OFFICIAL STATEMENT DATED FEBRUARY 9, 2011

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

In the opinion of Bond Counsel, according to present State of Minnesota and federal laws, regulations and rulings, assuming compliance with certain covenants, the interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal 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.")

The College of St. Scholastica

$10,170,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Seven-J
(College of St. Scholastica, Inc.)
(DTC Book Entry Only)

Dated Date: Date of Delivery **Interest Due: June 1 and December 1, commencing June 1, 2011**

The Bonds will mature annually on December 1 as follows:

$70,000 5.00% Term Bonds due December 1, 2019 Yield 5.00% CUSIP 60416H WC 4
$565,000 6.00% Term Bonds due December 1, 2028 Yield 5.95%* CUSIP 60416H WD 2
$9,535,000 6.30% Term Bonds due December 1, 2040 Yield 6.30% CUSIP 60416H WE 0

* *Priced to the first optional call date of December 1, 2019.*

The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-J (College of St. Scholastica, Inc.) (the "Bonds" or the "Issue") are subject to optional redemption prior to maturity, as described herein. See "THE BONDS – Prior Redemption – Optional Redemption." The Bonds will also be subject to extraordinary optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture. The Bonds will be subject to extraordinary optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. See "THE BONDS – Prior Redemption – Extraordinary Optional Redemption" and "THE BONDS – Determination of Taxability." The Bonds maturing on December 1 in the years 2019, 2028 and 2040 are subject to mandatory redemption in installments as described herein.

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

The Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority") payable solely from Loan Repayments made by or on behalf of the College of St. Scholastica, Inc. (the "College") pursuant to a Loan Agreement between the Authority and the College, or out of other amounts pledged pursuant to the Indenture as described herein. The Loan Repayments will be a general obligation of the College.

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter named below subject to the opinion as to validity and tax exemption of the Bonds by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Hanft Fride, a Professional Association, Duluth, Minnesota and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter at DTC on or about February 17, 2011.

George K. Baum & Company

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

No dealer, broker, sales representative or other person has been authorized by the Authority, the College, or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the College or the Underwriter. The information contained herein, except as it relates to the Authority, DTC, and the Trustee, has been obtained from the College and is not guaranteed as to accuracy or completeness. Information relating to the Authority, DTC and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the College since the date hereof.

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

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

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

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

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

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED "FORWARD-LOOKING STATEMENTS," MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY WORDS SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE COLLEGE NOR ANY OTHER PARTY EXPECTS OR INTENDS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

$10,170,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES SEVEN-J
(COLLEGE OF ST. SCHOLASTICA, INC.)

(DTC Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the College of St. Scholastica, Inc., a Minnesota nonprofit corporation (the "College"), owner and operator of an institution of higher education located in Duluth, Minnesota, in connection with the issuance of the Authority's $10,170,000 Revenue Bonds, Series Seven-J (College of St. Scholastica, Inc.) (the "Bonds," the "Series Seven-J 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 and refinance certain projects.

The Bonds are also issued pursuant to the Trust Indenture (the "Indenture") to be dated as of February 1, 2011 between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") to be dated as of February 1, 2011 between the College and the Authority, the Authority is loaning the Bond proceeds to the College and 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, premium, if any, and interest on the Bonds as the same shall become due.

The College will use the proceeds of the Bonds to:

(i) fund the balance of the costs of constructing, furnishing and equipping an approximately 42,000 square-foot expansion and renovation to the College's existing Science Building and related facilities located on its Duluth campus (the "Project") that were not funded by proceeds of the Authority's Series Seven-H Bonds;

(ii) fund a debt service reserve; and

(iii) pay certain costs of issuance.

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

The Bonds are also secured by the Reserve Account created under the Indenture and held by the Trustee. The Reserve Account will be funded in the amount of the Reserve Requirement from proceeds of the Bonds. See "ACCOUNTS – Reserve Account."

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

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

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 or interest on the Bonds.

Risk of Insufficient Collateral

The Bonds are a general obligation of the College secured solely by (a) a pledge of amounts payable under the Loan Agreement, and (b) amounts in the Reserve Account and other accounts and funds which will be held by the Trustee and applied to the payment of principal, premium, if any, and interest on the Bonds. See "Appendix IV – DEFINITIONS OF CERTAIN TERMS – Reserve Requirement." The Bonds are not secured by a mortgage on or security interest in any real property or personal property. If an Event of Default occurs, there can be no assurance that security for the Bonds will be sufficient to pay the principal of, premium, if any, or interest on the Bonds when due. The Bonds are not secured by a bond insurance policy, letter of credit or any other form of financial guarantee.

Limited Obligation

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Indenture, the Bonds or for other obligation of the College under such documents. Accordingly, for payment of principal and interest on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the College under the Loan Agreement and the Reserve Account and other funds, if any, the Trustee holds under the Indenture.

Adequacy of Revenues

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

Competition

There is intense competition among institutions of higher education for students both nationally and within the upper Midwest region from which the College draws the majority of its students. Universities and colleges compete principally based on location, net tuition rates, degree offerings, and academic reputation. To the extent that competitors have or achieve an advantage with respect to any of these factors, the College could be adversely affected. In addition, competitive pressures could result in tuition reductions, the inability to raise tuition, or increases in financial aid in the form of discounted tuition, which could adversely affect the College's unrestricted net assets.

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

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. Future enrollment levels will depend on the number of students applying to the College and accepting offers of admission. A number of factors, including, without limitation, levels of tuition rates and other fees, competition from other colleges, a change in the number of college-age students generally, and the general state of the economy could influence the number of students matriculating to the College.

Financial Aid

In 2010, approximately 82% of the College's student body received some form of financial assistance through scholarships, grants, loans and work study, from federal, state, College or private sources covering at least a portion of tuition, fees and living expenses. See Appendix I, "THE COLLEGE – Financial Aid" herein. No assurance can be given that federal and state financial aid and private third party financing will continue to be funded at current levels or that the College will continue to fund student aid at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues.

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

Damage or Destruction

Although the College will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the College will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss will not exceed the coverage of such insurance policies.

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 "Maximum Annual Debt Service and Pro Forma 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 and other debt service requirements.

Bankruptcy

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

Construction Risks

Construction of the Project is subject to ordinary risks associated with new construction and renovations of existing structures, such as risks of cost overruns, non-completion and delays due to a variety of factors, including, among other things, site difficulties, necessary design changes or final detailing, labor shortage or strife, delays in and shortages of materials, weather conditions, fire, and casualty. Any delays in construction may adversely impact the College's ability to complete the Project by the expected completion date, which may result in, among other things, cost overruns. The College does not believe, however, that the occurrence of any such event would have a material adverse effect on the ability of the College to make payments on the Bonds.

The College estimates Project costs to be $16,000,000. The College expects to sign a Guaranteed Maximum Price contract for the Project, which will occur subsequent to the Issue Date of the Bonds but prior to commencement of construction.

Endowment Portfolio Risk

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

Other Possible Risk Factors

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

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

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

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

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the “Rule”), the College will enter into an undertaking (the “Undertaking”) with the Trustee for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the College to the Municipal Securities Rulemaking Board annually, and to provide notices of the occurrence of any of the fourteen events enumerated in the Rule to the Municipal Securities Rulemaking Board. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Agreement to be executed by the College at the time the Bonds are delivered, a copy of which is available from the College or the Trustee. Appendix III, “Information to be Provided as Continuing Disclosure,” contains a summary of the financial information and operating data to be provided annually, as well as the list of material events. The Continuing Disclosure Agreement may be amended under certain circumstances as permitted by the Rule.

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

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

THE BONDS

General

The Bonds will be dated as of the date of delivery and will mature annually with mandatory sinking fund payments commencing December 1, 2016, as set forth in “THE BONDS – Prior Redemption – Mandatory Redemption”. 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 June 1, 2011.

Book Entry Only System

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

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

Prior Redemption

Mandatory Redemption

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

Term Bond maturing December 1, 2019

Year	Amount
2016	$20,000
2017	$15,000
2018	$15,000
2019*	$20,000

Term Bond maturing December 1, 2028

Year	Amount
2020	$50,000
2021	$50,000
2022	$55,000
2023	$60,000
2024	$60,000
2025	$65,000
2026	$70,000
2027	$75,000
2028*	$80,000

Term Bond maturing December 1, 2040

Year	Amount
2029	$ 85,000
2030	$ 90,000
2031	$ 100,000
2032	$ 100,000
2033	$ 105,000
2034	$ 115,000
2035	$1,270,000
2036	$1,355,000
2037	$1,435,000
2038	$1,525,000
2039	$1,625,000
2040*	$1,730,000

* *Final maturity.*

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

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

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

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

Optional Redemption

The Bonds maturing on or after December 1, 2020 are subject to optional redemption at the College's direction on December 1, 2019 and on any day thereafter at par plus accrued interest. Redemption may be in whole or in part and if in part in such order of maturity as the College directs and selected by random means within a maturity, in integral multiples of $5,000.

Extraordinary Optional Redemption

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

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

Partial Redemption

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

In the case of Bonds of denominations greater than $5,000, if fewer than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each $5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and available for the redemption of said $5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

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

Determination of Taxability

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

The College will have the option to prepay the Loan on the next date for which due notice of redemption can be given, in full or in part and 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) and without a premium.

USE OF PROCEEDS

Proceeds of the Bonds will be used to:

(i) fund the balance of the costs of constructing, furnishing and equipping an approximately 42,000 square-foot expansion and renovation to the College’s existing Science Building and related facilities located on its Duluth campus (the “Project”) that were not funded by proceeds of the Authority’s Series Seven-H Bonds;

(ii) fund a debt service reserve; and

(iii) pay certain costs of issuance.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of the Bonds	$10,170,000
Original Issue Premium	1,848
Total Sources	$10,171,848
Uses of Funds	
Deposit to Construction Account	$ 9,000,000
Deposit to Reserve Account	1,017,000
Costs of Issuance, including Underwriter Discount and Additional Proceeds	154,848
Total Uses	$10,171,848

SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS

Source of Payment

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including moneys and investments in the Reserve Account. The Reserve Account will be fully funded to the Reserve Requirement from proceeds of the Bonds on the date of issuance of the Bonds.

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

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

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

The Bonds will not be secured by the General Bond Reserve of the Authority (see "GENERAL BOND RESERVE ACCOUNT").

No Mortgage Liens

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

Financial Covenants

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

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

b. At June 30, 2011 and at the end of each Fiscal Year thereafter, Unrestricted Liquid Funds shall be not less than $2,500,000. Within 120 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an Authorized College Representative showing the Unrestricted Liquid Funds as of the end of the Fiscal Year. If at the end of any Fiscal Year, Unrestricted Liquid Funds do not equal or exceed $2,500,000, the College shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) additional Unrestricted Liquid Funds at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the College for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

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

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

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

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

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

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

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

“Maximum Annual Debt Service,” as used above, means the largest total amount of principal and interest on Funded Debt payable by the College in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding and subject to adjustments in accordance with Section 6.14 of the Loan Agreement.

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

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

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

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

For purposes of (a), (b) and (c) above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by the College's auditors in the report of the College's financial statements. If any such term is no longer utilized in the financial statements, the College shall obtain from its auditor the substantially equivalent term in the financial statements or have the auditor determine the amounts in the financial statements that would be reported under this Section and obtain from such auditor a certificate or opinion as to such equivalency or determination directed to the Authority and the College. The Trustee may waive any violation of the financial covenants described above which results from a reclassification of net assets of the College or Funded Debt due to a change in accounting principles, without Bondholder consent.

ACCOUNTS

Summary

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

Construction Account

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account and the Reserve Account. The College will agree in the Loan Agreement to provide for payment of all costs of the Project 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. Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project. When work on the Project has been completed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Redemption Account or the Bond and Interest Sinking Fund Account under certain conditions.

Bond and Interest Sinking Fund Account

Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other Accounts, as permitted by the Indenture, and from Loan Repayments made by the College. Deposits into the Bond and Interest Sinking Fund Account shall be made at least two (2) Business Days prior to each Interest Payment Date in amounts equal to interest and, if applicable, principal due on such Interest Payment Date.

The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the amount of the Reserve Requirement for the Bonds. The Reserve Account is 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 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.

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 shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than as of the first day of the calendar month next preceding June 1, 2011 and each Interest Payment Date thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the lesser of the amount of the Reserve Requirement, or the amount (if less than the Reserve Requirement) permitted 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 on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the value of the amount on deposit exceeds 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. When the moneys and investments in the Reserve Account shall be sufficient to pay the principal of and interest on all outstanding Bonds when due, such moneys and investments shall be transferred, as appropriate, into the Bond and Interest Sinking Fund Account or the Redemption Account; provided that the Trustee is authorized, in its discretion, to use funds and investments in the Reserve Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Redemption Account

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

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account, Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by Minnesota law from time to time. Section 5.04 of the Indenture sets forth specific parameters as to type, credit quality, and maturity of investments. See Appendix V, "SUMMARY OF DOCUMENTS – The Indenture" herein.

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. **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.** The General Bond Reserve Account has not been used to secure Authority bonds since 1984.

FUTURE FINANCING

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

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. A representative of the Minnesota Office of Higher Education and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

Marianne T. Remedios has been the Executive Director of the Authority since 2000.

Elaine J. Yungerberg has been Assistant Executive Director of the Authority since 1993.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $1.3 billion. The Authority has had 182 issues (including refunded and retired issues) totaling over $1.8 billion, of which approximately $967 million is outstanding as of January 1, 2011. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

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

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

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

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

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

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

FINANCIAL ADVISOR

The Authority has retained Springsted Incorporated, Public Sector Advisors, of Saint Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon College officials and other sources who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

UNDERWRITING

The Bonds are being purchased by George K. Baum & Company (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a purchase price of $10,112,353.05 (representing the aggregate principal amount of the Bonds less underwriter discount and adjustments for original issue premium of $1,847.55.

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

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

RATING

As noted on the cover page hereof, Moody's Investors Service (“Moody’s”) has assigned a long-term rating of “Baa2” to the Bonds with a stable outlook. The rating reflects only the view of such rating agency. Any explanation of the significance of such rating may be obtained only from Moody's.

There is no assurance that the rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the College are unaware of any pending or threatened litigation which would affect the validity of the Bonds, the tax-exempt nature of the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either to perform as described herein, or materially affect the ability of the College to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the College by Hanft Fride, a Professional Association, Duluth, Minnesota and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota. Mr. William M. Burns, an attorney with Hanft Fride, is an emeritus member of the College's Board of Trustees. Christopher Dolan, an attorney with Faegre & Benson LLP, is a member of the College’s Board of Trustees.

TAX EXEMPTION

Federal Tax Considerations

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

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

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

The Code imposes a branch profits tax equal to 30% of the "dividend equivalent amount" which is measured by "earnings and profits" effectively connected to the United States, net of certain adjustments. Included in the earnings and profits of a United States branch of a foreign corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Bonds.

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

Minnesota Tax Considerations

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

Original Issue Premium

The Term Bonds maturing on December 1, 2028 (the “Premium Bonds”) are being sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed. Purchasers of any Premium Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be designated “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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE COLLEGE

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

The College serves approximately 3,900 full-time and part-time students. This small community enables each student to participate in academics, extracurricular activities, and recreational activities. The College's 14:1 student-teacher ratio makes it easier to seek individualized help and encouragement.

In an effort to expand and diversify beyond its traditional undergraduate focus, the College has been offering graduate, extended and online (“GEO”) programs. GEO programs are available as traditional, accelerated and online programs and serves undergraduates, graduate and continuing education students. The offerings include health sciences, nursing, business and technology, and education. As part of its GEO strategy, the College has extended campus locations in St. Paul, Rochester, St. Cloud and Brainerd. Enrollment in the GEO programs has grown 69% from fall 2007 to fall 2010.

The College has consortium agreements through which students may enroll in courses at other colleges in the region. Opportunities to study abroad exist with the College’s study center in Louisburgh, Ireland; in a Russian language exchange program in Petrozavodsk, Karelia, Russia; at the Curnevaca Center for Intercultural Dialogue on Development in Mexico; and other global destinations in Africa, Asia and Europe. Approximately 97% of traditional undergraduate graduates either secured employment or enrolled in graduate school within six months of graduation, based on a five-year average.

The College is consistently recognized for excellence by U.S. News & World Report magazine. The magazine's 2011 "America's Best Colleges" ranks the College No. 24 in Midwest Best Regional Universities. The College has been called a "hidden gem" by the Washington Post.

Governance

The current By-Laws provide for a Board of Trustees of not less than 27 persons, including the President of the College, the President of the Benedictine Sisters Benevolent Association, a student appointed by the Student Senate, a faculty member elected by the Faculty Assembly, the President of the Alumni Association, and a representative of the staff of the College. At all times, up to 25% but not fewer than four of the voting Trustees shall be members of the Benedictine Sisters Benevolent Association.

Board of Trustees – Officers & Members

Board of Trustees – Members

President

Dr. Larry Goodwin became the eleventh President of the College in 1999. Mr. Goodwin served as Interim President of the College from 1998 to 1999, Dean of Faculty from 1987 to 1998, and as Vice President for Academic Affairs from 1993 to 1998. Prior to joining the College, Dr. Goodwin was the acting Associate Academic Dean at St. Catherine University in Saint Paul, Minnesota, where he also taught for ten years. Dr. Goodwin received a Ph.D. in Theology from The University of Chicago in 1976.

Vice President for Academic Affairs

Dr. Elizabeth Domholdt joined the College in 2005 as Vice President for Academic Affairs. Prior to coming to the College, Dr. Domholdt was a professor and dean at the Krannert School of Physical Therapy at the University of Indianapolis from 1987 to 2005. She received her BS in Physical Therapy from the University of Michigan in 1979 and her MS in Health Occupations Education in 1983 and EdD in Higher Education in 1987 from Indiana University.

Vice President for Finance

Mr. Patrick Flattery, Vice President for Finance, is also the Treasurer for the College and has held these positions since joining the College in 1999. Prior to joining the College, Mr. Flattery was the Director of Business and Finance for the Duluth Public Schools in Duluth, Minnesota. Mr. Flattery is a Certified Public Accountant and earned his BA in Accounting in 1978 from the University of Minnesota, Duluth.

Academic Information – Undergraduate Program

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

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

Admission Requirements

The College seeks to identify and admit students who have a strong probability of success in a demanding curriculum and rigorous academic major. Historically, the student who successfully demonstrates academic aptitude in high school or in a home school curriculum, has above average ACT and/or SAT scores, and ranks in the upper half of his or her senior class is admitted to the College. Transfer students must demonstrate similar success in the college-level environment, with a minimum cumulative GPA of 2.0 for admission consideration. The College welcomes students from differing ethnic, religious, racial, economic, and geographic backgrounds.

Majors and Degrees

Undergraduate Programs

The College offers the Bachelor of Arts and Bachelor of Science degrees in over 40 major areas of study. Minors are available in most of the major fields as well as in American Indian Studies, French, German, Gerontology, Medieval and Renaissance Studies, Ojibwe, Philosophy, Photography, Political Science, Russian, Theatre, and Women's and Gender Studies. There are also programs for non-traditional students.

Graduate Programs

The College also offers the Master of Arts, Master of Business Administration, Master of Education, and Master of Science degrees; Doctor of Nursing Practice, Doctor of Physical Therapy and Transitional Doctor of Physical Therapy degrees; and Certificates and Licensures in eight different areas.

Campus Facilities

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

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

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

The College currently has 1,025 beds available on campus. For the 2009-10 academic year, an average of 1,030 beds were occupied, resulting in a 100.5% occupancy rate. Approximately 48% of the full-time traditional students at the College's Duluth campus live in student housing on campus.

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

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

Student Body

The College's actual head count enrollment and full-time equivalent fall enrollment is:

Year - Fall of	Total Head Count	% Increase (Decrease)	Total FTE	% Increase (Decrease)	Traditional Undergraduate FTE	% Increase (Decrease)
2006	3,309	--	2,987	--	2,063	--
2007	3,259	(1.5)	2,971	(0.5)	2,059	(0.2)
2008	3,593	10.2	3,304	11.2	2,110	2.5
2009	3,746	4.3	3,469	5.0	2,123	0.6
2010	3,898	4.1	3,597	3.7	2,161	1.8

The cumulative percentage increase in Total FTE's over the past five years is 20.4%.

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

Applications, Acceptance and Enrollments

The following table shows traditional undergraduate application, acceptances and matriculations as of the fall term for each of the following years:

	2006	2007	2008	2009	2010
Applications	1,520	1,461	1,899	1,864	1,885
Acceptances	1,335	1,288	1,584	1,581	1,557
Matriculations	496	488	571	536	550

Graduation rate for first year students graduating in four years:

Entering Fall	4-year Graduation rate
2002	56.8%
2003	57.5%
2004	52.8%
2005	52.5%
2006	56.0%

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

Fall 2005 to Fall 2006	81.6%
Fall 2006 to Fall 2007	79.3%
Fall 2007 to Fall 2008	82.9%
Fall 2008 to Fall 2009	77.1%
Fall 2009 to Fall 2010	83.5%

Tuition and Fees

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

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Annual Tuition	$23,434	$24,840	$26,324	$27,114	$28,200
Health Service Fee	140	150	166	170	174
Subtotal	$23,574	$24,990	$26,490	$27,284	$28,374
Room & Board	6,514	6,684	6,972	7,278	7,498
Total	$30,088	$31,674	$33,462	$34,562	$35,872

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

COMPREHENSIVE CHARGES FOR 2010-2011
AT MINNESOTA'S PRIVATE COLLEGES

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges*
Carleton College	$41,304	$10,806	$52,110
Macalester College	$40,046	$ 9,087	$49,124
St. Olaf College	$36,800	$ 8,500	$45,300
Gustavus Adolphus College	$33,858	$ 8,400	$42,258
College of Saint Benedict	$32,246	$ 8,652	$40,898
Saint John's University	$31,576	$ 8,044	$39,620
Hamline University	$30,763	$ 8,396	$39,159
University of St. Thomas	$30,493	$ 8,320	$38,813
St. Catherine University	$30,168	$ 7,658	$37,826
Augsburg College	$28,864	$ 7,760	$36,624
Bethel University	$28,080	$ 8,220	$36,300
Minneapolis College of Art & Design	$29,700	$ 6,530	$36,230
College of St. Scholastica	**$28,374**	**$ 7,498**	**$35,872**
Concordia University (Saint Paul)	$27,400	$ 7,500	$34,900
Concordia College (Moorhead)	$27,160	$ 6,510	$33,670
Saint Mary's University of Minnesota	$26,090	$ 6,940	$33,030
Bethany Lutheran College	$20,950	$ 6,500	$27,450
Average	$30,816	$ 7,960	$38,776

* *These are standard charges for first-time, full time, full academic year undergraduate students, including fees assessed on all undergraduates. Several colleges have differential tuition for upper-level students or other policies that result in some variation across class levels and students.*

NOTE: Comprehensive charges are reduced for many students through financial assistance. 94% of private college students apply for and receive financial assistance, with the amounts and types of aid determined in relation to family resources, calculated need, government formulas and financial aid funding and other factors. Typical assistance provided to students includes federal and state grants (if applicant qualifies), institutional grants, loans and work-study determined in relation to the student's needs and other factors.

Source: The Minnesota Private College Council, website at: http://www.mnprivatecolleges.org/paying/tuition.php as of January 2011.

Financial Aid

Over 98% of students at the College who apply for financial aid receive some form of aid. The following table is a five-year trend of financial aid by category received from both College and non-College funds:

Source	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Federal	$ 2,306,944	$ 2,598,624	$ 2,953,289	$ 3,302,126	$ 4,539,881
State	2,838,768	3,052,039	3,149,625	3,169,718	3,789,425
College	18,918,422	2,0948,306	21,193,510	23,859,048	25,873,077
Private	678,167	703,065	855,769	1,094,103	873,395
Total	$24,742,301	$27,302,034	$28,152,193	$31,424,995	$35,075,778
Loans	$26,220,667	$29,244,246	$31,461,622	$35,742,476	$39,857,980
Workstudy	1,384,968	1,451,847	1,582,984	1,779,291	1,937,180
Grand Total	$52,347,936	$57,998,127	$61,196,799	$68,946,762	$76,870,938
Number of full-time students receiving financial aid	2,491	2,458	2,281	2,748	2,956

Faculty and Staff

The College employs a total of 673 persons. Of these, 166 are full-time faculty; this number includes six school deans. Average salaries by full-time faculty rank are:

Rank	Number	Average Salary	Percent Tenured
Professor	25	$78,551	96%
Associate Professor	31	64,209	77
Assistant Professor	93	52,199	9
Instructor	17	43,949	0

The College has entered into two collective bargaining agreements with the International Union of Operating Engineers, Local No. 70, covering the wages, hours, and working conditions for its maintenance and janitorial employees. The current agreements cover approximately twenty-five employees and expire December 31, 2011 and June 30, 2013, respectively. The College has never experienced an employee work stoppage.

Pension Plans

All employees of the College meeting age and service requirements are covered under two contributory defined contribution retirement plans. Pension expense totaled $1,998,700 and $1,831,600 for the years ended June 30, 2010 and 2009, respectively.

Investments

Following is a five-year history of the net assets of the College's Restricted Net Assets held as endowment funds and Unrestricted Net Assets held as long-term investments (quasi-endowment funds) at market value. The State of Minnesota adopted a version of UPMIFA effective August 1, 2008. As a result, in 2009 the College reclassified approximately $6.33 million from unrestricted net assets to temporarily restricted net assets.

Fiscal Year Ending June 30	Temporarily and Permanently Restricted Endowment	Unrestricted Long-Term Investment (Quasi-Endowment)	Total
2006	$13,976,011	$ 9,977,285	$23,953,296
2007	14,685,827	13,965,438	28,651,265
2008	15,617,500	10,797,526	26,415,026
2009	18,025,410	2,837,248	20,862,388
2010	19,535,035	3,439,537	22,974,572

The net assets described above reflect a portion of the College's Total Net Assets and are the funds that are subject to the College's Endowment Spending Policy. The College's Endowment Spending Policy has followed the total return concept for its endowment funds and long-term investment funds. Under this concept, endowment income and long-term investment income to be distributed and spent for operational purposes is established as a percentage of the average of the previous twelve quarter-end values of that portion of Total Net Assets described above. This percentage is determined annually by the Board of Trustees, and for each of Fiscal Years 2010 and 2009 the percentage was 4.00%. Based on this formula and spending rate, the total distributable income for Fiscal Years 2010 and 2009 was $585,048 and $893,318, respectively.

As of December 31, 2010, the market value of the College's endowment funds is $31,681,000.

At its October 2010 meeting, the College Trustees authorized the transfer of $20 million from the College's operating funds to the endowment to be classified on the College books as unrestricted quasi-endowment funds. The transfer of funds has begun and is expected be completed by March 31, 2011.

Gifts and Grants

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

Fiscal Year Ending June 30	Unrestricted	Temporarily Restricted	Permanently Restricted
2006	$4,346,250	$ 625,443	$465,585
2007	4,850,987	1,089,178	737,397
2008	5,914,155	2,096,906	708,112
2009	6,028,057	3,341,033	254,895
2010	6,291,822	1,345,423	361,029

Capital Campaign

In 2008, the College's Board of Trustees approved an initiative to raise funds for various College capital projects. The goal of the initiative was set at $6 million and at December 31, 2010, $4.7 million has been pledged or contributed. Initiative contributions may be used to fund capital projects or debt service as determined by the College Board.

Statement of Financial Activity for Fiscal Years 2006 through 2010

The following table summarizes the College's statements of unrestricted activities for the Fiscal Years ended June 30, 2006 through 2010. For more complete information of the College for the Fiscal Years ended June 30, 2010 and 2009, see Appendix VII of this Official Statement containing the College's audited financial statements for that period.

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

For the Years Ended June 30,

	2006	2007	2008	2009	2010
REVENUES, GAINS AND OTHER SUPPORT					
Tuition & Fees	$54,756,734	$59,377,259	$63,625,013	$71,623,751	$76,315,469
Less: Scholarships and grants	(20,229,464)	(22,434,895)	(23,046,261)	(25,782,375)	(27,521,657)
Net tuition and fees	34,527,270	36,942,364	40,578,752	45,841,376	48,793,812
Government grants	3,506,208	4,226,109	5,076,260	5,370,513	5,505,704
Private gifts	840,042	624,878	837,895	657,544	786,118
Endowment income	953,906	1,642,438	(1,831,045)	(951,107)	765,090
Contributed services, net of expenses	157,714	145,958	153,687	214,716	173,594
Other sources	1,222,009	1,386,439	1,961,043	1,964,940	2,068,620
Investment income	359,465	653,440	644,256	251,291	82,774
Sales of services of auxiliary enterprises	6,156,198	6,564,893	6,799,374	7,371,525	7,595,273
	47,722,812	52,186,519	54,220,222	60,720,798	65,770,985
Net assets released from restrictions	2,235,080	2,789,353	1,569,736	1,924,039	1,796,193
Total Revenues, Gains and Other Support	49,957,892	54,975,872	55,789,958	62,644,837	67,567,178
EXPENSES AND LOSSES					
Program expenses					
Instruction	18,871,208	20,752,985	23,272,570	25,602,821	26,841,367
Public service	1,980,387	2,097,328	2,145,814	2,360,932	2,696,768
Academic support	4,809,300	4,948,817	5,171,956	5,344,990	5,915,739
Student services	8,920,056	9,478,657	10,723,627	11,981,466	12,645,052
Auxiliary enterprises	5,092,595	5,615,819	5,819,284	6,166,672	6,257,537
Support expenses					
Institutional support	6,918,345	6,704,657	7,643,911	8,268,737	8,435,487
Allocable expenses					
Operation and maintenance of plant	2,651,114	2,763,375	3,049,574	2,990,404	3,160,092
Depreciation, amortization and accretion expense	2,232,630	2,447,830	2,500,380	2,667,221	2,814,648
Interest expense	1,185,155	1,293,484	1,144,247	1,412,381	1,431,191
Less: Allocated expenses	(6,068,899)	(6,504,689)	(6,694,201)	(7,070,006)	(7,405,931)
(Gain) Loss on disposal of plant facilities	(2,775)	(5,095)	885	(4,609)	7,202
Total Expenses and Losses	46,589,116	49,593,168	54,778,047	59,721,009	62,799,152
Increase (Decrease) in Net Assets Before Extraordinary Loss/Change in Accounting Principal/Reclassification	3,368,776	5,382,704	1,011,911	2,923,828	4,768,026
Extraordinary Loss / Change in Accounting Principle / Reclassification	(1,011,819)	0	0	(6,329,452)	0
Increase (Decrease) in Net Assets	2,356,957	5,382,704	1,011,911	(3,405,624)	4,768,026
NET ASSETS -- Beginning of Year	34,652,423	37,009,380	42,392,084	43,403,995	39,998,371
NET ASSETS -- END OF YEAR	**$37,009,380**	**$42,392,084**	**$43,403,995**	**$39,998,371**	**$44,766,397**

Source: Audited Financial Statements of the College for Fiscal Years ending 2006 through 2010.

Long-Term Debt of the College

1) $11,705,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-R, dated May 1, 2003 (the "Series Five-R Bonds"). The Series Five-R Bonds are secured by the full faith and credit of the College. Interest rates on outstanding Five-R Bonds range from 3.70% to 5.00% with the final maturity due December 1, 2032. The outstanding balance on the Series Five-R Bonds is $10,310,000.

2) $8,170,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-S, dated November 1, 2007 (the "Series Six-S Bonds"). The Series Six-S Bonds are secured by the full faith and credit of the College. Interest rates on outstanding Series Six-S Bonds range from 4.00% to 5.00% with the final maturity due December 1, 2027. The outstanding balance on the Series Six-S Bonds is $7,360,000.

3) $21,820,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-H, dated October 26, 2010 (the "Series Seven-H Bonds"). The Series Seven-H Bonds are secured by the full faith and credit of the College. Interest rates on outstanding Series Seven-H Bonds range from 3.65% to 5.25% with the final maturity due December 1, 2040. The outstanding balance on the Series Seven-H Bonds is $21,820,000.

Maximum Annual Debt Service and Pro Forma Coverage Statement

The following table displays the pro forma debt service coverage for outstanding College funded debt, including the debt service on the Bonds. Coverage is calculated based on net income available for debt service for Fiscal Years 2009 and 2010 and maximum annual debt service (MADS).

The table is intended merely to show the relationship of amounts available for the College's debt service for Fiscal Years 2009 and 2010 to MADS based on existing outstanding College debt, assuming issuance of the Bonds. It is not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the College. There is no assurance that the future amounts available for debt service and debt service coverage of the College or the respective relationships thereof will correspond to the pro forma amount available for debt service, pro forma debt service coverage, combined long-term debt service or the respective relationships thereof shown by or reflected in the table on the following page.

Maximum Annual Debt Service and Pro Forma Coverage

Fiscal Year Ending June 30	Net Income Available for Debt Service [(a)]	MADS [(b)]	Coverage (times)
2010	$8,833,823	$3,363,241	2.63
2009	$8,817,184	$3,363,241	2.62

[(a)] *The Net Income Available for Debt Service, based on the College's audited financial statement for Fiscal Years 2009 and 2010, is calculated in the following table. The calculation of Net Income Available for Debt Service below is based on the definitions in the Loan Agreement for the Bonds.*

	Fiscal Year 2010	*Fiscal Year 2009*
Change in Unrestricted Net Assets	*$4,768,026*	*$(3,405,624)*
Plus: Depreciation, amortization and accretion	*2,814,648*	*2,667,221*
Plus: Interest expense	*1,431,191*	*1,412,381*
Plus: UPMIFA reclassification reversed	*0*	*6,329,452*
Plus: Endowment Spending Policy	*585,048*	*893,318*
Less: Net assets released for buildings and equipment	*0*	*(30,671)*
Unrealized (gains) or losses on endowment investments on unrestricted net assets	*(765,090)*	*951,107*
Net Income Available for Debt Service	*$8,833,823*	*$ 8,817,184*

[(b)] *Includes the debt service on the Bonds.*

PROPOSED FORM OF LEGAL OPINION

FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A.
www.fryberger.com

302 W SUPERIOR STREET, SUITE 700
DULUTH, MINNESOTA 55802

PHONE (218) 722-0861
FAX (218) 725-6800

$10,170,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES SEVEN-J
(COLLEGE OF ST. SCHOLASTICA, INC.)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book-entry) Revenue Bonds, Series Seven-J (College of St. Scholastica, Inc.), in the aggregate principal amount of $10,170,000 (the "Bonds"), dated February 17, 2011. The Bonds mature on December 1 in the years 2019, 2028 and 2040, and bear interest at the interest rates per annum specified in the Indenture (defined below) for each maturity subject to an increase in such interest rates in the event of a Determination of Taxability. The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as provided in the Indenture.

The Bonds are issued for the purpose of funding a loan from the Authority to the College of St. Scholastica, Inc. (the "College"), a Minnesota nonprofit corporation, located in Duluth, Minnesota, in order to finance a portion of the costs of the acquisition, construction, furnishing and equipping of an approximately 42,000 square foot expansion of and renovations to the Science Building and related facilities. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College and the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee") each dated as of February 1, 2011, one or more opinions of Hanft Fride, a Professional Association, 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 opinions of Hanft Fride, a Professional Association, as counsel to the College, as to the Loan Agreement having been duly authorized and executed and being binding upon the College, as to the corporate organization, tax-exempt status, good standing and powers of the College, and as to title to the Project Site (as defined in the Loan Agreement and Indenture), all without examining the records of the College or original title records or abstracts of title.

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

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

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

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

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

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

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

Dated: February 17, 2011

Respectfully submitted,

[THIS PAGE INTENTIONALLY LEFT BLANK]

INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE

Annual Reporting

The Annual Report Date will be the date that is 180 days after the fiscal year end, commencing with the fiscal year ended June 30, 2011. The Annual Report will contain:

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

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

a. Information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:

- Student Body
- Applications, Acceptance and Enrollments
- Tuition and Fees
- Financial Aid
- Faculty and Staff
- Pension Plans
- Investments
- Gifts and Grants
- Capital Campaign
- Maximum Annual Debt Service and Pro Forma Coverage

Events to be Disclosed

The events enumerated in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, which are to be disclosed, are as follows:

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults, if material;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
(v) Substitution of credit or liquidity providers, or their failure to perform;
(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
(vii) Modifications to rights of security holders, if material;
(viii) Bond calls, if material, and tender offers;
(ix) Defeasances;
(x) Release, substitution, or sale of property securing repayment of the securities, if material;
(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the Reporting Party (when such event is considered to have occurred under the Rule);

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

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

DEFINITION OF CERTAIN TERMS

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

Account or *Accounts:* One or more of the Accounts created under Article IV or V of the Indenture.

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

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

Authority: 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 College and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates and in that case, specimen signatures for the alternates shall be provided as well.

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

Authorized Institution Representative: The Vice President for Finance or any other 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 Chairperson, Vice Chairperson or Secretary of its Board of Trustees or the President or a Vice President of the College. Such certificate may designate an alternate or alternates.

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

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

Board of Trustees: The Board of Trustees of the College, and including any Executive Committee or other committee authorized to act for such board.

Bond and Interest Sinking Fund Account: The Bond and Interest Sinking Fund Account established pursuant to the Indenture.

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

Bond Purchase Agreement: The Bond Purchase Agreement among the Authority, the College and the Underwriter relating to the Bonds.

Bond Resolution: The Series Resolution of the Authority to be adopted on January 19, 2011, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Bonds, (a) the period from the Issue Date to the close of business on December 1, 2011 and (b) each succeeding 12-month period ending at the close of business on December 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-J (College of St. Scholastica, Inc.).

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

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

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 College and located on the Project Site acquired from funds other than the proceeds of the Bonds.

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

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

Construction Account: The Construction Account established under the Indenture into which shall be deposited an amount of Bond proceeds specified in the Indenture to be applied to Project Costs.

Continuing Disclosure Agreement: The Continuing Disclosure Agreement between the Trustee and the College, dated as of February 1, 2011, regarding the Bonds.

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

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

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

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

Easement: The Underground Passageway Easement and Agreement dated as of October 1, 2010, from BSBA to the Corporation regarding the tunnel from the Project to Tower Hall, as from time to time hereafter amended

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

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

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

General Bond Reserve Account: The General Bond Reserve Account created pursuant to the General Bond Resolution.

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

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

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, to be dated as of February 1, 2011, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

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

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

Institution: The College of St. Scholastica, a Minnesota institution of higher education with its main campus located in the City of Duluth, Minnesota owned (or leased) and operated by the College. The Institution is also referred to as the "College" elsewhere in this Official Statement.

Interest Payment Date: June 1 and December 1 of each year, commencing June 1, 2011, and any other date on which principal of and/or interest on the Bonds shall be due and payable.

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

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

Lease: That certain Lease dated June 11, 1987, between the College and BSBA, which Lease is automatically renewable at the College's option for successive 95-year terms, as restated and amended on June 1, 1989, and as amended as of June 1, 1991, as of February 1, 1993, and as of May 1, 2001, and as supplemented by those certain Agreements dated June 1, 1989, June 1, 1991, February 1, 1993, May 1, 2001, May 1, 2003, and October 1, 2010, as from time to time hereafter amended or supplemented.

Loan Agreement: The Loan Agreement between the Authority and the College, to be dated as of February 1, 2011, as from time to time amended or supplemented.

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

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 pursuant to the Indenture, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority, plus investment earnings thereon.

Opinion of Counsel: A written opinion of counsel (who need not be Independent Counsel unless so specified) appointed by the College or Authority and acceptable to the Trustee.

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

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

Project: The acquisition, construction, furnishing and equipping of an approximately 42,000 square foot expansion of and renovation to the College's Science Building and related facilities.

Project Buildings: Any buildings constructed or improved with the proceeds of the Bonds, including investment earnings.

Project Equipment: All fixtures, equipment and other personal property of a capital nature acquired with proceeds of the Bonds, including investment earnings.

Project Facilities: The Project Site, the Project Buildings and the Project Equipment as the same may at any time exist.

Project Site: The land or interest in land described on Exhibit A-1 to the Loan Agreement which are owned by the College (or the College's rights under the Easement), and on which any Project Buildings are or will be located or otherwise improved as part of the Project.

Redeem or *redemption:* Includes "prepay" or "prepayment" as the case may be, without regard to capitalization of such terms.

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 balance in the Reserve Account; and (iii) to redeem or prepay outstanding Bonds to the extent permitted or required and 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.

Reference Rate: the interest rate per annum announced from time to time by Wells Fargo Bank, National Association, as its prime or reference rate.

Reserve Account: The Reserve Account established under the Indenture into which on the Issue Date will be placed Bond proceeds in the amount of the Reserve Requirement. 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 therefore and may be used in the Trustee's discretion to pay rebate due to the United States if the College or the Authority fails to provide for payment of any rebate.

Reserve Requirement: The least of (i) the maximum amount of principal of and interest on the Outstanding Bonds that accrues and is payable in any remaining Bond Year, or (ii) 10% of the principal amount of the Bonds, or (iii) 125% of the average annual debt service of the then Outstanding Bonds in the Bond Years remaining at the time of calculation.

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

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

Trustee: The trustee at the time serving as such under the Indenture, and initially the Trustee will be Wells Fargo Bank, National Association, Minneapolis, Minnesota.

Underwriter: George K. Baum & Company, as original purchaser of the Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The College represents that construction, acquisition and installation of the Project will be substantially completed by no later than September 1, 2012, subject only to "force majeure," as provided in the Loan Agreement. The College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, 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 and an Opinion of Counsel to such effect is furnished. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds, including investment earnings in the Construction Account.

Loan Repayments

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

(a) at least two Business Days prior to each June 1 and December 1, commencing June 1, 2011, the College shall deposit into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least two Business Days prior to each December 1, commencing on December 1, 2016, a sum equal to the amount payable as principal (whether at maturity or mandatory sinking fund redemption) of the Bonds on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Section 5.01, 5.02, 5.03 or 5.04 of the Indenture (relating to purchase and cancellation of term bonds and the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

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

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

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

(e) the College shall deposit into any fund or account designated by the Trustee such amount as may be determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate).

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

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

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

College may demolish any Project Facilities which in the College's judgment are worn out, obsolete or require replacement, are no longer used, or the College, by resolution of the Board of Trustees, has determined in its judgment are no longer useful.

Operating Expenses and Liens

The College will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities, and will not permit to be established or to remain unsatisfied any mechanics' lien for labor or materials furnished in connection with the acquisition and construction of the Project or with any remodeling, additions, modifications, improvements, repairs, renewals or replacements of the Project Facilities; provided that the College may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or Trustee shall notify the College that, in the opinion of Independent counsel, by nonpayment of any such items the Project Facilities or any part thereof will be subject to loss or forfeiture, in which event the College shall promptly pay and cause to be satisfied and discharged all such unpaid items.

Taxes and Other Governmental Charges

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

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

Insurance

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

(a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Facilities, with a deductible amount of not more than $500,000.

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

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

Upon the written request of the College, the Trustee (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 comprehensive general public liability, 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.

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

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 $1,000,000, 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 $1,000,000, the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

The Bonds may be redeemed in whole if (i) all or part of the Project Facilities are damaged or destroyed to such extent that they cannot be reasonably restored within six months or (ii) normal use and operation of such Project Facilities are interrupted for a six month period or (iii) the cost of restoration exceeds the available Net Proceeds by an amount described in the Loan Agreement. The Bonds may be redeemed in part if (i) all or a portion of the Project Facilities have been damaged or destroyed, (ii) the College determines that the Project Facilities or portion thereof, as the case may be, is not needed in its operations and (iii) the College has elected not to restore such Project Facilities or portion thereof, as the case may be. (Also see "THE BONDS – Prior Redemption – Extraordinary Redemption")

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any part of the Project Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, 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.

If the Bonds are to be redeemed in whole or in part, such redemption shall be as described in the second paragraph under the caption "Damage or Destruction" above.

Removal of Project Equipment and Building Equipment

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

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

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

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

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

Indemnification

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

College to Maintain its Existence and Accreditation

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and maintain the Institution as an institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies and that it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement, and be either a state university or college or a nonprofit corporation operating or authorized to operate an Institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the institution be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of 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 nonhospital bonds issued on behalf of or for the benefit of the College and all organizations under common management or control with the College (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000, excluding nonhospital bonds issued on or after August 5, 1997 to finance capital expenditures incurred after August 5, 1997. Under the Loan Agreement, in no event will the College affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the College or such other resulting entity, and all organizations under common management or control with the College or such resulting entity, within the meaning of Section 145 of the Internal Revenue Code.

Federal Income Tax Status

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

Institution to be Nonsectarian

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

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest on the Bonds is includable in gross income of the recipient for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (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 date for which due notice can be given and any date thereafter at a redemption price equal to par plus accrued interest plus additional interest from the Date of Taxability.

Other Covenants

The College further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate as prohibited by Minnesota Statutes, Section 343A.13; to provide and file such financing statements and other instruments of further assurance as the Authority or Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority, the Department of Education and the Minnesota Office of Higher Education, subject to the right of contest. The College agrees to indemnify the Authority from losses arising from certain representations made by the College regarding the absence of hazardous waste on the Project Facilities.

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

Maintenance of Lease

The College covenants and agrees that it will not terminate any portion of the Lease other than in connection with (i) the redemption in whole or in part of the Authority's Revenue Bonds, Series Seven-H (College of St. Scholastica, Inc.), dated October 26, 2010, pursuant to Sections 5.08(b) or (c) or 5.09(b) or (c) of that certain Loan Agreement dated as of October 1, 2010, between the Authority and the College, for Tower Hall; or (ii) the redemption in whole or in part of the Authority's Revenue Bonds, Series Five-R (College of St. Scholastica, Inc.), dated May 1, 2003, pursuant to Sections 5.08(b) or (c) or 5.09(b) or (c) of that certain Loan Agreement dated as of May 1, 2003, between the Authority and the College for Somers Hall; or (iii) a termination of a portion of the Lease to release leased property that was not financed with the proceeds of an Authority loan to the College, or if so financed, there are no longer any revenue bonds outstanding that financed or refinanced improvements to such leased property.

Events of Default

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

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

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

(c) If the College shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement as defined in Section 5.02 of the Indenture, 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 30 days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or

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

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

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

(g) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the College or of the whole or any substantial part of its property, and such custody or control shall not be terminated within 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 (d) above, are subject to the further limitation that if the default can be remedied but not within a period of 30 days after notice and if the College has taken all action reasonably possible to remedy such default within such 30-day period, the default shall not become an Event of Default for so long as the College shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The College agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the College from carrying out its agreements.

Remedies on Default

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

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

(b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due.

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

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

Amendments

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

THE INDENTURE

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

Granting Clauses

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

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

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

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

Accounts

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account, Bond and Interest Sinking Fund Account, the Reserve Account and 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 rated at least in the rating category of "AA" or "Aa" or political subdivisions of states rated at least in the rating category of "AAA" or "Aaa"; revenue bond obligations of states and their political subdivisions insured by municipal bond insurance and rated "AAA" or "Aaa"; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, states and state political subdivisions or in certain repurchase agreements; constant dollar value money market funds that invest solely in the types of obligations or repurchase agreements in which the foregoing mutual funds may invest and which are rated in the highest rating category by a national credit rating agency; time deposits of insured state or national banks and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

Trustee's Right to Payment

The Trustee shall have a first lien, with right of payment prior to payment on account of interest on or principal of the Bonds for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful 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 or advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or money in the Accounts.

Events of Default

The following are Events of Default under the Indenture:

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

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

(c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of 60 days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the College (giving the College the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

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

Remedies

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

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

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

Concerning the Trustee

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

Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the College, provided that the Authority may, but is not required to remove the Trustee with or without the request of the College if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the College shall:

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

(b) provide for the payment of principal 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 of America 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 and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or

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

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

When the Authority or the College shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided, 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 or any successor;

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

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

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

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all Bonds outstanding (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or to amendments to the Loan Agreement.

Amendments to the Loan Agreement

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

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee shall consent to or execute any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 51% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the Loan Repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

The Bonds shall be fully registered as to principal and interest at the 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. If the Bonds are no longer in book entry form, Bonds may be exchanged for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic interest rate of any authorized denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable procedures while in book entry form.

THE DEPOSITORY TRUST COMPANY

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Payment of principal, interest, and redemption premium, if any, on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Bond Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar, Authority, or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Authority, at the College's direction, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. The Authority, the College and the Underwriter take no responsibility for the accuracy thereof.

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

JUNE 30, 2010 AND 2009

LarsonAllen LLP

CPAs, Consultants & Advisors
www.larsonallen.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of College of St. Scholastica, Inc. as of June 30, 2010, and the related statements of activities and cash flows 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. The financial statements of College of St. Scholastica, Inc. as of June 30, 2009, were audited by other auditors whose report, dated October 29, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LarsonAllen LLP

LarsonAllen LLP

Minneapolis, Minnesota
September 27, 2010

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Cash and Cash Equivalents	$ 13,755,756	$ 11,594,017
Student Accounts Receivable, Net of Allowance for Doubtful Accounts of $202,162 and $214,200, Respectively	1,461,830	1,466,372
Grants Receivable	544,658	435,516
Contributions Receivable	2,172,478	3,061,900
Other Receivables	338,486	570,730
Inventories	49,676	51,342
Prepaid Expenses and Other Assets	548,419	799,401
Student Notes Receivable, Net of Allowance for Doubtful Notes of $192,928 and $185,400, Respectively	4,348,392	4,604,685
Investments Held by Trustee	2,217,514	2,217,811
Investments	32,675,485	25,830,212
Debt Acquisition Costs	532,420	564,734
Intangible Assets, Net	255,615	128,992
Construction in Progress	76,471	254,906
Property, Plant and Equipment, Net	57,774,255	58,859,096
Total Assets	$ 116,751,455	$ 110,439,714
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 1,424,851	$ 1,401,258
Accrued Liabilities	5,905,634	5,529,070
Deposit Accounts	930,934	722,781
Deferred Revenue	3,233,832	2,667,150
Bonds and Leases Payable	31,708,601	32,963,480
Annuities Payable	269,583	273,506
Funds Held for Others	177,740	161,710
U.S. Government Grants Refundable	4,058,138	4,109,224
Other Grants Refundable	48,501	26,200
Total Liabilities	47,757,814	47,854,379
NET ASSETS		
Unrestricted	44,766,397	39,998,371
Temporarily Restricted	7,816,448	6,545,358
Permanently Restricted	16,410,796	16,041,606
Total Net Assets	68,993,641	62,585,335
Total Liabilities and Net Assets	$ 116,751,455	$ 110,439,714

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010				2009
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2009 Total
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and Fees	$ 76,315,469	$ -	$ -	$ 76,315,469	$ 71,623,751
Less: Scholarships and Grants	(27,521,657)	-	-	(27,521,657)	(25,782,375)
Net Tuition and Fees	48,793,812	-	-	48,793,812	45,841,376
Government Grants	5,505,704	-	-	5,505,704	5,370,513
Private Gifts	786,118	1,345,423	361,029	2,492,570	4,253,472
Endowment Gain/(Loss)	765,090	1,372,612	-	2,137,702	(5,137,257)
Contributed Services, Net of Expenses of $523,000 and $543,700, Respectively	173,594	-	-	173,594	214,716
Other Sources	2,068,620	368,303	5,010	2,441,933	2,195,658
Investment Income	82,774	439	-	83,213	252,307
Sales and Services of Auxiliary Enterprises	7,595,273	-	-	7,595,273	7,371,525
Adjustment in Actuarial Liability for Annuities Payable	-	21,158	3,451	24,609	(106,413)
	65,770,985	3,107,935	369,490	69,248,410	60,255,897
Net Assets Released from Restrictions	1,796,193	(1,796,193)	-	-	-
Total Revenues, Gains and Other Support	67,567,178	1,311,742	369,490	69,248,410	60,255,897
EXPENSES AND LOSSES					
Program Expenses:					
Instruction	26,841,367	-	-	26,841,367	25,602,821
Public Service	2,696,768	-	-	2,696,768	2,360,932
Academic Support	5,915,739	-	-	5,915,739	5,344,990
Student Services	12,645,052	-	-	12,645,052	11,981,466
Auxiliary Enterprises	6,257,537	-	-	6,257,537	6,166,672
Support Expenses:					
Institutional Support	8,435,487	-	-	8,435,487	8,268,737
Allocable Expenses:					
Operation and Maintenance of Plant	3,160,092	-	-	3,160,092	2,990,404
Interest Expense	1,431,191	-	-	1,431,191	1,412,381
Depreciation, Amortization and Accretion Expense	2,814,648	-	-	2,814,648	2,667,721
Less: Allocated Expenses	(7,405,931)	-	-	(7,405,931)	(7,070,506)
Loss on Write-Off of Contribution Receivables	-	40,652	300	40,952	153,516
(Gain) Loss on Disposal of Plant Facilities	7,202	-	-	7,202	(4,609)
Total Expenses and Losses	62,799,152	40,652	300	62,840,104	59,874,525
CHANGE IN NET ASSETS	4,768,026	1,271,090	369,190	6,408,306	381,372
Net Assets - Beginning of Year	39,998,371	6,545,358	16,041,606	62,585,335	62,203,963
NET ASSETS - END OF YEAR	$ 44,766,397	$ 7,816,448	$ 16,410,796	$ 68,993,641	$ 62,585,335

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and Fees	$ 71,623,751	$ -	$ -	$ 71,623,751
Less: Scholarships and Grants	(25,782,375)	-	-	(25,782,375)
Net Tuition and Fees	45,841,376	-	-	45,841,376
Government Grants	5,370,513	-	-	5,370,513
Private Gifts	657,544	3,341,033	254,895	4,253,472
Endowment Gain/(Loss)	(951,107)	(4,186,150)	-	(5,137,257)
Contributed Services, Net of Expenses of $543,700	214,716	-	-	214,716
Other Sources	1,964,940	230,718	-	2,195,658
Investment Income	251,291	1,016	-	252,307
Sales and Services of Auxiliary Enterprises	7,371,525	-	-	7,371,525
Adjustment in Actuarial Liability for	-	-	-	-
Annuities Payable	-	(56,924)	(49,489)	(106,413)
	60,720,798	(670,307)	205,406	60,255,897
Net Assets Released from Restrictions	1,924,039	(1,924,039)	-	-
Total Revenues, Gains and Other Support	62,644,837	(2,594,346)	205,406	60,255,897
EXPENSES AND LOSSES				
Program Expenses:				
Instruction	25,602,821	-	-	25,602,821
Public Service	2,360,932	-	-	2,360,932
Academic Support	5,344,990	-	-	5,344,990
Student Services	11,981,466	-	-	11,981,466
Auxiliary Enterprises	6,166,672	-	-	6,166,672
Support Expenses:				-
Institutional Support	8,268,737	-	-	8,268,737
Allocable Expenses:				-
Operation and Maintenance of Plant	2,990,404	-	-	2,990,404
Interest Expense	1,412,381	-	-	1,412,381
Depreciation, Amortization and				-
Accretion Expense	2,667,221	-	-	2,667,221
Less: Allocated Expenses	(7,070,006)	-	-	(7,070,006)
Loss on Write-Off of Contribution Receivables	-	139,516	14,000	153,516
(Gain) Loss on Disposal of Plant Facilities	(4,609)	-	-	(4,609)
Total Expenses and Losses	59,721,009	139,516	14,000	59,874,525
CHANGE IN NET ASSETS BEFORE RECLASSIFICATION OF NET ASSETS	2,923,828	(2,733,862)	191,406	381,372
Net Assets Reclassification Due to a Change in Law	(6,329,452)	6,329,452	-	-
CHANGE IN NET ASSETS	(3,405,624)	3,595,590	191,406	381,372
Net Assets - Beginning of Year	43,403,995	2,949,768	15,850,200	62,203,963
NET ASSETS - END OF YEAR	$ 39,998,371	$ 6,545,358	$ 16,041,606	$ 62,585,335

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 6,408,306	$ 381,372
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation, Amortization and Accretion	2,814,648	2,667,221
(Gain) Loss on Sale of Property	7,202	(4,609)
(Gains)/Losses on Endowment Investments	(1,755,589)	5,399,247
(Gains)/Losses on Other Investments	(23,131)	98,478
Actuarial Adjustment of Annuities Payable	14,810	19,752
Decrease in Allowance for Student Accounts Receivable	(12,065)	(1,700)
Increase (Decrease) in Allowance for Student Notes Receivable	7,543	(17,800)
Loan Cancellations, Assignments and Write-Offs	91,821	78,064
Change in Assets and Liabilities:		
Student Accounts Receivable	16,607	11,569
Grants Receivable	(109,142)	44,770
Contributions Receivable - Operations	175,910	276,421
Other Receivables	232,244	4,061
Inventories	1,666	(2,085)
Prepaid Expenses and Other Assets	250,983	(323,050)
Intangible Assets	(230,564)	(17,296)
Accounts Payable	(115,041)	118,880
Accrued Liabilities	313,514	(121,358)
Deposit Accounts	208,154	(212,365)
Deferred Revenue	566,682	153,665
Funds Held for Others	16,030	(49,148)
Contributions under Split-Interest Agreements	(4,311)	(52,773)
Contributions Restricted for Long-Term Investment and Plant	(876,674)	(2,330,239)
Net Cash Provided by Operating Activities	7,999,603	6,121,077
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Endowment Investments	(17,207,865)	(8,063,667)
Sales of Endowment Investments	16,845,980	7,922,221
Purchases of Other Investments	(15,192,090)	(4,364,352)
Sales of Other Investments	10,487,423	77,399
Withdrawals from Deposits with Trustee, Net	297	3,943,331
Purchases of Property, Plant and Equipment	(1,220,637)	(6,175,856)
Disbursements of Loans to Students	(378,514)	(511,175)
Repayments of Loans from Students	535,443	479,795
Net Cash Used by Investing Activities	(6,129,963)	(6,692,304)

See accompanying Notes to Financial Statements.

COLLEGE OF ST. SCHOLASTICA, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Principal on Indebtedness	(1,254,879)	(1,196,921)
Contributions Received Restricted for Long-Term Investment and Plant	1,590,186	782,245
Increase (Decrease) in Refundable Grants	(28,785)	42,087
Proceeds from Issuance of Split-Interest Agreements	15,000	121,212
Payments to Annuitants	(29,423)	(27,399)
Net Cash Provided (Used) by Financing Activities	292,099	(278,776)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,161,739	(850,003)
Cash and Cash Equivalents - Beginning of Year	11,594,017	12,444,020
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 13,755,756	$ 11,594,017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid, Net of Capitalized Interest of $0 in 2010 and $63,803 in 2009	$ 1,346,816	$ 1,295,038
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property, Plant and Equipment Acquired through Accounts Payable	$ 277,399	$ 138,766

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

General

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

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

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

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

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

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

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

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General (Continued)

- as increases in temporarily restricted net assets if the terms of the gift or state law impose restrictions on the use of the income;
- as increases in unrestricted net assets in all other cases.

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

Temporarily Restricted Net Assets

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

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

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

Cash Equivalents

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

Receivables

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables (Continued)

A student account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days after the due date. Interest is charged on student accounts receivable that are outstanding for more than 30 days after the due date and is recognized as it is charged. Student accounts are written off if there has been at least a minimum of 6 months without any payment activity.

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

Inventories

Inventories are valued at the lower of cost or market, determined on a first-in, first-out basis and consist primarily of stock for the College's food service.

Investments Held by Trustee

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

Debt Acquisition Costs

Costs of bond issuance are deferred and amortized on a straight-line basis over the life of the bond issue.

Physical Plant and Equipment

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

Buildings	15-50 Years
Automotive	5 Years
Equipment	5 Years
Library Books	10 Years

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

Intangible assets such as license rights are stated at cost at date of acquisition less accumulated depreciation. The College amortizes these assets over a period of three years on a straight-line basis.

Revenues

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

Government Grants Refundable

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

Grants to Specified Students

Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the College. The amounts of such grants were $3,733,486 and $3,820,634, respectively, during the year ended June 30, 2010. The amounts of such grants were $3,122,291 and $2,520,329, respectively, during the year ended June 30, 2009.

Income Taxes

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

The College has adopted Accounting for Uncertainty in Income Taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this standard had no impact on the College's financial statements. The College's tax returns are open to examinations for the years 2005 through 2009.

Contributed Services

Services, primarily in the capacity of instruction, provided for the College by persons subject to religious vows of poverty are recorded as contributed services. The computation of the value of the contribution of those services represents the difference between the amounts paid to or on behalf of the religious personnel and the comparable compensation that would be paid to a lay person.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

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

Pension Plans

All employees of the College of St. Scholastica, Inc. meeting age and service requirements are covered under two contributory defined contribution retirement plans. Pension expense totaled $1,998,700 and $1,831,600 for the years ended June 30, 2010 and 2009, respectively.

Employee Medical Plan

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

Use of Estimates

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

Fundraising and Advertising Costs

Fundraising expenses approximated $1,369,300 and $1,366,400 for the years ended June 30, 2010 and 2009, respectively. Advertising expenses approximated $1,497,000 and $1,882,400 for the years ended June 30, 2010 and 2009, respectively. The College expenses advertising costs at the time incurred.

Asset Retirement Obligations

Asset retirement obligations are estimated costs and obligations associated with the retirement of long-lived assets. These liabilities were initially recorded at fair value and the related asset retirement costs were recorded as decreases in unrestricted net assets. Asset retirement costs are subsequently accreted over the useful lives of the related assets.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, grants receivable, other receivables, accounts payable, and deposit accounts approximate fair value because of the short term maturity of these financial instruments.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to the government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. government or its designee. The fair value of receivables under institutional loan programs approximates carrying value.

The carrying amounts of the actuarial liability for trusts and annuities payable are based on life expectancies, quoted market prices, and the applicable discount rates in effect at the time the agreements were received by the College. The carrying amount of long-term debt approximates fair value because these financial instruments bear interest at rates which approximate current market rates for notes with similar maturities and credit quality.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual results.

The fair values for investments and other financial instruments recorded at fair value on a recurring basis are included in Note 7.

Reclassifications

Certain amounts appearing in the 2009 financial statements have been reclassified to conform to the 2010 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

NOTE 2 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Permanently restricted net assets consist of the following at June 30, 2010 and 2009:

	2010	2009
Endowment Funds	$ 16,154,021	$ 15,596,593
Annuity, Life Income and Similar Funds	27,617	19,854
Contributions Receivable	229,158	425,159
Total	$ 16,410,796	$ 16,041,606

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

Temporarily restricted net assets consist of the following at June 30, 2010 and 2009:

	2010	2009
Gifts and Other Unexpended Revenues and Gains Available for:		
Scholarships, Instruction and Other Departmental Support	$ 939,491	$ 994,493
Endowment Funds - Donor Restricted	3,381,014	2,428,547
Acquisition of Buildings and Equipment	1,481,338	449,720
Annuity, Life Income and Similar Funds	75,836	54,678
Contributions Receivable	1,938,769	2,617,920
Total	$ 7,816,448	$ 6,545,358

Unrestricted net assets consist of the following at June 30, 2010 and 2009:

	2010	2009
Operations	$ 14,063,435	$ 9,933,786
Endowment Funds - Board Designated and Donor Restricted	3,439,537	2,837,248
Loans to Students	636,750	683,507
Investment in Plant	26,626,675	26,543,830
Total	$ 44,766,397	$ 39,998,371

NOTE 3 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows for the years ended June 30, 2010 and 2009 :

	2010	2009
Scholarships, Instruction and Other Departmental Support	$ 1,796,193	$ 1,893,368
Acquisition of Property, Plant and Equipment	-	30,671
Total	$ 1,796,193	$ 1,924,039

These assets were reclassified to unrestricted net as sets.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at June 30, 2010 and 2009:

	2010	2009
Unrestricted - Completed Plant Projects	$ 4,550	$ 18,821
Temporarily Restricted - Operations	33,563	41,134
Temporarily Restricted - Scholarships and Other Departmental Support	172,575	477,099
Temporarily Restricted - Plant Projects	1,809,591	2,265,890
Permanently Restricted - Endowment	233,245	443,100
Gross Unconditional Contributions to Give	2,253,524	3,246,044
Less: Allowance	-	-
Less: Unamortized Discount	(81,046)	(184,144)
Net Unconditional Contributions Receivable	$ 2,172,478	$ 3,061,900

Contributions receivable at June 30, 2010 are expected to be paid as f ollows:

Amounts Due in:	
Less than One Year	$ 1,128,210
One to Five Years	1,112,813
More than Five Years	12,500
Total	$ 2,253,523

The College records contributions receivable based on fair value. Net collectible contributions due in more than one year were discounted at an interest rate based on the Treasury Yield Curve five-year rate as of June 30, 2010 which was 1.79%; as of June 30, 2009, the rate was 2.54%. This rate was augmented by a 1% premium risk for contributions due from corporations, businesses and foundations; and a 2% risk premium was used for contributions due from individuals. Net collectible contributions due in less than one year were not discounted.

Of the total face value of contributions receivable outstanding at June 30, 2010, $1,000,000 is due from one donor. As of June 30, 2010 and 2009, approximately $170,200 and $180,800, respectively, of contributions receivable were due from members of the Board of Trustees. Contribution revenue from members of the board of trustees totaled approximately $146,700 and $183,200 for the years ended June 30, 2010 and 2009, respectively.

NOTE 5 INVESTMENTS HELD BY TRUSTEE

The following summarizes the College's investments at fair value held by trustee as of June 30, 2010 and 2009:

	2010	2009
Cash and Short-Term Investments	$ 104,162	$ 885,056
Fixed Income Securities	2,113,352	1,332,755
Total	$ 2,217,514	$ 2,217,811

NOTE 6 ENDOWMENT

Effective July 1, 2008, the College adopted the provisions of *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. This provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the guidance is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component of the Topic is a requirement for expanded disclosures about all endowment funds. The State of Minnesota adopted a version of UPMIFA effective August 1, 2008. As a result, the College reclassified approximately $6.33 million out of unrestricted net assets and into temporarily restricted net assets during fiscal year 2009.

The College's endowment consists of approximately 170 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

<u>Interpretation of Relevant Law</u>

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

NOTE 6 ENDOWMENT (CONTINUED)

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

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

Endowment net assets composition by type of fund consists of the following at June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ (161,963)	$ 3,381,014	$ 16,154,021	$ 19,373,072
Board-Designated Endowment Funds	3,601,500	-	-	3,601,500
Total Endowment Net Assets	$ 3,439,537	$ 3,381,014	$ 16,154,021	$ 22,974,572

Endowment net asset composition by type of fund consists of the following as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ (525,582)	$ 2,428,547	$ 15,596,593	$ 17,499,558
Board-Designated Endowment Funds	3,362,830	-	-	3,362,830
Total Endowment Net Assets	$ 2,837,248	$ 2,428,547	$ 15,596,593	$ 20,862,388

NOTE 6 ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2010 ar e as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2009	$ 2,837,248	$ 2,428,547	$ 15,596,593	$ 20,862,388
Investment Return:				
Investment Income	65,447	316,665	-	382,112
Net Depreciation - Realized and Unrealized	699,643	1,055,947	-	1,755,590
Total Investment Income	765,090	1,372,612	-	2,137,702
Contributions	1,999	103	288,588	290,690
Pledge Payments	-	-	263,830	263,830
Other	-	-	5,010	5,010
Appropriation of Endowment Assets for Expenditure	-	(420,248)	-	(420,248)
Other Changes:				
Transfer from Board Designated Endowment Funds	(164,800)	-	-	(164,800)
Endowment Net Assets, June 30, 2010	$ 3,439,537	$ 3,381,014	$ 16,154,021	$ 22,974,572

Changes in endowment net assets for the year ended June 30, 2009 ar e as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2008	$ 10,797,526	$ 495,000	$ 15,122,500	$ 26,415,026
Net Asset Reclassification Based on Change in Law	(6,329,452)	6,329,452	-	-
Endowment Net Assets after Reclassification	4,468,074	6,824,452	15,122,500	26,415,026
Investment Return:				
Investment Income	42,894	219,096	-	261,990
Net Depreciation - Realized and Unrealized	(994,001)	(4,405,246)	-	(5,399,247)
Total Investment Income	(951,107)	(4,186,150)	-	(5,137,257)
Contributions	3,100	744	210,708	214,552
Pledges Payments	-	-	263,385	263,385
Appropriation of Endowment Assets for Expenditure	(529,219)	(210,499)	-	(739,718)
Other Changes:				
Transfer from Board Designated Endowment Funds	(153,600)	-	-	(153,600)
Endowment Net Assets, June 30, 2009	$ 2,837,248	$ 2,428,547	$ 15,596,593	$ 20,862,388

NOTE 6 ENDOWMENT (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $161,963 and $525,582 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of the new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the endowment funds to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters

The College has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed the College's spending policy rate and allow for annual growth while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide an average annual rate of approximately 7.0%. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has a policy of appropriating for distribution each year 4.0% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at an average of 3.0% annually. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 7 FAIR VALUE MEASUREMENTS

Effective July 1, 2008, the College adopted the provisions of *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. *Fair Value Measurements* established a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date. *Fair Value Measurements* expanded disclosures about instruments measured at fair value. *Fair Value Measurements* applied to other accounting pronouncements that require or permit fair value measurements and, accordingly, *Fair Value Measurements* does not require any new fair value measurements.

Effective July 1, 2008, the College adopted *The Fair Value Option for Financial Assets and Liabilities*, which among other things, provides an option to elect fair value as an alternative measurement for selected financial assets and liabilities not previously recorded at fair value. Under *The Fair Value Option for Financial Assets and Liabilities*, the College elected to record contributions receivable at fair value. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates. The fair value of the contributions receivable as of July 1, 2008 approximated $1,786,200. The carrying amount of those same items immediately before electing the fair value option approximated $1,790,300. As a result of electing to record these items at fair value, the College recorded a decrease in temporarily restricted and permanently restricted net assets of approximately $3,600 and $500, respectively, as of July 1, 2008.

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

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

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

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

The following table presents financial instruments that are measured at fair value on a recurring basis by the *Fair Value Measurements* hierarchy as of June 30, 2010:

	Total	Level 1	Level 2	Level 3
ASSETS				
Contributions Receivable	$ 2,172,478	$ -	$ -	$ 2,172,478
Short-Term Investments	9,026,284	-	9,026,284	-
Equity Securities	8,277,870	8,277,870	-	-
Fixed Income Securities	2,483,471	2,483,471	-	-
Mutual Funds	5,819,014	5,802,255	16,759	-
Alternative Investments:				
Portable Alpha Equity Funds	-	-	-	-
Market Neutral/Absolute				-
Return Funds	1,462,757	-	995,624	467,133
Hedged Equity Funds	2,991,944	-	2,156,546	835,398
Private Equity Funds	699,391	-	-	699,391
Real Estate Funds	-	-	-	-
Total	$ 32,933,209	$ 16,563,596	$ 12,195,213	$ 4,174,400

The following table presents the reconciliation to the balance sheet for financial instruments as of June 30, 2010:

Total Measured at Fair Value	$ 32,933,209
Cash and Cash Equivalents	4,083,515
Cash Surrender Value of Life Insurance	48,753
	$ 37,065,477
Contributions Receivable	$ 2,172,478
Investments Held by Trustee	2,217,514
Investments	32,675,485
Total	$ 37,065,477

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents financial instruments that are measured at fair value on a recurring basis by the *Fair Value Measurements* hierarchy as of June 30, 2009:

	Total	Level 1	Level 2	Level 3
ASSETS				
Contributions Receivable	$ 3,061,900	$ -	$ -	$ 3,061,900
Short-Term Investments	5,110,753	-	5,110,753	-
Equity Securities	7,343,221	7,343,221	-	-
Fixed Income Securities	1,702,176	1,702,176	-	-
Mutual Funds	3,602,489	3,592,107	10,382	-
Alternative Investments:				
Portable Alpha Equity Funds	342,298	-	-	342,298
Market Neutral/Absolute Return Funds	3,832,848	-	-	3,832,848
Hedged Equity Funds	2,440,059	-	-	2,440,059
Private Equity Funds	473,282	-	-	473,282
Real Estate Funds	460,148	-	-	460,148
Total	$ 28,369,174	$ 12,637,504	$ 5,121,135	$ 10,610,535

The following table presents the reconciliation to the balance sheet for financial instruments as of June 30, 2009:

Total Measured at Fair Value	$ 28,369,174
Cash and Cash Equivalents	2,690,259
Cash Surrender Value of Life Insurance	50,490
	$ 31,109,923
Contributions Receivable	$ 3,061,900
Investments Held by Trustee	2,217,811
Investments	25,830,212
Total	$ 31,109,923

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

Contributions Receivable

The fair value of contributions receivable is classified as Level 3 as the fair value is based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (individual or entity specific estimates of cash flows). The fair value is measured at the present value of the future cash flows the College expects to receive over the term of the agreements.

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Short-Term Investments

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

Equity Securities

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

Fixed Income Securities

Investments in fixed income securities are comprised of U.S. Treasury notes and mortgage backed securities. These items are classified as Level 1 as they trade with sufficient frequency and volume to enable the College to obtain pricing information on an ongoing basis.

Mutual Funds

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

Alternative Investments

Investments in portable alpha equity funds, market neutral/absolute return funds, hedged equity funds, private equity funds, and real estate funds for which there is no readily determinable fair value are classified as Level 3 as the valuation is based on significant unobservable inputs. In cases where the investee has provided its investors with a net asset value per share that has been calculated in accordance with the AICPA Audit and Accounting Guide, *Investment Companies*, the College has estimated its fair value by using the net asset value provided by the investee as of December 31 or March 31, adjusted for cash receipts, cash disbursements, significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through June 30.

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

In September 2009, additional guidance was issued under the *Fair Value Measurements and Disclosures* which clarified the fair value level classification for entities that calculate net asset value per share or its equivalent. The guidance states that "if a reporting entity has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date, the fair value measurement of the investment shall be categorized as a Level 2 fair value measurement." The College previously classified its investments that calculate net asset value per share as a Level 3 fair value measurement, and reclassified these investments as Level 2 fair value measurement during 2010, resulting in a transfer out of Level 3 of $3,152,170.

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of June 30, 2010:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Market Neutral/Absolute Return	$ 995,624	-	In Liquidation	N/A
Hedged Equity	1,066,920	-	Quarterly	90 days
Hedged Equity	1,089,626	-	Quarterly	65 days
	$ 3,152,170			

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

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2010:

	Balances June 30, 2009	Net Realized and Unrealized Gains (Losses) included in Change in Net Assets	Purchases, Sales, Issuances and Settlement, Net	Net Transfers in (out) of Level 3	Balance June 30, 2010
ASSETS					
Contributions Receivable	$ 3,061,900	$ -	$ (889,422)	$ -	$ 2,172,478
Portable Alpha Equity Funds	342,298	18,174	(360,472)	-	-
Market Neutral/Absolute					
Return Funds	3,832,848	345,567	(2,715,658)	(995,624)	467,133
Hedged Equity Funds	2,440,059	151,885	400,000	(2,156,546)	835,398
Private Equity Funds	473,282	80,980	145,129	-	699,391
Real Estate Funds	460,148	65,956	(526,104)	-	-
Total	$ 10,610,535	$ 662,562	$ (3,946,527)	$ (3,152,170)	$ 4,174,400

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2009:

	Balances June 30, 2008	Net Realized and Unrealized Gains (Losses) included in Change in Net Assets	Purchases, Sales, Issuances and Settlement, Net	Net Transfers in (out) of Level 3	Balance June 30, 2009
ASSETS					
Contributions Receivable	$ -	$ 4,097	$ 1,271,573	$ 1,786,230	$ 3,061,900
Portable Alpha Equity Funds	1,326,393	(651,609)	(332,486)	-	342,298
Market Neutral/Absolute Return Funds	5,399,579	(838,174)	(728,557)	-	3,832,848
Hedged Equity Funds	2,849,248	(409,189)	-	-	2,440,059
Private Equity Funds	445,483	(120,122)	147,921	-	473,282
Real Estate Funds	498,301	(38,153)	-	-	460,148
Total	$ 10,519,004	$ (2,053,150)	$ 358,451	$ 1,786,230	$ 10,610,535

NOTE 8 INVESTMENTS

The following summarizes the College's investments at fair value as of June 30, 2010 and 2009:

	2010	2009
Cash and Short-Term Investments	$ 13,005,638	$ 6,915,956
Equity Securities	8,277,870	7,343,221
Fixed Income Securities	370,119	369,421
Mutual Funds	5,819,014	3,602,489
Cash Surrender Value of Life Insurance	48,753	50,490
Alternative Investments	5,154,091	7,548,635
Total	$ 32,675,485	$ 25,830,212

The investments were allocated as follows:

	2010	2009
Endowment	$ 23,363,569	$ 21,246,095
Annuity	373,035	348,038
Unrestricted	8,938,881	4,236,079
Total	$ 32,675,485	$ 25,830,212

NOTE 8 INVESTMENTS (CONTINUED)

Total investment return on endowment funds for the years ended June 30, 2010 and 2009 follows:

	2010	2009
Dividends and Interest, Net of Fees of $96,418 and $87,193	$ 382,113	$ 261,990
Net Realized and Unrealized Gains on Investments Reported at Fair Value	1,755,589	(5,399,247)
Total	$ 2,137,702	$ (5,137,257)

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

NOTE 9 CONSTRUCTION IN PROGRESS

Construction in progress costs at June 30, 2010 were $76,471 and were primarily for costs associated with elevator code upgrades in Tower Hall and Somers Hall that amounted to $41,864. These upgrades are expected to be completed by August 2010 at an additional cost of $435,000. Remaining construction in progress costs at June 30, 2010 totaled $34,607 and were for a variety of minor miscellaneous projects whose expected completion is to take place during next fiscal year at a cost about $100,000.

Construction in progress costs at June 30, 2009 were $254,906 and was primarily for exterior maintenance of Tower Hall that amounted to $210,000. This project was completed in August 2010 at an additional cost of $247,000. Remaining construction in progress costs at June 30, 2009 totaled $44,906 and were for a variety of minor miscellaneous projects that were completed during 2010.

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2010 and 2009:

	2010	2009
Land and Land Improvements	$ 723,266	$ 697,821
Buildings	76,339,228	75,454,584
Equipment, Furniture and Fixtures	6,200,647	6,436,720
Library Books and Materials	5,831,879	5,626,626
Automotive Equipment	496,582	483,149
	89,591,602	88,698,900
Less: Accumulated Depreciation	(31,817,347)	(29,839,804)
Total	$ 57,774,255	$ 58,859,096

NOTE 11 BONDS PAYABLE

The following is a summary of bonds payable outstanding at June 30, 2010 and 2009:

	Amount	2010	2009
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-S	$ 8,170,000	$ 7,640,000	$ 7,910,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-A	12,000,000	11,370,000	11,590,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-R	11,705,000	10,515,000	10,715,000
Minnesota Higher Education Facilities Authority Revenue Refunding Bonds, Series Five-J	5,960,000	2,155,000	2,665,000
Total		$ 31,680,000	$ 32,880,000

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

- The Series Six-S Revenue Bonds were issued during fiscal 2008 to finance construction of an expansion to the Burns Wellness Commons complex to provide additional academic space and facilities for the College's new football program. The Series Six-S bonds have interest rates varying from 4.00% to 5.00% and mature in annual installments of $280,000 to $380,000 on December 1 through 2017 with payments of $2,200,000 and $2,825,000 due December 1, 2022 and 2027, respectively. The term bonds maturing in the years 2022 and 2027 are subject to annual sinking fund payments on December 1 in the years 2018 through 2027 in amounts varying from $395,000 to $625,000. The bonds are secured by the general obligation of the College, the reserve account and other funds held by the trustee under the indenture.

NOTE 11 BONDS PAYABLE (CONTINUED)

- The Series Six-A Revenue Bonds were issued during fiscal 2005 to finance construction of a two building student apartment complex (Scanlon Hall and Kerst Hall). The Series Six-A bonds have a variable rate which is established daily by the Remarketing Agent (Piper Jaffrey & Co.). The interest rate at June 30, 2010 was 2.00%. The bonds mature in annual installments of $235,000 to $775,000 on December 1 through 2034. The bonds are secured by the general obligation of the College and with an unsecured letter of credit which has an expiration date of December 9, 2011.

- The Series Five-R Revenue bonds were issued during fiscal 2003 to finance construction of a new student apartment complex (Cedar Hall) and a new student field house (the Wellness Center). In addition, a portion of these bonds were used to finance the refunding of the outstanding principal balance of the Series Three-N Revenue Bonds. The outstanding Series Three-N Revenue Bonds were used to finance construction of an addition to Somers Hall. The Series Five-R bonds have interest rates varying from 3.70% to 5.00% and mature in annual installments of $205,000 to $735,000 on December 1 through 2032. The bonds are secured by the general obligation of the College, the reserve account and other funds held by the trustee under the indenture.

- The Series Five-J Revenue Refunding Bonds were issued during fiscal 2001 to finance the refunding of the outstanding principal balances of the Series Two-T and Three-E Revenue Bonds. The outstanding Series Two-T Revenue Bonds, in the principal amount of $3,540,000, were redeemed in December 2001. The outstanding Series Three-E Revenue Bonds, in the principal amount of $2,390,000, were redeemed in June 2001. The Series Two-T Revenue Bonds were issued to finance the construction of Birch, Maple and Willow apartments, certain renovation of Tower Hall and the installation of new telephone and computer systems. The Series Three-E Revenue Bonds were issued to finance the construction of the Auditorium and Student Union, the Tower Hall addition and the Theater renovation and expansion. The Series Five-J bonds mature with payments of $1,120,000 and $1,035,000 due December 1, 2011 and 2014, respectively. The term bonds maturing in the years 2011 and 2014 are subject to annual sinking fund payments on December 1 in the years 2009 through 2014 in amounts varying from $325,000 to $580,000 and with an interest rate of 5.25%. The bonds are secured by the general obligation of the College, the reserve account and other funds held by the trustee under the indenture.

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

NOTE 11 BONDS PAYABLE (CONTINUED)

The maturities of all long-term debt for each of the five years subsequent to June 30, 2010 are as follows:

Year Ending June 30,	Scheduled Payment Amount	Contractual Payment Amount
2011	$ 1,260,000	1,025,000
2012	1,325,000	12,450,000
2013	1,390,000	1,130,000
2014	1,455,000	1,185,000
2015	1,525,000	1,240,000
Thereafter	24,725,000	14,650,000
Total	31,680,000	31,680,000

The contractual payment column in the above schedule reflects the full value of the College's Series Six-A revenue bonds as payable in 2010. The contractual payment arises from accounting standards that require debt obligations, which are subject to a remarketing agreement, secured by a letter of credit containing a reimbursement provision of more than one year but less than two be reflected as a debt obligation in 2012. The scheduled payment column in the above schedule reflects the anticipated payment schedule assuming that there are no draws on the letter of credit and the bonds continue to be successfully remarketed.

NOTE 12 LEASES

Operating Leases

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

NOTE 12 LEASES (CONTINUED)

Operating Leases (Continued)

The College has operating leases for computer equipment, copiers, automobiles, and building space. Rental expense associated with these operating leases totaled $863,600 and $882,200 for the years ended June 30, 2010 and 2009, respectively. Subsequent to June 30, 2009, the College entered into additional operating leases for equipment. Future minimum lease payments for the five years subsequent to June 30, 2010, including the leases entered into after June 30, 2010, are:

Year Ending June 30,	Amount
2011	$ 771,200
2012	625,400
2013	529,900
2014	478,500
2015	378,900

The College also has a land lease agreement in which space is rented to New Cingular Wireless (AT & T Mobility Corp.) for placement of a wireless communications platform. This lease runs through June 2014 with an option for renewal for five years. Payment received for the lease amounted to $12,856 and $11,023 for the years ended 2010 and 2009, respectively. Expected payments for the remaining years remaining on the lease subsequent to June 30, 2010 are:

Year Ending June 30,	Amount
2011	$ 16,242
2012	16,699
2013	17,367
2014	18,062

Intangible Asset Lease

During fiscal year 2008, the College entered into a lease for the purchase of user license rights in relation to its operating system software. The lease expires December 2010 and bears interest at 5.56%. The balance outstanding on the lease at June 30, 2010 and 2009 was $28,601 and $83,480, respectively.

License rights obtained through the lease total $160,303 and are included in intangible assets in the financial statements. Accumulated amortization for these rights amounted to $133,586 and $80,152 for the years ended June 30, 2010 and 2009, respectively.

NOTE 13 RELATED PARTIES

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

The College uses the Arena for its men's and women's hockey programs as well as for its Figure Skating Club. Rental for ice-time and other associated costs with these programs totaled $53,500 and $57,877 for the years ended June 30, 2010 and 2009, respectively.

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

All three of these entities share utility costs, facilities services, grounds maintenance, and deferred maintenance costs with College. The total amount billed to theses parties amounted to $692,927 and $900,730 for the years ended June 30, 2010 and 2009, respectively. The total amount receivable as of June 30, 2010 and 2009 was $80,081 and $111,499, respectively.

While the St. Scholastica Monastery does not have direct control over the College, members of the Benedictine Sisters Benevolent Association may constitute up to 25% of the voting Trustees of the College.

NOTE 14 CHARITABLE GIFT ANNUITIES

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

For the years ended June 30, 2010 and 2009, College received $4,311 and $52,773, respectively, of gift value relating to split-interest agreements. Total assets held by the College under split-interest agreements totaled $373,035 and $348,039 at June 30, 2010 and 2009, respectively.

NOTE 15 CONCENTRATIONS OF CREDIT RISK

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

NOTE 16 SHORT-TERM CREDIT ARRANGEMENT

The College has an unsecured $1,000,000 revolving line of credit through Wells Fargo Bank through December 15, 2010. Borrowings under this line of credit bear interest at a floating rate per annum equal to the Prime Rate set by the Bank. Interest is payable monthly. Principal, and any unpaid interest, is due on December 15, 2010. In addition, the agreement requires the College to comply with certain financial covenants. At June 30, 2010 and 2009, there were no outstanding borrowings under this arrangement.

NOTE 17 SUBSEQUENT EVENTS

The College has evaluated subsequent events through September 27, 2010 which is the date that the financial statements were issued.

The College of
St. Scholastica

MIX
From responsible sources
FSC™ C017146
FSC
www.fsc.org

Printed by: ImageMaster, Inc.