(55,839)	(92,029)
Plant Fund transfer	-	13,000
Balance, end of year	<u>\$ 33,549</u>	<u>\$ 69,068</u>

2. College of St. Scholastica Science Building Bonds of 1968, balance June 30, 1990, \$450,000 are secured by a first mortgage on the Science Building and are guaranteed by the Benedictine Sisters Benevolent Association. These 3 percent bonds mature progressively from \$44,000 on October 1, 1990 to \$56,000 on October 31, 1998.

Current Fund expenditures were charged \$43,000 (\$42,000 in 1989) debt retirement and \$14,145 (\$15,420 for 1989) interest paid or accrued.

Insurance is included in a blanket policy (co-insurance waived) at an agreed amount of \$7,026,764. Boiler insurance carried is \$25,000,000 with \$10,000,000 umbrella excess liability coverage.

The Debt Service Reserve Fund is funded by Endowment Fund assets (U.S. Government obligations) placed in trust with a local bank. Cost value of this account is \$64,919 (market \$64,919) at June 30, 1990 and \$62,632 (market \$62,632) at June 30, 1989. The asset and resulting income are recorded in the Endowment Fund.

6 - Bonds Payable (Continued)

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

The bond issue obligation is reflected in the Plant Fund as the amount of bonds outstanding less unamortized discount. At June 30, 1990, the total amount of the obligation is \$900,073, which represents total bonds outstanding of \$915,000 less unamortized discount of \$14,927.

Bond interest varies from 6 percent to 8.9 percent on the various maturity issues. Bonds mature progressively from \$40,000 on December 1, 1990 to \$115,000 on December 1, 2001.

Funds established under this indenture are:

	1990	1989
A. Series Two-L Debt Service Reserve account:		
Balance, beginning of year	\$352,039	\$323,602
Investment income	33,610	28,437
Balance, end of year	<u>\$385,649</u>	<u>\$352,039</u>
B. Series Two-L Bond and Interest Sinking Fund account:		
Balance, beginning of year	\$ 1,382	\$ 1,238
Current fund transfer	79,315	119,930
Investment income	167	144
Payment of principal and interest	(79,315)	(119,930)
Balance, end of year	<u>\$ 1,549</u>	<u>\$ 1,382</u>

4. The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-T, were issued June 1, 1989 to finance the construction of Birch, Maple and Willow apartments, the renovation of Tower Hall and the installation of new telephone and computer systems. Loan repayments sufficient to pay principal and interest on the bonds when due are an obligation of the College. The bonds are additionally secured by a debt service reserve of \$507,605, a security interest equal to 4 percent of the tuition payable to the college in the fiscal year in which the trustee first exercises its right upon an event of default, and on a security interest in certain property of the College.

6 - Bonds Payable (Continued)

The bond issue obligation is reflected in the Plant Fund as the amount of bonds outstanding of \$5,105,000 less unamortized discount of \$81,844.

Bond interest varies from 6.60 percent to 7.25 percent on the various maturity issues. Bonds mature progressively from \$120,000 on December 1, 1990 to \$400,000 on December 1, 2014.

Funds established under this indenture are:

	1990	1989
A. Series Two-T Debt Service Reserve account:		
Balance, beginning of year	\$ 489,673	\$ -
Bond proceeds	-	489,673
Interest income	38,107	-
Interfund transfers	(20,175)	-
Balance, end of year	\$ 507,605	\$ 489,673
B. Series Two-T Bond and Interest Sinking Fund:		
Balance, beginning of year	\$ 27,877	\$ -
Bond proceeds for accrued interest payable	-	27,877
Interest income	2,504	-
Current fund transfers	362,161	-
Payment of principal and interest	(362,161)	-
Interfund transfers	87,472	-
Balance, end of year	\$ 117,853	\$ 27,877
C. Construction account:		
Balance, beginning of year	\$3,309,874	\$ -
Bond proceeds	-	4,530,074
Interest income	167,205	(220,200)
Construction project expenditure	(1,842,083)	-
Interfund transfers	(67,297)	-
Lease payment to S.S.B.A.	-	(1,000,000)
Balance, end of year	\$1,567,692	\$3,309,874

Aggregate bond payments for the Somers, Science, Library and BMW bonds payable mature during the next five years as follows:

1991	\$284,000
1992	\$301,000
1993	\$327,000
1994	\$343,000
1995	\$367,000

7 - Long-term Lease

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

To reflect the property and lease obligations in the Plant Fund, the lease was capitalized at \$509,808, the cash generated by the bond issue. At June 30, 1990, the amount of the obligation is \$225,492.

Lease terms require College payments of:

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

The Benedictine Sisters Benevolent Association guarantees payment of all rent. The rent is pledged for payment of the bonds.

Bond interest is subsidized by the U.S. Department of Housing and Urban Development to an effective rate of 3 percent. Bonds mature progressively from \$25,000 on March 1, 1991 to \$40,000 on March 1, 1997. Total bonds outstanding at June 30, 1990 is \$230,000.

In addition to normal operating expenses, Current Fund expenditures were charged \$40,140 (\$41,732 in 1989) representing principal and interest payments and accruals, and \$10,000 (\$10,000 for 1989) equipment repair and replacement reserve additions and accrual.

Grove apartments has accommodations for 95 students at \$370 (\$359 for 1989) per quarter plus utilities. The facility was approximately 98 percent occupied for the year ended June 30, 1990.

Insurance is included in a blanket policy (co-insurance waived) at an agreed amount of \$818,749. Boiler insurance carried is \$25,000,000 with \$10,000,000 umbrella excess liability coverage.

7 - Long-term Leases (Continued)

Funds established under the indenture are:

A. General Bond Reserve Account:

Balance, beginning of year
Investment income (loss)
Balance, end of year

B. Series D Bond and Interest Sinking Fund Account:

Balance, beginning of year
Current fund transfer
Investment income
Payment on principal and interest
Transfer of income to Current Fund
Fund transfer
Administration fees
Balance, end of year

C. Series D Debt Service Reserve Account:

Balance, beginning of year
Investment income
Fund transfer
Balance, end of year

D. Repair and Replacement Reserve Account:

Balance, beginning of year
Current fund transfer
Investment income
Major repairs
Plant fund transfer
Balance, end of year

	1990	1989
	\$ 27,249	\$ 31,730
	-	(4,481)
	\$ 27,249	\$ 27,249
	\$ 10,430	\$ 10,125
	50,346	39,493
	1,144	818
	(40,140)	(41,565)
	(1,144)	(818)
	1,579	2,544
	(332)	(167)
	\$ 21,883	\$ 10,430
	\$ 35,153	\$ 34,902
	2,904	2,795
	(1,579)	(2,544)
	\$ 36,478	\$ 35,153
	\$ 41,971	\$ 52,554
	10,000	10,000
	3,818	5,590
	-	(46,173)
	-	20,000
	\$ 55,789	\$ 41,971

7 - Long-term Leases (Continued)

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

To reflect the property and lease obligation in the Plant Fund, the lease was capitalized at \$331,700, the cash generated by the bond issue. At June 30, 1990, the amount of the obligation is \$185,417.

Lease terms require College payments of:

- All operating expenses.
 - All principal and interest payments.
 - Maintain a balance of \$24,000 in the Series H Debt Service Reserve Account.
 - \$425 per year payable to the Minnesota Higher Education Facilities Authority.
- Bond interest varies from 6 percent to 6.4 percent on the various maturity issues. Bonds mature progressively from \$15,000 on June 1, 1991 to \$25,000 on June 1, 1999. Total outstanding at June 30, 1990 is \$205,000.

In addition to normal operating expenses, the Current Fund expenditures were charged \$27,845 (\$29,179 for 1989) representing principal and interest payments and accruals for the current year.

Pine Apartments has accommodations for 45 students at \$436 (\$423 for 1989) per quarter plus utilities. The facility was approximately 99 percent occupied for the year ended June 30, 1990.

Insurance is included in a blanket policy (co-insurance waived) at an agreed amount of \$605,985. Boiler insurance is \$25,000,000 with \$10,000,000 umbrella excess liability coverage.

Funds established under this indenture are:

A. General Bond Reserve Account:

Balance, beginning of year
Investment income (loss)
Balance, end of year

	1990	1989
	\$ 17,137	\$ 19,955
	-	(2,818)
	\$ 17,137	\$ 17,137

7 - Long-term Leases (Continued)

	1990	1989
B. Series H bond and Interest Sinking Fund Account:		
Balance, beginning of year	\$ 38	\$ -0-
Current fund transfers	28,279	29,179
Payment of principal and interest	(28,279)	(29,179)
Investment income (expense)	(9)	38
Balance, end of year	\$ 29	\$ 38
C. Series H Debt Service Reserve Account:		
Balance, beginning of year	\$ 38,522	\$ 33,389
Current fund transfers	3,286	5,133
Investment income	3,286	2,932
Transfer of income to Current Fund	(3,286)	(2,932)
Balance, end of year	\$ 41,808	\$ 38,522

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

To reflect the property in the Plant Fund, the Reif Center is included at the total amount expended of \$1,287,953. The lease obligation is reflected as the amount of bonds outstanding less unamortized discount. At June 30, 1990, the amount of the obligation is \$573,067 which represents total bonds outstanding of \$580,000 less unamortized discount of \$6,933. In addition to normal operating expenses, the Current Fund was charged \$115,214, representing principal and interest payments and accruals.

Lease terms require College payments of:

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

The bonds mature progressively from \$100,000 on May 1, 1991 to \$370,000 on May 1, 1993.

7 - Long-term Leases (Continued)

	1990	1989
Funds established under this indenture are:		
A. General Bond Reserve Account:		
Balance, beginning of year	\$ 54,316	\$ 60,090
Investment income (loss)	-	(5,774)
Balance, end of year	\$ 54,316	\$ 54,316
B. Debt Service Reserve Account:		
Balance, beginning of year	\$257,471	\$257,471
Current fund transfer	21,245	20,611
Investment income	21,245	20,611
Transfer of income to Current Fund	(21,245)	(20,611)
Fund transfers	(17,853)	(20,611)
Balance, end of year	\$260,863	\$257,471
C. Bond and Interest Sinking Fund:		
Balance, beginning of year	\$ -	\$ -
Payment on interest	(48,885)	(55,819)
Payment on principal	(90,000)	(80,000)
Fund transfer	138,885	136,048
Fees	-	(223)
Balance, end of year	\$ -	\$ -
D. Redemption Account:		
Balance, beginning of year	\$153,436	\$121,596
Current fund transfer	139,637	136,049
Fund transfer	17,853	20,611
Investment income	13,384	11,228
Fund transfer	(138,885)	(136,048)
Balance, end of year	\$185,425	\$153,436

7 - Long-term Leases (Continued)

Aggregate lease payments for Grove, Pine and Reif for the next five years mature as follows:

1991	\$140,000
1992	\$155,000
1993	\$420,000
1994	\$ 55,000
1995	\$ 55,000

8 - Loan Payable

The loan payable represents a loan from the Minnesota Higher Education Facilities Authority dated October 1, 1983. The proceeds are to be used for capital improvement projects. The loan is payable in six annual installments, beginning September 1, 1987. The principal payments progress from \$104,486 on September 1, 1990 to \$113,011 at maturity, September 1, 1992. Interest varies from 6.75 percent to 8.50 percent.

Maturities are as follows:

1991	\$104,486
1992	\$113,011

9 - Construction Contracts

The components of the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-1, include project costs as follows:

	Total project costs	Projects completed at 6/30/90
Student Housing	\$2,070,350	\$1,503,709
Garages and shops	221,200	18,119
Tower Hall renovation	1,750,000	1,278,794
Telephone system	300,000	271,948
Computer	150,000	2,101
	\$4,491,550	\$3,074,671

The College has entered into several construction contracts. Contract obligations at June 30, 1990 total approximately \$300,000.

10 - Capital Campaign Pledges Receivable

Pledges receivable at June 30, 1990 amount to \$1,784,487 (\$394,019 for 1989).

11 - B.S.B.A. Debt Forgiveness

The Sisters of St. Scholastica Priory approved the forgiveness of \$755,836 of the College B.S.B.A. payable in August 1989. The payable included \$405,428 in the plant fund and \$350,408 in the current fund.

12 - Pension Plan

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

All employees 26 years of age or older, working 1,020 hours or more per year qualify for the Retirement program on their first anniversary. Employees are totally vested immediately.

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

Pension expense totals \$285,598 and \$234,267 for the years ending June 30, 1990 and 1989, respectively.

13 - Self Insurance

The College has adopted a self insurance program for employee health insurance and has entered into a servicing plan agreement with Blue Cross/Blue Shield of Minnesota (BCBSM). It has sole responsibility for all liability under this plan except that BCBSM has liability for excess claims occurring under the stop-loss and designated provider provisions of the agreement. The College and employees jointly expense or pay for coverage through monthly premiums established by BCBSM estimates. A reserve for health insurance claims is included in accrued liabilities. It totals \$241,543 at June 30, 1990 and \$101,085 at June 30, 1989. Maximum annual aggregate stop-loss is estimated to be approximately \$363,463.

14 - Income Taxes

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

OFFICIAL BID FORM

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

SALE DATE: May 22, 1991

RE: \$3,400,000 Revenue Bonds, Series Three-E (College of St. Scholastica, Inc.)

Offer

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$_____ (Note: This amount may not be less than \$3,338,800) and accrued interest to the date of delivery.

_____ % 1992	_____ % 1997	_____ % 2002	_____ % 2007
_____ % 1993	_____ % 1998	_____ % 2003	_____ % 2008
_____ % 1994	_____ % 1999	_____ % 2004	_____ % 2009
_____ % 1995	_____ % 2000	_____ % 2005	_____ % 2010
_____ % 1996	_____ % 2001	_____ % 2006	_____ % 2011

In making this offer we accept all of the Terms and Conditions of Contract of Sale set forth on the reverse side of this Official Bid Form which are hereby incorporated by reference, including the provisions of the Official Terms of Offering published in the Official Statement dated May 8, 1991. In the event of failure to deliver these Bonds in accordance with the Official Terms of Offering as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

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

NET INTEREST COST: \$_____

NET EFFECTIVE RATE: _____ %

Account Members

Account Manager

BY: _____

Acceptance

The foregoing offer to purchase the Bonds at the price and interest rates set forth above and the Terms and Conditions of Contract of Sale set forth on the reverse side hereof is hereby accepted by the Issuer by its following officer, who is duly authorized and empowered to make such acceptance.

Dated: May 22, 1991

Executive Director

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

TERMS AND CONDITIONS OF CONTRACT OF SALE

The bidders (the "Bidders-Underwriters") named on the face of this Official Bid Form and the Minnesota Higher Education Facilities Authority (the "Issuer"), by signing the forms of Offer and Acceptance respectively thereon and delivering the Official Bid Form, respectively agree to purchase and sell the Bonds of the issue described in the Official Bid Form and the Official Statement described therein, subject to the following:

1. Within two (2) business days following the date of Acceptance by the Issuer, the Bidders-Underwriters shall deliver to the Issuer or to Springsted Incorporated a schedule of reoffering yields and prices for the Bonds of each maturity of the issue. If the Bidders-Underwriters shall fail to deliver the reoffering schedule within two (2) business days following the Issuer's Acceptance, or such longer period as shall be acceptable to the Issuer, the Issuer shall have the right by written notice to the Bidders-Underwriters to terminate this Contract of Sale and retain as liquidated damages the amount of the check of the Bidders-Underwriters delivered to the issuer as required by the Official Terms of Offering (the "Good Faith Deposit").
2. The Authority represents that, prior to the award of sale of the Bonds, the Bonds have been registered for sale at a price not greater than par pursuant to an Order of Registration issued by the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes (the "Minnesota Securities Act"). The Bidders-Underwriters agree not to sell any of the Bonds in Minnesota at a price or prices higher than par without first having obtained an amendment to the Order of Registration permitting the sale of the Bonds at such higher price or prices, provided that this provision shall not prevent the sale of Bonds at higher prices in secondary market trading to the extent permitted by the Minnesota Securities Act. Until such time as the Department enters and makes effective such an amendment to the Order of Registration, the Bidders-Underwriters may make an "offer" but agree not to make a "sale" (including any contract to sell) of any Bonds to their customers, as such terms are defined in the Minnesota Securities Act, at prices greater than par. Without limiting the generality of the foregoing, the Bidders-Underwriters agree not to mail or deliver any confirmations to customers or request the payment of funds from customers with respect to any Bonds reoffered at prices greater than par until such time as such amendment to the Order of Registration is effective.
3. After the award of sale of the Bonds, the Issuer or Springsted Incorporated as the Issuer's Financial Advisor shall prepare an addendum to the Official Statement specifying the names of the Bidders-Underwriters and the maturity dates, principal amounts, interest rates, reoffering prices and yields of the Bonds, together with any other information required by law, and such Official Statement, as supplemented, shall constitute a Final Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission. If the Bidders-Underwriters have complied with the provisions of paragraph (1) above, the Issuer shall deliver to the Bidders-Underwriters c/o the Account Manager (defined below) within seven (7) business days after the date of the Issuer's Acceptance 150 copies of such Final Official statement for the Bidders-Underwriters in order to comply with Rule 15c2-12 and Rules of the Municipal Securities Rulemaking Board. The Issuer hereby designates the Account Manager as its agent for purposes of distributing copies of the Final Official statement to each Bidder-Underwriter named on the Official Bid Form (the "Participating Underwriters"). The Account Manager hereby agrees that (i) it shall accept such designation as agent of the Authority for such purposes and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement. "Account Manager" shall mean the Bidder-Underwriter designated as such on the Official Bid Form or (if none is designated) the Bidder-Underwriter who the Authority believes has signed the Official Bid Form on behalf of the Bidders-Underwriters.
4. For as long as the Bidders-Underwriters are required to furnish copies of the Final Official Statement to potential customers under SEC Rule 15c2-12, the Issuer shall promptly give written notice to the Bidders-Underwriters c/o the Account Manager of any material misstatement in or omission from (as defined below) the information in the Final Official Statement made known to the Issuer or of which the Issuer becomes aware, including a copy of any notice of material misstatement or omission received from the Institution named in the Official Statement as required by the Bond Sale Agreement entered into between the Authority and the Institution in connection with the sale of the Bonds, and the Bidders-Underwriters shall promptly furnish the Issuer written notice of any material misstatement or omission made known to the Bidders-Underwriters (or any of the Bidders-Underwriters) or of which the Bidders-Underwriters (or any of them) become aware. The Issuer and the Bidders-Underwriters respectively agree to prepare and (to the extent reasonably possible) agree upon a sticker or other supplemental information to accompany the Final Official Statement (a "Sticker") to remedy the material misstatement or omission. The Bidders-Underwriters agree not to provide a Final Official Statement to any person after any material misstatement or omission in the final Official Statement is made known to the Bidders-Underwriters (or any of them) or of which the Bidders-Underwriters (or any of them) become aware without having attached a Sticker which (a) the Issuer and the Bidders-Underwriters have approved or (b) which the Bidders-Underwriters have approved and have filed with the Department and to which the Department has not objected. As used in this paragraph, a "material misstatement or omission" refers to any untrue statement of material fact in the Final Official Statement or the omission of any material fact from the Final Official Statement which makes the statements made therein, in light of the circumstances under which they were made, misleading, whether or not such material misstatement or omission arises from a change of circumstance after the date of the Final Official Statement.
5. If the Bidders-Underwriters represent by letter to the Issuer that they are purchasing the Bonds for investment and not with a view to redistribution thereof, the provisions of paragraphs 1 through 4 of these Terms and Conditions of Contract for Sale shall not apply.

OFFICIAL BID FORM

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

SALE DATE: May 22, 1991

RE: \$3,400,000 Revenue Bonds, Series Three-E (College of St. Scholastica, Inc.)

Offer

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$_____ (Note: This amount may not be less than \$3,338,800) and accrued interest to the date of delivery.

_____ % 1992	_____ % 1997	_____ % 2002	_____ % 2007
_____ % 1993	_____ % 1998	_____ % 2003	_____ % 2008
_____ % 1994	_____ % 1999	_____ % 2004	_____ % 2009
_____ % 1995	_____ % 2000	_____ % 2005	_____ % 2010
_____ % 1996	_____ % 2001	_____ % 2006	_____ % 2011

In making this offer we accept all of the Terms and Conditions of Contract of Sale set forth on the reverse side of this Official Bid Form which are hereby incorporated by reference, including the provisions of the Official Terms of Offering published in the Official Statement dated May 8, 1991. In the event of failure to deliver these Bonds in accordance with the Official Terms of Offering as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

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

NET INTEREST COST: \$_____

NET EFFECTIVE RATE: _____ %

Account Members

Account Manager

BY: _____

Acceptance

The foregoing offer to purchase the Bonds at the price and interest rates set forth above and the Terms and Conditions of Contract of Sale set forth on the reverse side hereof is hereby accepted by the Issuer by its following officer, who is duly authorized and empowered to make such acceptance.

Dated: May 22, 1991

Executive Director

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

TERMS AND CONDITIONS OF CONTRACT OF SALE

The bidders (the "Bidders-Underwriters") named on the face of this Official Bid Form and the Minnesota Higher Education Facilities Authority (the "Issuer"), by signing the forms of Offer and Acceptance respectively thereon and delivering the Official Bid Form, respectively agree to purchase and sell the Bonds of the issue described in the Official Bid Form and the Official Statement described therein, subject to the following:

1. Within two (2) business days following the date of Acceptance by the Issuer, the Bidders-Underwriters shall deliver to the Issuer or to Springsted Incorporated a schedule of reoffering yields and prices for the Bonds of each maturity of the issue. If the Bidders-Underwriters shall fail to deliver the reoffering schedule within two (2) business days following the Issuer's Acceptance, or such longer period as shall be acceptable to the Issuer, the Issuer shall have the right by written notice to the Bidders-Underwriters to terminate this Contract of Sale and retain as liquidated damages the amount of the check of the Bidders-Underwriters delivered to the issuer as required by the Official Terms of Offering (the "Good Faith Deposit").
2. The Authority represents that, prior to the award of sale of the Bonds, the Bonds have been registered for sale at a price not greater than par pursuant to an Order of Registration issued by the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes (the "Minnesota Securities Act"). The Bidders-Underwriters agree not to sell any of the Bonds in Minnesota at a price or prices higher than par without first having obtained an amendment to the Order of Registration permitting the sale of the Bonds at such higher price or prices, provided that this provision shall not prevent the sale of Bonds at higher prices in secondary market trading to the extent permitted by the Minnesota Securities Act. Until such time as the Department enters and makes effective such an amendment to the Order of Registration, the Bidders-Underwriters may make an "offer" but agree not to make a "sale" (including any contract to sell) of any Bonds to their customers, as such terms are defined in the Minnesota Securities Act, at prices greater than par. Without limiting the generality of the foregoing, the Bidders-Underwriters agree not to mail or deliver any confirmations to customers or request the payment of funds from customers with respect to any Bonds reoffered at prices greater than par until such time as such amendment to the Order of Registration is effective.
3. After the award of sale of the Bonds, the Issuer or Springsted Incorporated as the Issuer's Financial Advisor shall prepare an addendum to the Official Statement specifying the names of the Bidders-Underwriters and the maturity dates, principal amounts, interest rates, reoffering prices and yields of the Bonds, together with any other information required by law, and such Official Statement, as supplemented, shall constitute a Final Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission. If the Bidders-Underwriters have complied with the provisions of paragraph (1) above, the Issuer shall deliver to the Bidders-Underwriters c/o the Account Manager (defined below) within seven (7) business days after the date of the Issuer's Acceptance 150 copies of such Final Official statement for the Bidders-Underwriters in order to comply with Rule 15c2-12 and Rules of the Municipal Securities Rulemaking Board. The Issuer hereby designates the Account Manager as its agent for purposes of distributing copies of the Final Official statement to each Bidder-Underwriter named on the Official Bid Form (the "Participating Underwriters"). The Account Manager hereby agrees that (i) it shall accept such designation as agent of the Authority for such purposes and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement. "Account Manager" shall mean the Bidder-Underwriter designated as such on the Official Bid Form or (if none is designated) the Bidder-Underwriter who the Authority believes has signed the Official Bid Form on behalf of the Bidders-Underwriters.
4. For as long as the Bidders-Underwriters are required to furnish copies of the Final Official Statement to potential customers under SEC Rule 15c2-12, the Issuer shall promptly give written notice to the Bidders-Underwriters c/o the Account Manager of any material misstatement in or omission from (as defined below) the information in the Final Official Statement made known to the Issuer or of which the Issuer becomes aware, including a copy of any notice of material misstatement or omission received from the Institution named in the Official Statement as required by the Bond Sale Agreement entered into between the Authority and the Institution in connection with the sale of the Bonds, and the Bidders-Underwriters shall promptly furnish the Issuer written notice of any material misstatement or omission made known to the Bidders-Underwriters (or any of the Bidders-Underwriters) or of which the Bidders-Underwriters (or any of them) become aware. The Issuer and the Bidders-Underwriters respectively agree to prepare and (to the extent reasonably possible) agree upon a sticker or other supplemental information to accompany the Final Official Statement (a "Sticker") to remedy the material misstatement or omission. The Bidders-Underwriters agree not to provide a Final Official Statement to any person after any material misstatement or omission in the final Official Statement is made known to the Bidders- Underwriters (or any of them) or of which the Bidders-Underwriters (or any of them) become aware without having attached a Sticker which (a) the Issuer and the Bidders-Underwriters have approved or (b) which the Bidders-Underwriters have approved and have filed with the Department and to which the Department has not objected. As used in this paragraph, a "material misstatement or omission" refers to any untrue statement of material fact in the Final Official Statement or the omission of any material fact from the Final Official Statement which makes the statements made therein, in light of the circumstances under which they were made, misleading, whether or not such material misstatement or omission arises from a change of circumstance after the date of the Final Official Statement.
5. If the Bidders-Underwriters represent by letter to the Issuer that they are purchasing the Bonds for investment and not with a view to redistribution thereof, the provisions of paragraphs 1 through 4 of these Terms and Conditions of Contract for Sale shall not apply.

OFFICIAL BID FORM

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Minnesota Higher Education Facilities Authority
Suite 450, Galtier Plaza
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SALE DATE: May 22, 1991

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Offer

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In making this offer we accept all of the Terms and Conditions of Contract of Sale set forth on the reverse side of this Official Bid Form which are hereby incorporated by reference, including the provisions of the Official Terms of Offering published in the Official Statement dated May 8, 1991. In the event of failure to deliver these Bonds in accordance with the Official Terms of Offering as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

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

NET INTEREST COST: \$_____

NET EFFECTIVE RATE: _____ %

Account Members

Account Manager

BY: _____

Acceptance

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Dated: May 22, 1991

Executive Director

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

TERMS AND CONDITIONS OF CONTRACT OF SALE

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1. Within two (2) business days following the date of Acceptance by the Issuer, the Bidders-Underwriters shall deliver to the Issuer or to Springsted Incorporated a schedule of reoffering yields and prices for the Bonds of each maturity of the issue. If the Bidders-Underwriters shall fail to deliver the reoffering schedule within two (2) business days following the Issuer's Acceptance, or such longer period as shall be acceptable to the Issuer, the Issuer shall have the right by written notice to the Bidders-Underwriters to terminate this Contract of Sale and retain as liquidated damages the amount of the check of the Bidders-Underwriters delivered to the issuer as required by the Official Terms of Offering (the "Good Faith Deposit").
2. The Authority represents that, prior to the award of sale of the Bonds, the Bonds have been registered for sale at a price not greater than par pursuant to an Order of Registration issued by the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes (the "Minnesota Securities Act"). The Bidders-Underwriters agree not to sell any of the Bonds in Minnesota at a price or prices higher than par without first having obtained an amendment to the Order of Registration permitting the sale of the Bonds at such higher price or prices, provided that this provision shall not prevent the sale of Bonds at higher prices in secondary market trading to the extent permitted by the Minnesota Securities Act. Until such time as the Department enters and makes effective such an amendment to the Order of Registration, the Bidders-Underwriters may make an "offer" but agree not to make a "sale" (including any contract to sell) of any Bonds to their customers, as such terms are defined in the Minnesota Securities Act, at prices greater than par. Without limiting the generality of the foregoing, the Bidders-Underwriters agree not to mail or deliver any confirmations to customers or request the payment of funds from customers with respect to any Bonds reoffered at prices greater than par until such time as such amendment to the Order of Registration is effective.
3. After the award of sale of the Bonds, the Issuer or Springsted Incorporated as the Issuer's Financial Advisor shall prepare an addendum to the Official Statement specifying the names of the Bidders-Underwriters and the maturity dates, principal amounts, interest rates, reoffering prices and yields of the Bonds, together with any other information required by law, and such Official Statement, as supplemented, shall constitute a Final Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission. If the Bidders-Underwriters have complied with the provisions of paragraph (1) above, the Issuer shall deliver to the Bidders-Underwriters c/o the Account Manager (defined below) within seven (7) business days after the date of the Issuer's Acceptance 150 copies of such Final Official statement for the Bidders-Underwriters in order to comply with Rule 15c2-12 and Rules of the Municipal Securities Rulemaking Board. The Issuer hereby designates the Account Manager as its agent for purposes of distributing copies of the Final Official statement to each Bidder-Underwriter named on the Official Bid Form (the "Participating Underwriters"). The Account Manager hereby agrees that (i) it shall accept such designation as agent of the Authority for such purposes and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement. "Account Manager" shall mean the Bidder-Underwriter designated as such on the Official Bid Form or (if none is designated) the Bidder-Underwriter who the Authority believes has signed the Official Bid Form on behalf of the Bidders-Underwriters.
4. For as long as the Bidders-Underwriters are required to furnish copies of the Final Official Statement to potential customers under SEC Rule 15c2-12, the Issuer shall promptly give written notice to the Bidders-Underwriters c/o the Account Manager of any material misstatement in or omission from (as defined below) the information in the Final Official Statement made known to the Issuer or of which the Issuer becomes aware, including a copy of any notice of material misstatement or omission received from the Institution named in the Official Statement as required by the Bond Sale Agreement entered into between the Authority and the Institution in connection with the sale of the Bonds, and the Bidders-Underwriters shall promptly furnish the Issuer written notice of any material misstatement or omission made known to the Bidders-Underwriters (or any of the Bidders-Underwriters) or of which the Bidders-Underwriters (or any of them) become aware. The Issuer and the Bidders-Underwriters respectively agree to prepare and (to the extent reasonably possible) agree upon a sticker or other supplemental information to accompany the Final Official Statement (a "Sticker") to remedy the material misstatement or omission. The Bidders-Underwriters agree not to provide a Final Official Statement to any person after any material misstatement or omission in the final Official Statement is made known to the Bidders- Underwriters (or any of them) or of which the Bidders-Underwriters (or any of them) become aware without having attached a Sticker which (a) the Issuer and the Bidders-Underwriters have approved or (b) which the Bidders-Underwriters have approved and have filed with the Department and to which the Department has not objected. As used in this paragraph, a "material misstatement or omission" refers to any untrue statement of material fact in the Final Official Statement or the omission of any material fact from the Final Official Statement which makes the statements made therein, in light of the circumstances under which they were made, misleading, whether or not such material misstatement or omission arises from a change of circumstance after the date of the Final Official Statement.
5. If the Bidders-Underwriters represent by letter to the Issuer that they are purchasing the Bonds for investment and not with a view to redistribution thereof, the provisions of paragraphs 1 through 4 of these Terms and Conditions of Contract for Sale shall not apply.

