Listing of Mailout Material
April 26, 2023

- Cover Memo
- Meeting Agenda

I. *Review and approve minutes of the meeting of January 18, 2023*
- Minutes of January 18, 2023

II. *Minneapolis College of Art and Design*
- MCAD Series 2023 Application (without exhibits)
- Application Review – Blue Rose Capital Advisors – Municipal Advisor
- Application Memorandum by Bond Counsel – Fryberger – Bond Counsel
- Resolution Relating to Application – Fryberger – Bond Counsel

III. *St. Catherine University*
- St. Catherine Series 2023 Application (without exhibits)
- Application Review – North Slope Capital Advisors – Municipal Advisor
- Application Memorandum by Bond Counsel – Taft – Bond Counsel
- Resolution Relating to Application – Taft– Bond Counsel

IV. *Old Business*

V. *New Business*

VI. *Other Business*
- Budget vs Actual (March 2023)

<u>MEMORANDUM</u>

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

860 BLUE GENTIAN ROAD, SUITE 145, EAGAN, MN
55121

Date: 19 April 2023

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: April 26, 2023, Authority Board Meeting Preview

If you were able to attend the 2023 MHEFA Finance Conference, held prior to the Board meeting, we hope you enjoyed the Conference. We have a full agenda for our Minnesota Higher Education Facilities Authority April 26, 2023 meeting.

The focus of the April 2023 Board meeting will be to conduct Public Hearings for two institutions.

The Minneapolis College of Art and Design has applied for Financing to assist them with the purchase, renovation furnishing, and updating of an apartment building very near their Minneapolis campus. This acquisition is part of MCAD's strategic growth plan and will enable students to meet the new residency requirements of the College.

St. Catherine University has applied for Financing to assist them with the renovation, furnishing, repurposing, reconstruction, and updating a number of academic and administrative buildings on their Saint Paul campus. These Projects are part of St. Catherine's strategic plan and will provide greater learning, study, and laboratory space, as well as enhancing education opportunities for students.

Representatives of MCAD and St. Catherine University and their advisors will be present to discuss the Application and answer questions.

We will also provide an update of Authority activity since our last meeting, including the Executive Director's Report.

MEMORANDUM

We encourage in-person participation at the meeting, but if you are unable to attend in person, our video link system will be operating for this meeting. Instructions for accessing the video link are available with your Agenda materials.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Board Meeting Agenda

Wednesday, April 26, 2023*

2:30 PM Central Daylight Time*

**Please note the date, time and location of this meeting are new.*

Individuals may request reasonable accommodation or modifications to participate in Authority programs by contacting the Authority at least 48 hours in advance of the event.

I. Review and approve minutes of the meeting of January 18, 2023

II. Minneapolis College of Art and Design

- ➢ Conduct Public Hearing
- ➢ Application Review – Blue Rose Capital Advisors – Municipal Advisor
- ➢ Application Memorandum by Bond Counsel – Fryberger – Bond Counsel
- ➢ Resolution Relating to Application – Fryberger – Bond Counsel

III. St. Catherine University

- ➢ Conduct Public Hearing
- ➢ Application Review – North Slope Capital Advisors – Municipal Advisor
- ➢ Application Memorandum by Bond Counsel – Taft – Bond Counsel
- ➢ Resolution Relating to Application – Taft – Bond Counsel

IV. Old Business

V. New Business

VI. Other Business

- ➢ Executive Director's Report

General Public may attend in-person at the address below,
via call-in number: 1-877-978-6969 Access Code: 602-114-696#
or through this link: https://www.gomeet.com/602-114-696

*Union Depot – St. Paul, RedCap Room (2nd Floor), 214 4th Street East, Saint Paul, MN 55101

The Minnesota Higher Education Facilities Authority (the "Authority" or "MHEFA") convened a regular Board meeting at 2:00 pm Central Time, Wednesday, January 18, 2023.

The Board is conducting this meeting subject to the Open Meeting Law by in-person, telephone, and interactive technology as allowed by Minnesota Statutes. Members participating in the meeting can hear each other and all discussion; members of the public can hear all discussion and votes; and all votes are conducted by a roll call. The board has made provision for the public to monitor the meeting electronically from a remote location. The board has provided notice of the meeting location, the fact that some members may participate by interactive technology, and of the public's right to monitor the meeting electronically from a remote location.

The Authority Board meeting was held in Suite 145 at the Authority's offices, 860 Blue Gentian Road, Eagan, MN 55121. Executive Director Fick was physically present. Mr. Fick meets the state's requirement for COVID-19 safety through vaccination, including boosters. The location and time of the meeting was duly published and posted on the Authority website and the door of the Authority office.

The public was able to monitor the meeting by calling a toll-free number and able to connect using the video link.

Board members participated in the meeting in-person and by using a video link. The meeting link was sent to Board members prior to the meeting. The use of a video link as an allowable way to hold the Board meeting was confirmed by the State of Minnesota's Data Practices Office staff prior to the meeting, following Minnesota Statute 13D.015. Board Chair Gary Benson attended in-person, meeting the non-pandemic requirements of one member attending in-person.

<u>Executive Summary – Minnesota Higher Education Facilities Authority</u>

Meeting on January 18, 2023 Board Actions Taken:

Motions:	Result:	Vote:
Approval of Meeting Minutes of October 19, 2022	Passed	Unanimous

Resolutions	Result:	Vote:
Approve Resolution 01-2023-01 Authorizing Performance-Based Salary Increase Under Managerial Plan 2021-2023	Passed	Unanimous

The official meeting began with a roll call to determine who was attending the meeting. The following board members or their designees were participating and attending in-person (IP), by video link ("V") or telephone ("T"):

Board Members: Gary Benson – IP
Mikeya Griffin - V
Mary Ives – V
David Rowland - V
Nancy Sampair – IP
Mary Thao – V
Ray Vin Zant – V
Poawit Yang - V
Stacy Holland, Minnesota Private College Council, ex officio w/o vote – V

Absent: Bonnie Anderson Rons

Other Attendees: None

Also Present: Barry W. Fick Executive Director MHEFA – IP
Amanda Lee, Operations Manager, MHEFA – IP

Gary Benson, Chair, called the meeting order at 2:00 pm CDT. Executive Director Fick confirmed that a quorum was present.

Agenda Item I – Minutes of the October 19, 2022, Board meeting.

The first item on the agenda is the review and consideration of the minutes of the October 19, 2022, Authority Board meeting.

Board Member Nancy Sampair noted some non-substantive edits she would provide after the meeting to be incorporated into the October 19, 2022 Minutes. Board members reported no substantial changes to the October 19, 2022 minutes.

Chair Benson asked for a motion to accept and approve the October 19, 2022 Minutes A motion was made by Mary Ives to approve the October 19, 2022, minutes. The motion was seconded by Ray VinZant. Chair Benson asked if there were any questions, discussion, or further changes to the minutes of the October 19, 2022, Board meeting. There were no questions or proposed changes to the minutes from Board members.

Chair Benson called for a vote regarding the approval of the minutes. A roll call vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Mikeya Griffin	Yes
	David Rowland	Yes
	Nancy Sampair	Yes
	Mary Thao	Yes
	Mary Ives	Yes
	Raymond Vin Zant	Yes
	Poawit Yang	Yes
	Stacey Holland	Yes

There were no votes against the motion and the Minutes of the October 19, 2022, MHEFA Board meetings were approved.

Agenda Item II – Old Business

Chair Benson asked if there were any Old Business items from Board members for discussion.

There were no Old Business items from staff or from Board members for discussion.

Agenda Item III – New Business

Chair Benson asked if there were any New Business items from Board members for discussion. Operations Manager noted that the Annual Report of the Authority was published in November 2022.

Chair Benson asked Operations Manager Lee to review the FY2022 Annual Report of the Authority. Operations Manager Lee noted that the Annual Report has been published on the Authority website and hard copies of the Report provided to the appropriate State of Minnesota entities, including the Minnesota Historical Society. It was noted that the report includes a listing of all Authority Borrowers and the outstanding bond and note issues of the borrowers. The Annual Report also includes the full audited financial statements of the Authority for Fiscal Year 2022, which were presented in full at the October 2022 Authority Board Meeting by BerganKDV. Operations Manager Lee noted that if any Board member would like a hard copy of the FY22 Annual Report, one would be provided to them.

Chair Benson asked Board members if there were any questions for Operations Manager Lee about the FY22 MHEFA Annual Report. There were no questions from Board members.

There were no other New Business items from Board members for discussion.

Agenda Item IV – Other Business

Chair Benson called upon Executive Director Fick to discuss Other Business. Mr. Fick presented his Executive Director's report. It included the following items regarding staff and Authority activity and events and personnel changes at the schools.

Legislative Update

Our efforts in the 2022 Legislative session were very successful. Our bill was approved by the House/Senate Conference Committee and referred to the full House, where it was passed by the full House a component of the Omnibus Higher Education bill. It was then sent to the Senate, where it was sidelined along with a large number of other bills when the Senate ran out of time in the Session to consider and act on many bills.

Given that our bill was approved by a joint House/Senate Conference Committee and passed by the full House, we are very hopeful that the 2023 Legislative session will result in full passage and enactment of our expansion legislation.

We have introduced the bill with bipartisan authorship in both the Minnesota House (HF 355) and Senate (Bill number to be assigned Jan 19).

Senate sponsors
Sen John Hoffman (D – Champlin)
Sen Carla Nelson (R – Rochester)

House sponsors
Rep. Kristin Bahner (D – Maple Grove)
Rep. Greg Davids (R – Preston)

Senator Hoffman is a new sponsor of our bill. He replaces Senator Tomassoni, who passed away in 2022. All the other sponsors were also sponsors in 2022.

As we did in 2022, we will be moving the bill through the Health and Human Services Committee and the Higher Education Committee in both chambers.

Rating Agency Update

- Moody's Investors Service has added an Analyst to the Minnesota Higher Education team
- Executive Director Fick will meet with Moody's staff in NYC in February to discuss Moody's staffing plans, rating updates for 2023, and site visits this Spring

Borrower Assistance and Financing Application Update

- We are engaged in preliminary discussions with four schools about financing projects in the calendar year 2023, which includes the Fiscal Year 2023 and the first half of the Authority's Fiscal Year 2024
- We are collaborating with multiple schools on Moody's rating updates
- We continue to support schools in their compliance with Continuing Disclosure obligations

Borrower Staffing Update

There are currently no vacant CFO positions at Minnesota private Colleges and Universities. A number of schools have vacancies at the Controller position or at the AVP for Finance position. We are actively working with those schools to help ensure continuity on debt management and reporting.

Two Minnesota private universities have announced new Presidents since our last meeting. The University of St. Thomas has named Rob Vischer as the 16th President of the University. He became President on January 1, 2023. He is the second layperson to serve as President of the University. Rob has served as the interim President of St. Thomas since Dr. Julie Sullivan left the Presidency in early 2022. Prior to becoming interim and now President, Rob was the Dean of the University of St. Thomas Law School for the past 10 years.

Concordia College Moorhead has selected Colin Irvine, Ph.D. as the 12th President of the College. His term as President begins July 1, 2023. He currently serves as Provost and Executive Vice President at Augustana University, Sioux Falls, South Dakota. Prior to working at Augustana, he was the SVP for Academic Affairs and Dean of the College at Carroll College in Helena, MT. He also worked at Augsburg University as a professor and faculty administrator.

Budget Update

With the lack of Senate action on our bill, we needed to engage McGrann Shea as legislative consultants to get the expansion legislation through the 2023 Legislative Session. We negotiated a consulting fee that is ½ of our prior year consulting fee with McGrann Shea. This fee was not included in our FY2023 budget.

Interest income is coming in higher than budget due to higher market rates and our management of investment duration in the current interest rate environment. Our maturing CDs are being invested at rates ranging from 4.60% (18m CD) to 4.90% (2yr CD). This compares to the sub-1/4% rates on the matured CDs. We review US Treasury rates and CD rates when reinvesting our portfolio. Recall that our investment portfolio is sized to serve as a reserve against risks and contingencies identified as potentially affecting the Authority as a conduit issuer.

<u>Various</u>

We have received 2 favorable reviews of our work on behalf of borrowers and our website from Institutional Investors this January. We received calls from investors looking for information about some of our borrowers. We directed them to our website and suggested they sign up on the investor section to receive future information. After reviewing the website, both investors contacted us to express their approval of the depth, quantity and quality of information about borrowers on our website.

The University of St. Thomas announced a $75 million lead gift for the Hockey and Basketball facility to be built in the near future. The gift is from long-time St. Thomas benefactors Lee and Penny Anderson, who have also helped fund the Anderson Student Center, the Anderson Athletic and Recreation Complex, and the Anderson Parking Facility.

Chair Benson asked Operations Manager Lee to discuss the Budget vs. Actual Report for the period from July 1, 2022 through December 31, 2022. Operations Manager Lee noted that there are a number of items that will occur during the Fiscal Year 2023 which were not known when the Fiscal Year23 budget was approved by the Board. A positive variance from the approved budget is the additional investment income from the Board's portfolio. As Certificates of Deposit mature, they are being reinvested at substantially higher interest rates. Through December, the total interest income is 129% of budget and will get larger during the balance of the year.

The decision to move the Annual Finance Conference back to its traditional April date will result in the cost for two Finance Conferences being reported in Fiscal Year 2023. In addition, the deferral of full legislative consideration of Authority expansion legislation to 2023 has resulted in additional legislative consulting expense. The legislative consultant firm has agreed to a reduced fee for their assistance. This fee will also be reflected in FY23 operations.

The Authority budgeted for a deficit in FY23 after a surplus in FY22 due to move-related expenses crossing fiscal years. The approved FY23 budget includes contingencies that will mitigate some of the additional expenses. Any additional deficit related to the additional conference and legal fees in FY23 can be absorbed from Authority reserves and the fees charged to borrowers will not need to be adjusted for FY23.

Chair Benson asked if there was any Other Business to come before the Board. There was no Other Business for the Board to consider, and Chair Benson asked for a motion to adjourn the regular Board Meeting and move to Closed Session to discuss the performance review of the Operations Manager for February 2022 – January 2023. The motion to adjourn the Board meeting and move to closed session was made by Nancy Sampair and seconded by Ray VinZant.

Chair Benson called for a voice vote regarding the adjournment of the regular meeting and move to closed session. A Voice vote was conducted, and the Board members voted to adjourn the regular meeting and reconvene in closed session.

Closed Session Agenda Item I – Performance Review of Operations Manager

At the beginning of the closed session, Operations Manager Amanda Lee was excused from the meeting while the Board conducted her Performance Review.

While in closed session Executive Director Fick reviewed the Performance Assessment form filled out by Amanda and Executive Director Fick. Board members also provided input on their evaluation of the performance of Operations Manager Lee.

At the conclusion of the closed session discussion of the job performance of the Operations Manager, Mr. Benson asked for Board action on the Resolution Authorizing Performance-Based Salary Increase Under Managerial Plan 2021-2023 for Operations Manager Amanda G. Lee.

A motion was made by Ray Vinzant to approve and accept the Resolution Authorizing Performance-Based Salary Increase Under Managerial Plan 2021-2023. The motion was seconded by Nancy

Sampair. Chair Benson asked if there were any questions, discussion, or changes regarding the Resolution.

Board members noted in discussing the Resolution that they continue to be very appreciative of and pleased with the Operations Manager's job performance. There were no other questions related to the Resolution Authorizing Performance-Based Salary Increase Under Managerial Plan 2021-2023.

Chair Benson called for a Roll Call vote regarding the approval and acceptance of the Resolution Authorizing Performance-Based Salary Increase Under Managerial Plan 2021-2023. A Roll Call vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Mikeya Griffin	Yes
	Mary Ives	Yes
	Mary Thao	Yes
	David Rowland	Yes
	Nancy Sampair	Yes
	Ray Vinzant	Yes
	Poawit Yang	Yes
	Stacey Holland	Yes

There were no votes against the motion and the Resolution Authorizing Performance-Based Salary Increase Under Managerial Plan 2021-2023 was approved.

The Board Chair invited Operations Manager Amanda Lee to rejoin the meeting. The Board Chair Informed Operations Manager Lee of the approval by the Board of the Resolution Authorizing Performance Based Salary Increase Under Managerial Plan 2021-2023. Operations Manager Lee thanked the Board for their action.

Chair Benson asked if there were any additional items for discussion from Board members. Board members thanked Operations Manager Lee for her work over the past year.

There were no other items from the Board for consideration at the Closed session of the meeting.

A motion to adjourn the Closed session of the Board meeting was made by Nancy Sampair. The motion to adjourn was supported and seconded by Mary Ives. The Board acted by voice vote to adjourn the meeting at 2:55 pm, Central Time.

Respectfully submitted,

____
Assistant Secretary

Application for Financing

Higher Education

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Borrower Information

Name of Borrower: Minneapolis College of Art and Design

Date: 4/10/2023

Borrower Primary Contact Information:

Name Mary Alma Noonan

Title Chief Financial Officer and Vice President of Finance

Email manoonan@mcad.edu Phone 612-874-3813

Purpose of Financing (Select all that apply)

- [x] Building acquisition, construction or renovation, site or equipment acquisition
- [ ] Refinancing of one or more Authority bond issues
- [ ] Refinancing of one or more indebtedness not issued by the Authority

Each of the following should be treated as a separate element and described separately, starting with "Project A." If not located on the main campus, please include the street address.

- each new building or complex of buildings (square footage, beds or floors)
- renovations associated with a particular building or site
- equipment that is not related to either the proposed new buildings or existing buildings that are to be renovated
- each Authority bond issue to be refinanced, specifying the series name
- each other indebtedness that is to be refinanced, specifying the date incurred, the lender and the capital project that was financed

Project A: Purchase of the apartment building located at 113 E. 26th St., Minneapolis, MN 55404, along with related expenses associated with transitioning it to be owned and operated by the College for student housing and related operational purposes of the College, and to pay costs of issuance associated with the financing.

Project B:

Project C:

Project D:

Estimated Cost Summary

	Project A	Project B	Project C	Project D	Total
Construction cost	0				0
Architectural, engineering and consultant costs	258000				258000
Furnishings and equipment	874947				874947
Site acquisition	16419450				16419450
Principal amount of debt to be refinanced	0				0
Other (excluding issuance costs and reserves)	264853				264853
Total	17817250	0	0	0	17817250

Estimated Financing Summary

	Project A	Project B	Project C	Project D	Total
Amount of funds from other sources	0				0
Amount of project cost (excluding issuance costs and reserves) to be financed with Authority bonds	17817250				17817250
Principal amount of debt to be refinanced	0				0
Total	17817250	0	0	0	17817250

Please give the approximate dates of any of the following steps that have already been taken:

	Project A	Project B	Project C	Project D
Construction has started				
Construction contract has been awarded				
Purchase contract for materials or equipment has been awarded	2/8/2023			

Is any part of the facilities, now or in the future, to be managed or otherwise used by any person other than the borrower?

☑ Yes ☐ No

If you checked "YES," please describe briefly the location and extent of the use and whether the user is an exempt organization under Section 501(c)(3) of the Internal Revenue Code:

Minneapolis College of Art and Design is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. While some facilities may have private use, the College will monitor this to ensure that any private use stays within the parameters of exempt financing regulations.

Will any of the following actions violate any provisions of the articles of incorporation, the bylaws or constitution of the borrower or of any affiliated organization, any existing mortgage, deed, contract or other agreement, or any state, local or federal law, rule, regulation or ordinance?

Entering into a loan agreement with the Authority for the repayment of bond proceeds?

☐ Yes ☑ No

Completing the proposed project or prepaying the Authority bonds or other debt that will be refinanced?

☐ Yes ☑ No

Entering into a mortgage or security agreement to secure repayment to the Authority?

☐ Yes ☑ No

Proposed Timing Summary

	Project A	Project B	Project C	Project D
Start date				
Completion date	6/8/2023			
Acquisition date if the project is only for equipment				
Optional redemption date for refinancings				

How will this bond issue be sold?

☐ Competitive public sale

☐ Negotiated public offering

☑ Private placement

☐ Undecided

When do you wish to close on the bond issue?

- [ ] As soon as practical
- [x] No later than: June 8, 2023
- [ ] Not sooner than:

What is the expected source of funds to repay the loan of bond proceeds? (check all that apply)

- [x] Operating funds
- [x] Additional revenue from the project
- [ ] Gifts from private donors
- [ ] Grants from governmental sources
- [ ] Other

If repayment is not expected to be entirely from operating funds, state the approximate amount from the other sources and whether such funds are temporarily or permanently restricted in any way as to use:

Additional revenue will derive from rents from existing tenants prior to the expiration of their leases. No restriction on the use of these funds.

Is credit or liquidity enhancement expected? (check all that may apply)

- [ ] Bond insurance
- [ ] Letter of credit
- [ ] Standby bond purchase agreement for tendered bonds
- [ ] Guaranty

What is the status of any application for the foregoing?

What are the preferred scheduled payment dates?

Month and earliest year for annual principal payments: October 2025

Earliest month and earliest year for interest payments: October 2023

Are revenues available to pay interest during the construction period?

☐ Yes ☐ No, interest should be capitalized for _____ months ☑ Not Applicable

The following two questions apply to all <u>refinancings</u>. Please select "Not Applicable" if this does not apply.

☑ Not Applicable

1. Has the original project been completed substantially in accordance with the plans and specifications?

☐ Yes ☐ No

2. Has there been a default by the institution or by any other party, in the performance of the covenants and conditions relating to the Authority bonds or other debt to be refinanced?

☐ Yes ☐ No

The following four questions apply to refinancing debt that is <u>not</u> Authority issued bonds. Please select "Not Applicable" if this does not apply.

☑ Not Applicable

1. Will the proposed refinancing enhance and preserve the borrower and the facilities being refinanced or utilization thereof for educational purposes?

☐ Yes

☐ No, because:

2. Will the proposed refinancing extend or adjust maturities to correspond to the resources available for their payment?

☐ Yes

☐ No, because:

3. Will the proposed refinancing reduce the tuition charges or fees imposed on students for the use of such facilities or costs met by state or federal funds?

☐ Yes

☐ No, because:

4. Will the proposed refinancing enhance or preserve educational programs and research or other facilities eligible to be a project or part thereof?

☐ Yes

☐ No, because:

The table below applies to refinancing debt that is not Authority issued bonds. Please check "Not Applicable "if this does not apply.

☑ Not Applicable

Statutory Maximum to Refinance Debt Other Than Authority Bonds

	Project A	Project B	Project C	Project D
(a) Original project costs				
(b) Principal amount of any debt (other than Authority bonds) to be refinanced				
(b) Accrued but unpaid interest on debt (other than Authority bonds) to be refinanced				
(b) Prepayment premium (or discount) on debt (other than Authority bonds) to be refinanced				
(c) Appraised value of project				
(c) Depreciated equipment				
Maximum allowable: the lesser of (a) original cost, (b) principal, interest and premium and (c) present value				

Check below if any of the projects are located in or involve any of the following:

☐ Riparian frontage

☐ Shoreland area

☐ Delineated flood plain

☐ State or Federally designated wild and scenic rivers district

☐ Minnesota River Project Riverbend area

☐ Mississippi River headwaters area

If there are any potential environmental issues, please summarize the major environmental issues:

Governmental Approval Summary

	Project A	Project B	Project C	Project D
Zoning variance or change	☑ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending
Building permit	☑ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending
Other governmental approval	☑ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending
Environmental Assessment Worksheet	☐ not applicable ☑ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending
Environmental Impact Statement	☐ not applicable ☑ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending	☐ not applicable ☐ received ☐ pending

If one or more governmental approvals are pending, please describe the status of the application process and whether approval is expected before the bond closing:

Borrower Contact Information:

Legal name of corporate borrower and street address:

Minneapolis College of Art and Design
2501 Stevens Avenue, Minneapolis, MN 55404

President of College or University:

Sanjit Sethi

Chief Financial Officer (please give name, title, preferred mailing address, telephone, fax and email address):

Mary Alma Noonan, Chief Financial Officer and Vice President of Finance
2501 Stevens Avenue, Minneapolis, MN 55404
(612) 874-3813

Additional staff assisting with the project (please give name, title, preferred mailing address, telephone, fax and email address):

Brock Rasmussen, Vice President of Operations and Technology
2501 Stevens Avenue, Minneapolis, MN 55404
(612) 874-3611

Attorney (please give name of firm and the responsible individual as well as preferred mailing address, telephone, fax and email address)

Ryan Boe
Larkin Hoffman Daly & Lindgren, Ltd.
8300 Norman Center Drive. Suite 1000

Independent Auditor (please give name of firm and the responsible individual as well as preferred mailing address, telephone, fax and email address)

Rebekah Martin
Baker Tilly US, LLP
225 S. 6th St.. Suite 2300

Description of Accreditation and Degrees:

If the principal institutional accreditation is not North Central Association of Colleges and Secondary Schools, please state the principal accreditor:

Higher Learning Commission

Degrees conferred are:

- ☐ Associate of Arts
- ☐ Associate of Applied Science
- ☐ Associate of Science
- ☐ Bachelor of Arts
- ☑ Bachelor of Fine Arts
- ☐ Bachelor of Music
- ☐ Bachelor of Music Education
- ☑ Bachelor of Science
- ☑ Master of Arts
- ☐ Master of Business Administration
- ☐ Master of Education
- ☑ Master of Fine Arts
- ☐ Master of Science
- ☐ Master of Social Work
- ☐ Master of Physical Therapy
- ☐ Doctor of Chiropractic Medicine
- ☐ Doctor of Education
- ☐ Doctor of Philosophy
- ☐ Doctor of Public Administration
- ☐ Doctor of Psychology
- ☐ Juris Doctor
- ☐ Others:

Religious Affiliations

1. Does the institution receive support from any church body?

☐ Yes ☑ No

2. Does a church body or religious order control the election of any trustees or officers?

☐ Yes ☑ No

3. Is the consent of any religious order or any other corporation necessary before the instution may sell or motgage its property or borrow money?

☐ Yes ☑ No

4. Are there any religious qualifications for faculty appointments?

☐ Yes ☑ No

5. If the institution teaches courses in religion or theology, does the institution confer a theology degree or otherwise prepare students for a religious vocation?

☐ Yes ☑ No

6. If the institution teaches courses in religion or theology, does the institution teach the distinctive doctrines, creeds or tenets of any particular religious sect?

☐ Yes ☑ No

7. Are the students required to attend chapel or other religious service?

☐ Yes ☑ No

Please explain if you have answered "YES" to any of the foregoing seven questions:

Teaching and Admission Standards

1. Does the institution and its faculty subscribe to the Statement of Principles of Academic Freedom promulgated by the American Association of University Professors and the Association of American Colleges?

- [x] Yes
- [ ] No

2. Are all courses of study, including any religion and theology courses, at the institution taught according to the academic requirements of the subject matter and the individual instructor's concept of professional standards?

- [x] Yes
- [ ] No

3. Does the institution admit students without regard to race, color, religion or national origin?

- [x] Yes
- [ ] No

Please explain if you have answered "No" to any of the foregoing three questions:

No Discriminatory Practices

1. Does the institution unlawfully discriminate in any manner in the full utilization or benefit of the institution or its services because of gender, race, color, creed, national origin or other basis?

- [ ] Yes
- [x] No

2. Does the institution expel, limit or otherwise unlawfully discriminate against enrolled students because of gender, race, color, creed, national origin or other basis?

- [ ] Yes
- [x] No

3. Does the institution unlawfully discriminate in hiring, promotion, salary, and assignments or in any other matter in its employment practices, because of gender, race, color, creed, national origin or other basis?

- [ ] Yes
- [x] No

Please explain if you have answered "Yes" to any of the foregoing three questions:

LIST OF EXHIBITS

(please number consecutively)

For traditional undergraduate and graduate programs and any nontraditional programs that provide substantial revenue: (A) Enrollment information (head count and full-time equivalent) submitted to the Office of Higher Education for the five-year period immediately preceding this application, (B) Projected head count and full-time equivalent enrollment for the five-year period following this application and (C) Applications, acceptances and matriculations for first year students during the past five fall terms.

- [x] attached as Exhibit A
- [ ] not attached because project is for equipment only under lease program

Most recent published tuition, room and board fee schedule, and any supplemental charges.

- [x] attached as Exhibit B
- [ ] not attached because project is for equipment only under lease program

List of all outstanding indebtedness (excluding debt that will be refinanced with new Authority bonds), including interest rates, amounts, repayment schedule and description of the mortgage or other collateral securing payment.

- [x] attached as Exhibit C
- [ ] not attached because project is for equipment only under lease program

Description of any debt limitation, covenant or restriction to which the institution is subject, with a statement by the Chief Financial Officer and supporting calculations as to compliance with such debt limitation, covenant or restriction.

- [x] attached as Exhibit D
- [ ] not attached because project is for equipment only under lease program

Audited financial statements for each of the past five fiscal years. May be provided by reference to your website (please state specific website address below), sent electronically, or on a labeled CD (mailed or delivered).

- [x] attached as Exhibit E
- [ ] Website address:

Current operating budget.

- [x] attached as Exhibit F

Current college catalog for undergraduate and graduate programs. May be provided by reference to your website (please state specific website address below), sent electronically, or on a labeled CD (mailed or delivered).

- [x] attached as Exhibit G
- [ ] Website address:

Current faculty handbook. Please provide the website address, send electronically, or on a labeled CD (mailed or delivered).

- [x] attached as Exhibit H
- [ ] Website address:

List of current board members and officers.

- [x] attached as Exhibit I

Copy of the current articles of incorporation. If the institution was incorporated under a special act, a copy of the special act with all amendments should be provided. Please include any amendments that are expected to be proposed for approval.

- [x] attached as Exhibit J

Copy of the current bylaws of the corporation. Please include any amendments that are expected to be proposed for approval. Please include any other similar corporate guidelines such as a "constitution".

- [x] attached as Exhibit K

Copy of the articles of incorporation and bylaws of any affiliated religious or other organization that must approve any action by the institution to sell or mortgage its property or to borrow money.

- [ ] attached as Exhibit __
- [x] not applicable

Copy of the most recent ruling or letter from the Internal Revenue Service confirming that the institution is an organization described in Section 501(c)(3) of the Internal Revenue Code.

- [x] attached as Exhibit L

Copy of the most recent letter from the Office of Higher Education confirming registration under Minnesota Statutes, Section 136A.61 to 136A.71.

- [x] attached as Exhibit M

Description of any pending litigation that is uninsured and would have a material adverse financial impact if resolved against the institution. In addition, please describe any charge filed against the institution by a state or federal agency or any individual or group alleging unlawful discrimination by the institution.

- [ ] attached as Exhibit __
- [x] no pending litigation

Either (A) a copy of a survey of the site (as built, if this is a refinancing) of the project, including the related legal description or (B) a plat map or other depiction of the project site that clearly shows the location of existing and proposed buildings and the relationship to a legal description. If a mortgage is necessary for this financing, a survey will be required and it must show any right-of-way necessary for access by the mortgagee or new owner to a public street or highway and all easements and other legal encumbrances.

- [x] attached as Exhibit N
- [ ] arrangements for a survey or plat map will be made before bonds are offered for sale
- [ ] not attached because project is for equipment only under lease program

Either (A) a commitment to issue a title insurance policy in an owner's or mortgagee's form or (b) a preliminary opinion of title based upon an examination of real estate records covering the project site and certified to within approximately 30 days of the date of the opinion. All exceptions, liens and encumbrances should be noted on the commitment or opinion. The evidence should indicate that title or suitable ownership interest is held by the institution or a seller of any real estate to be acquired with this financing.

☐ attached as Exhibit ___

☑ arrangements for evidence of ownership will be made before bonds are offered for sale.

☐ not attached because project is for equipment only under lease program

Copy of the resolution of the governing board (or the executive committee) of the institution in a form similar to Attachment A declaring official intent to reimburse itself from bond proceeds and authorizing submission of the Application.

☐ attached (showing the effective date) as Exhibit ___

☑ not attached but will be adopted on 4/17/2023 (must be before public hearing)

☐ not applicable because this application is solely for refunding Authority bonds.

Copy of the resolution of the governing board (or the executive committee) of the institution in a form similar to Attachment B authorizing submission of this Application.

☐ attached (showing the effective date) as Exhibit ___

☑ not applicable because a resolution similar to Attachment A is submitted

Certification by the architect in a form similar to Attachment C that the estimated costs of the items comprising the total structure costs are considered to be realistic and have been made according to accepted architectural practices for developing preliminary estimates.

☐ attached as Exhibit ___

☑ not applicable because no construction or significant renovation is proposed

The following exhibits apply only to refinancing of debt that is <u>not</u> Authority bonds. Please select "Not Applicable" if this does not apply.

☑ Not Applicable

Copy of all loan agreements, promissory notes, financing agreements, indentures, mortgages or other documents relating to the debt (that is not Authority bonds) to be refinanced, together with all amendments or modifications. May be provided on a labeled CD.

☐ attached as Exhibit ___

Copy of all leases, management agreements, use agreements or other documents relating to the capital project originally financed by the debt (that is not Authority bonds) to be refinanced, together with all amendments or modifications. May be sent electronically or provided on a labeled CD (mailed or delivered).

☐ attached as Exhibit ___

Copy of current appraisal of capital project originally financed by the debt (that is not Authority bonds) to be refinanced prepared by an appraiser with the MAI designation or the equivalent.

☐ attached as Exhibit ___

Signature and Certifications

The undersigned officers of the borrower hereby certify that the Application, including the enclosed exhibits are complete and correct. We have reviewed and hereby accept the terms of the Indemnity Agreement as set forth in Attachment D.

(Chief Executive Officer)

Signature:

Title: President

And

(Chief Financial Officer)

Signature: Mary Alma Noonan

Title: Chief Financial Officer and Vice President of Finance

Date of this Application: 4/10/2023

Delivery Instructions

The following two items must be received by the Authority in order to proceed with the financing:

- [x] Signed Application, together with exhibits, for the Authority
  - Email to bwf@mnhefa.org (cc: agl@mnhefa.org)
  - Signed Application, together with exhibits, will be forwarded by the Authority to Bond Counsel and the Financial Advisor
- [x] $1,000 Application Fee
  - Checks should be made payable to: Minnesota Higher Education Facilities Authority
  - Mail or Deliver check to:

    Minnesota Higher Education Facilities Authority

    380 Jackson Street, Suite 450

    Saint Paul, MN 55101

    651-296-4690
  - Electronic payment is also available. Please contact the Authority for banking information if preferred.

BLUE ROSE
CAPITAL ADVISORS

April 11, 2023
Minnesota Higher Education Facilities Authority
Mr. Barry W. Fick, Executive Director
860 Blue Gentian Road, Suite 145
Eagan, MN 55121

Dear Mr. Fick & Authority Board Members:

As the independent registered municipal advisor for the Minneapolis College of Art and Design ("MCAD" or the "College"), we are pleased to provide the following review of the financing application submitted by MCAD to the Minnesota Higher Education Facilities Authority ("MHEFA" or the "Authority"). The College plans to issue its Series 2023 Revenue Note (the "Note"), the proceeds of which will be used for the purchase of the apartment building located at 113 East 26th Street, Minneapolis, MN 55404 (the "Chroma building"), along with related expenses associated with transitioning it to being owned and operated by the College for student housing and related operational purposes of MCAD, and to pay costs of issuance associated with the financing.

Included below is a summary of the financing, followed by further detail regarding the project and financing parameters as well as a review of the College's current credit and debt profile.

Summary of Series 2023 Financing

Estimated Par Amount (as of 4/5/23)	$18,025,000
Anticipated Closing Date	6/1/2023
Financing Purpose	New Money
Project	Chroma Building Purchase and Transition to MCAD Operations
Purchaser	Alerus
Bond Counsel	Fryberger Law Firm

Based on our review of the project, including preparation of a comprehensive pro forma model, evaluation of indicative terms and financing proposals from various financial institutions, and the information presented here, Blue Rose is of the opinion that the proposed borrowing is fiscally viable for the College and that a Note with adequate security can be structured, and the lending terms under consideration will allow MCAD to meet its objectives for the financing. We will also be attending the Authority's meeting on Wednesday, April 26th to present our review of the College's application and answer any questions on the information contained in this letter.

Sincerely,

Justin Krieg, Senior Vice President

Max Wilkinson, Vice President

Minneapolis College of Art and Design

Founded in 1886, Minneapolis College of Art and Design is an independent accredited institution offering a four-year curriculum integrating the Liberal Arts into 14 professional Bachelor of Fine Arts degree majors in Fine Arts, Media Arts and Design; a four-year Bachelor of Science degree in Visual Studies; and a one-year post Baccalaureate certificate program. MCAD also offers educational opportunities to the general public through its Continuing Studies, distance learning and exhibition programs. From 1886 until 1988, the College was operated as a part of the Minneapolis Society of Fine Arts (the "Society"). As part of a reorganization of the Society in 1988, MCAD became a separate nonprofit corporation with no affiliation to the Society.

MCAD's campus is adjacent to the Minneapolis Institute of Arts and the Children's Theatre Company (neither of which is affiliated with MCAD) in a residential neighborhood approximately two miles south of downtown Minneapolis. MCAD is an equal opportunity educator and employer, is accredited by the North Central Association of Colleges and Schools, National Association of Schools of Art and Design, and is a member of the Minnesota Private Colleges Council and the Association of Independent College of Art and Design.

Enrollment

The College's full-time and headcount enrollment trends for the last eight fall semesters are provided below. MCAD has maintained fairly stable enrollment over this timeframe, with a slight decline in fall 2020 and 2021 (after the onset of the COVID-19 pandemic) followed by a rebound to prior historical norms in fall 2022.

	Full Time Equivalents (FTEs) Enrollment						Headcount	
Semester	FR	SO	JR	SR	OTH	Total	Registered	Enrolled
Fall 2022	227	191	151	118	76	763	854	821
Fall 2021	217	191	150	104	32	694	807	775
Fall 2020	214	170	131	135	54	704	797	761
Fall 2019	228	172	176	119	57	752	819	796
Fall 2018	231	178	184	120	76	789	880	854
Fall 2017	204	194	172	100	57	727	819	774
Fall 2016	217	198	151	118	73	757	838	803
Fall 2015	191	171	163	136	83	744	826	795

Source: Minneapolis College of Art and Design

Summary of Outstanding Debt

As of May 31, 2022, the College had $8.44 million of outstanding debt issued by the Authority for the College's benefit as shown below:

Minnesota Higher Education Facilities Authority: Long Term Debt

Issue Date	Issue	Original Par Amount	Par Amount 5/31/2022	Final Maturity	Purpose
3/17/2022	MNHEFA Revenue Note, Series 2022	$1,500,000	$1,500,000	4/1/2032	Acquisition of 2450 and 2601 Stevens Ave. Properties
5/18/2018	MNHEFA Revenue Note, Series 2018	3,643,000	3,447,000	4/1/2028	Improvements to Main Building and new roof for Morrison Hall
3/26/2015	MNHEFA Revenue Bonds, Series Eight-D	7,845,000	3,125,000	5/1/2026	Refinance Series Six-K and Six-Z Revenue Bonds
4/1/2012	MNHEFA Revenue Bonds, Series Seven-N	3,215,000	370,000	5/1/2023	Refinance Series Five-K Revenue Bonds
	Total Par Amount	**$16,203,000**	**$8,442,000**		

Source: Minneapolis College of Art and Design FY 2022 Audited Financial Statements

The proposed Series 2023 issuance of approximately $18.03 million in principal amount represents a meaningful increase in leverage for MCAD, more than doubling the College's current outstanding debt burden. However, the College maintains sufficient liquidity to withstand this increase, with cash and investments to pro forma debt projected at 2.3x (assuming FY 2022 C&I) following the Series 2023 borrowing. Additionally, the project is expected to be net-positive to MCAD from a cashflow perspective after the first year of operation, with the new debt service covered by added student housing revenue generated by the additional housing capacity the Chroma building will provide (in combination with the College's new campus residency requirement for freshmen and sophomores). Further supporting details for these projections can be found in the discussion of the project below, and a summary of the pro forma model is also included as Exhibit A to this letter. A summary of the College's current annual debt service requirements is attached as Exhibit B.

Financial Covenants

The College is subject to financial covenants relating to their Series Eight-D Bonds, Series 2018 Note, and Series 2022 Note (covenants relating to the Series Seven-N bonds are similar but omitted from this section due to that issue's impending final maturity on May 1, 2023). Details of the financial covenants are included below.

<u>Shared Covenant for Series Eight-D and Series 2018</u>:

- **Liquidity Covenant**: The College shall maintain cash and cash equivalents and investments available to pay debt service on funded debt and to pay its operating expenses having a total fair value not less than $4,000,000.

<u>Covenant for Series 2022</u>:

- **Liquidity Covenant:** The College shall maintain cash and cash equivalents and investments available to pay debt service on funded debt and to pay its operating expenses having a total fair value not less than the lesser of $5,000,000 or 70% of the outstanding principal of funded debt.

Shared Covenant for All Series:

- **Additional Bonds Test:** The College shall not incur funded debt (with a few specific exceptions, noted below), unless its average debt service coverage ratio for the two most recent fiscal years for which audited financial statements are available was at least 110% (calculated by dividing net income available for debt service by pro forma maximum annual debt service, with adjustments made for revenue-producing facilities along with any changes in tuition, fees, or charges that may have occurred since the end of either of the fiscal years being used for the calculation). Exceptions to the additional bonds test include the following:
    - Debt that refinances existing debt and does not increase maximum annual debt service;
    - Debt 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(s); or
    - Debt for capital projects, providing that pro forma funded debt is less than 50% of the sum total of cash and cash equivalents and investments as reported in the College's most recent audited financial statements.

The College has calculated compliance with all of its financial covenants, with details of these calculations shown in Exhibit D to the MHEFA application.

Negative Pledges:

Several of the College's existing bond series also include negative pledges on various property financed by those issues. The Series Eight-D Bonds and the Series 2018 Note each include negative pledges on portions of the College's main campus building, while the 2018 Note also includes a negative pledge on the Morrison Building. The Series 2022 Note includes a negative pledge on two other buildings (located at 2450 and 2601 Stevens Avenue) for which the 2022 Note reimbursed MCAD for the costs of their acquisition.

Credit Rating

The College is currently rated "Baa2" with a stable outlook by Moody's Investor's Service ("Moody's"). This rating was most recently reviewed and affirmed in December 2021. As the Series 2023 Note is expected to be issued as a direct purchase loan with a financial institution, the Note is not anticipated to carry a rating from Moody's.

The Project

MCAD intends to utilize the note proceeds to finance the purchase of the Chroma building and transitioning of that building from a private apartment complex to its new use for student housing and other operational purposes of the College, as well as to pay costs of issuance for the financing. An image of the building and a map showing its direct proximity to campus are shown below for reference.

Evaluation of the Opportunity

Before settling on the final plan to purchase the Chroma building, MCAD worked with Blue Rose and Cushman Wakefield to evaluate several alternative options to address its need for additional student housing capacity. Initially, a public-private-partnership (P3) project for construction of new housing was considered in 2022, but the cost of implementing such a structure proved prohibitive, leading the College to shift its focus to purchase of an existing building to add additional housing. Several other buildings were evaluated as part of this process, but ultimately the location, capacity, and relative cost on a per/bed basis of the Chroma building all proved superior to other alternatives under consideration.

Pro Forma Modeling

To vet the financial feasibility of the Chroma building purchase for MCAD, Blue Rose went through several iterations of a comprehensive but conservative pro forma modeling process to review projected revenues and expenses over an extended time horizon to confirm that the project would be self-supporting and manageable for the College to undertake. Over time, this model has been refined with updated assumptions relating to utility costs, transition expenses, debt service under various financing scenarios, and housing occupancy projections in order to provide the most realistic projections available with current information for the performance of the project.

A high-level summary of the pro forma model is included below as Exhibit A, and all indications are that the Chroma building will be able to cover indicative debt service on the Series 2023 Note with little to no additional support from MCAD, and with debt service coverage improving over time. These projections incorporate conservative assumptions and a variety of different contingencies to ensure that any unexpected or unforeseen costs/expenses do not prevent the building from performing as anticipated from a financial perspective.

The Financing

Sources and Uses (as of April 5, 2023)

A preliminary estimate of sources and uses for the 2023 Note is provided below:

Preliminary Sources and Uses for Series 2023 Note	
Sources	
Par Amount	$18,025,000
Total Sources	**$18,025,000**
Uses	
Site Acquisition	$16,419,450
Furnishings and Equipment	$874,947
Architectural, Engineering, and Consultant Costs	$258,000
Other Transition Costs	$264,853
Costs of Issuance	$207,750
Total Uses	**$18,025,000**

Security for the Note

The 2023 Note is expected to maintain financial covenants on parity with the College's currently outstanding debt. However, given the meaningful size of the newly contemplated issuance relative to MCAD's current debt portfolio, additional security provisions are also anticipated to be required for this issuance. Specifically, a mortgage on the Chroma building securing the Note will be needed. Additionally, added collateral is also expected to be required in order to allow the lender to maintain a loan-to-value (LTV) ratio of no more than 80% of the appraised value or purchase price of the Chroma building.

The College expects to satisfy additional collateral requirements through pledges of other real estate (consisting of buildings not restricted by negative pledges from its currently outstanding debt), with additional collateral potentially provided by securities as needed depending on timing and logistical constraints. Evaluation of the specific details as to how this collateralization will be implemented remains ongoing, but there are no concerns that the College lacks sufficient assets to pledge in order to meet the additional collateral requirements (which are expected to range from $5 million - $10 million depending on the appraised valuation of the Chroma building and the method of collateralization selected by MCAD). A two-note financing structure is under consideration in order to simplify the delineation between the Chroma building mortgage and the additional collateral required from MCAD, with structuring targeted at reducing the additional collateral requirements first to minimize the time MCAD must pledge additional real estate/securities beyond the Chroma building to secure the 2023 financing.

MEMORANDUM

TO: Barry W. Fick
Minnesota Higher Education Facilities Authority

FROM: Fryberger, Buchanan, Smith & Frederick, P.A.

DATE: April 19, 2023

RE: Application of the Minneapolis College of Art and Design for MHEFA Financing

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We have reviewed the Application of the Minneapolis College of Art and Design (the "College") dated April 10, 2023, and have found it to be complete and satisfactory from a legal standpoint, subject to the following:

1. Purpose. The Application relates to the financing of the acquisition and related expenses of the property located at 113 26th Street E., Minneapolis, Minnesota, to be used by the College for student housing and related operational purposes of the College (the "Project"), which will be incorporated into the College's main campus, the principal street address of which is 2501 Stevens Ave. S., Minneapolis, Minnesota (the "Project").

2. Incomplete Items. The following items required by the Application are missing or incomplete:

   (i) Financial Covenants. We will need verification that the proposed loan satisfies the additional Funded Debt test once the structure of the loan is finalized.

   (ii) Private Activity Bonds Test Requirements. The College has indicated that a portion of the Project will be used for private business purposes and that existing residential tenants may remain through the expiration of their leases. We will need to review the College's private use and private payment expectations and establish a monitoring system to assure that the interest on the proposed revenue notes does not become taxable.

   (iii) Minnesota Office of Higher Education Registration. The Minnesota Office of Higher Education letter granting registration as a Degree Granting Institution provided with the Application is dated November 8, 2021, which expired on September 30, 3022. The College will need to provide an updated letter from the Minnesota Office of Higher Education.

   (iv) Description of Additional Real Property for Mortgage. We will need the descriptions and title evidence for the collateral to be pledged in the Series 2023B Mortgage.

3. <u>$150 Million Limit on Tax-Exempt Non-Hospital Bonds Under Section 145(b) of the Internal Revenue Code</u>. It should be noted that the College states in the Application that it is not affiliated with any church body or religious order, that neither a church body nor religious order controls the election of trustees or officers of the College and that it does not receive any support from any church body. This fact is significant due to the limitation, set forth in Internal Revenue Code Section 145(b), of the aggregate amount of outstanding qualified 501(c)(3) non-hospital bonds from which any 50l(c)(3) organization may benefit to $150 million. For purposes of this rule, two or more organizations under common management or control are to be treated as one organization. We note that the 1997 amendment to Section 145(b) excludes from the $150 million limit tax-exempt nonhospital bonds issued after August 5, 1997, as part of an issue 95% or more of the net proceeds of which (including issuance costs) are to be used to finance capital expenditures incurred after that date.

The proposed revenue bonds will be used to finance capital expenditures originally incurred after August 5, 1997. The proposed revenue bonds will not be subject to the $150 million aggregate limit by operation of the amendment. Thus, the College will not be asked to submit a statement certifying that the outstanding amount of all qualified 501(c)(3) non-hospital bonds which have been issued for any organization directly or indirectly managed or controlled by or under common management or control with the College does not exceed the $150 million limitation.

4. <u>Establishment of Religion Concerns</u>. The Application materials contain statements and other items in support of a conclusion that the College is not a "sectarian" institution for the purposes of applying establishment of religion clause limitations. In particular, the relevant organizational documents, general statements contained in official College publications, admissions standards and faculty hiring and tenure requirements support the conclusion that the College is not affiliated with any church body or religious order and that it follows academic freedom in the classroom and non-discrimination practices in faculty and student recruitment, retention and promotion. Under the Supreme Court's guidelines as established by the relevant decisions, the focus on actual practices is as important as the focus on institutional documents. Therefore, the members of the Authority should be satisfied that the College does in fact follow academic freedom in the classroom and non-discrimination practices in faculty and student recruitment, retention and promotion.

As noted above, the College has responded in the negative to various questions relating to religious matters in the Application.

On these facts, and under existing judicial interpretation of the establishment of religion clause, we conclude that Authority financing of the Project proposed by the College will not violate establishment of religion clause limitations.

We note that recent United States Supreme Court decisions in this area, while not directly on point, appear to broaden the permitted scope of public assistance to religious-affiliated educational institutions. Financing such as that provided by the Authority falls well within the permitted limits.

5. Rebate, Two-Year, 18-Month and Six-Month Spend-Down Exceptions. Based on the dates of acquisition of the Project set out in the Application, the six-month spending exception appears to be available for the Project.

The following is a summary of each exception:

a. The Revenue Reconciliation Act of 1989 (the "1989 Act"), as amended by a technical corrections act in 1990, created a two-year exception (the "two year spend-down exception") from the requirement to pay arbitrage rebate for governmental and 501(c)(3) bonds which meet the definition of a "construction issue" – that is, a bond issue for which at least 75% of net proceeds will be expended for "construction expenditures." "Construction expenditures" are costs of construction chargeable to the capital account (other than expenditures for land or existing real property). Construction expenditures include costs of fixtures such as heating, ventilating and air conditioning and costs of equipment depreciated over a period of a year. To comply with this exception, all available construction proceeds of the issue must be spent within two years from the date of closing on the bond issue: 10% within six months, 45% within one year, 75% within 18 months and 95% to 100% within two years with an extension to three years for up to five percent retained from contractors. For the purposes of the proposed bond issue, "available construction proceeds" which must be spent on schedule generally includes investment earnings, but excludes the amounts used to fund a reserve fund and issuance costs. Investment earnings on the reserve fund during the construction period must be spent on schedule for project costs, including interest but not principal on the bonds or, if the College so elects, must be rebated. Rebate would still be payable on reserve fund investment (to the extent the yield of the investments exceeds the bond yield) after the construction period, but the two year spend-down exception offers potential significant savings. The two-year exception appears to be available for this issue.

b. The 1989 Act also created an exception for proceeds (whether for refunding, equipment or construction) which is spent in six months. The six-month exception appears to be available for this issue.

c. Under Treasury Department Regulations, a third exception was created for proceeds, including reasonably expected investment earnings as determined at closing, which are spent within 18 months (six months – 15 percent, 12 months – 60% and 18 months – 100%), except for a de minimus amount or a reasonable retainage which must be spent within 30 months of the bond closing date. This exception is not limited to construction purposes.

6. Reimbursement Regulations. The Internal Revenue Service has adopted regulations providing rules for determining when an issuer may use bond proceeds to reimburse expenditures made before the bonds are issued. The College can be reimbursed for expenditures paid for a project (as opposed to incurred but not paid) up to 60 days prior to the bond closing, or an earlier declaration of official intent. The Application indicates the purchase of the Project will occur prior to June 8, 2023 and is now scheduled for June 1, 2023.

The College must use proceeds from a bond issue to reimburse itself for prior expenditures within 18 months from the later of (i) the date that the original expenditure is paid or (ii) the date that an element of the project is placed in service (but in no event more than three years after the original expenditure is paid). "Placed in service" means the date on which the project or facility has reached a degree of completion which would permit its operation at substantially its design level and is in operation at such level. The College should expect to be reimbursed from bond proceeds at or shortly after the closing.

7. Use of Facilities by Business Enterprises. If the College has or will have use by a private party of its facilities in a trade or business, including a contract with a for-profit private enterprise to provide services in connection with any of the financed facilities, we will need to review the use and/or the contract to ensure compliance with guidelines relating to private use established in the Internal Revenue Code and the regulations promulgated thereunder and in Revenue Procedures 2001-39, 2007-47, 2016-44 and 2017-13 (together, "Private Use Rules"). The College has indicated there will be private use of a portion of facilities in the financed facilities.

Section 145(a) of the Internal Revenue Code provides that no more than five percent of the net proceeds of an issue may be used by any person other than a 501(c)(3) organization or governmental unit, or in a trade or business unrelated to the exempt purposes of the College. Even if a service or other management contract, or use of financed facilities, does not generate unrelated business income for the College, such agreements may constitute "use" of facilities of the College by a private (and nonexempt) entity which could render the bonds used to finance the facilities taxable. The Private Use Rules are lengthy and complex and will require careful review and application. The Private Use Rules require that the costs of issuance (a maximum of two percent payable from bond proceeds) to be counted against the five percent limit of private use, leaving only three percent available for other private use.

Subject to certain restrictions, the Private Use Rules would permit parts of the Project facilities which are "used" by a private entity to be financed by tax-exempt bonds. We will need to examine the intended "use" of the Project facilities to determine the applicable restrictions.

Any change in use or ownership of the Project or any portion thereof should be undertaken only with advice of bond counsel and, in some cases, advance arrangement of "remedial action" under Treasury Regulations Section 1.141-12.

8. Litigation. The College has indicated there is no pending litigation that is uninsured and would have a material adverse financial impact if resolved against the College. If litigation or discrimination charges are hereafter threatened or pending, the College should promptly notify the Authority, the municipal advisor and bond counsel and provide a description of such litigation or charge.

9. Sinking Fund Proceeds; Replacement Proceeds; Yield Restrictions. The Application states that the funds to pay debt service on the proposed bonds will be derived from the College's general operations. While this financing structure is similar to other recent Authority financings and does appear to raise "sinking fund" concerns. It will be necessary to analyze whether such donation will be subject to rebate or yield limitations under Section 148 of the Internal Revenue Code.

The notes to the College's financial statements indicate that the College at May 31, 2022, had substantial unrestricted, temporarily restricted and restricted assets available for various purposes. The arbitrage regulations adopted by the Internal Revenue Service impose limits on the yield on investments of "gross proceeds" of tax-exempt bonds. "Gross proceeds" include not only the actual proceeds received from the issuance and sale of bonds but also other monies characterized as "replacement proceeds." Amounts are "replacement proceeds" under the regulations if it is concluded that such amounts would have been used for the governmental purpose for which the bonds were issued (here, the Project) had proceeds of the bonds not been used for that governmental purpose. The mere availability or preliminary earmarking of funds for such purposes does not, in itself, necessarily lead to the conclusion that such funds would have been used for the governmental purpose of the bonds and thus are replacement proceeds. We will confer with the College and its counsel to confirm compliance with the replacement proceeds rules.

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**RESOLUTION RELATING TO APPLICATION
FOR THE MINNEAPOLIS COLLEGE OF ART AND DESIGN**

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

1. The Authority acknowledges receipt of the Application of the Minneapolis College of Art and Design, a Minnesota nonprofit corporation (the "College"), as owner and operator of the Minneapolis College of Art and Design (the "Institution") and exhibits thereto, including an Indemnity Agreement and an application fee in the amount of $1,000 (the "Application"), for a proposal relating to the financing of the acquisition and related expenses of the property located at 113 26th Street E., Minneapolis, Minnesota, to be used for student housing and related operational purposes of the College (the "Project"). The Project will be owned and operated by the College and will be incorporated into its main campus, the principal street address of which is 2501 Stevens Avenue South, Minneapolis, Minnesota.

2. As required by Section 147(f) of the Internal Revenue Code, on April 26, 2023, this Authority, at a special meeting, conducted a public hearing on the proposal to undertake and finance the Project following notice which was published at least 14 days prior to the date of the hearing in a newspaper of general circulation available to residents of the locality where the Project Facilities are located and posted at least 14 days prior to the date of the hearing on the Authority's website, at which public hearing all parties who appeared or who submitted written comments were given an opportunity to express their views with respect to the proposal.

3. Officers of the College have presented to this Authority information concerning the Project, the feasibility of the Project and the financing schedule for the Project and have responded to other matters concerning the Project, the Institution and the College.

4. The Executive Director of the Authority, Blue Rose Capital Advisors, Municipal Advisor to the Authority, and Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel to the Authority, have reviewed the Application and the exhibits thereto, and recommend that the Authority approve the Application as submitted, subject to the conditions herein set forth.

5. On the basis of the information contained in the Application and its exhibits and presented orally to the Authority, its Executive Director and Bond Counsel, and on the basis of the recommendations made, the Authority hereby finds and determines that:

(a) The College is a nonprofit corporation and the Institution is an institution of higher education in the state, eligible to be a participating institution of higher education under Sections 136A.25 to 136A.42, Minnesota Statutes, as amended (the "Act").

(b) The Project as described in the Application is eligible for financing by the Authority and is a "project" under the Act.

(c) The Project is intended for and will provide for additional educational opportunity to the current and future generations of youth of the state in nonprofit institutions of higher education and will otherwise carry out the purposes and policies of the Act.

(d) The Institution is nonsectarian and does not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed and does not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect and all courses of study, including any religion and theology courses, are taught according to the academic requirements of the subject matter and the instructor's concept of professional standards.

(e) The Institution admits students without unlawful discrimination, and does not exclude, expel, limit or otherwise unlawfully discriminate against enrolled students, in accordance with Minnesota Statutes, Section 363A.13.

(f) The Project is available to the students of the Institution without unlawful discrimination, in accordance with Minnesota Statutes, Section 363A.13.

(g) Issuance of the revenue obligations by the Authority will not have the primary purpose or effect of advancing religion or interfering with the free exercise of religion and will not provide financing for a facility used or to be used for sectarian instruction or as a place of religious worship or a facility which is used or to be used primarily in connection with any part of the program of a school or department of divinity for any religious denomination.

(h) The Project and issuance of revenue obligations appear feasible.

6. The Project and the issuance of revenue obligations of the Authority in the maximum aggregate principal amount of $18,500,000 are therefore approved, provided that the College shall furnish any items which are needed to complete the Application or which are reasonably required by Bond Counsel in order to deliver an unqualified opinion as to the validity of the revenue obligations and tax status of the interest on the revenue obligations.

7. The Executive Director and Bond Counsel prepare and submit recommendations as to the terms of financing and the forms of documents appropriate for a public offering or private placement, as the case may be, and resolutions to the Authority and to the College for consideration and approval.

8. The Authority and the College each respectively reserves its right to terminate the Project and the financing thereof under the Act as provided in the Indemnity Agreement.

Adopted: April 26, 2023.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

By ___________________________________
Gary D. Benson, Chair

By ___________________________________
David D. Rowland, Secretary

Approved: ________________________________
Governor, State of Minnesota

Date Approved: ____________________________

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Application for Financing

Higher Education

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Borrower Information

Name of Borrower: St. Catherine University

Date: 3/16/2023

Borrower Primary Contact Information:

Name Tracey Gran

Title SVP of Finance and Admininstration/CFO

Email tlgran@stkate.edu Phone 651-690-6044

Purpose of Financing (Select all that apply)

- [x] Building acquisition, construction or renovation, site or equipment acquisition
- [ ] Refinancing of one or more Authority bond issues
- [ ] Refinancing of one or more indebtedness not issued by the Authority

Each of the following should be treated as a separate element and described separately, starting with "Project A." If not located on the main campus, please include the street address.

- each new building or complex of buildings (square footage, beds or floors)
- renovations associated with a particular building or site
- equipment that is not related to either the proposed new buildings or existing buildings that are to be renovated
- each Authority bond issue to be refinanced, specifying the series name
- each other indebtedness that is to be refinanced, specifying the date incurred, the lender and the capital project that was financed

Project A: Campaign Priorities - Mendel/Chapel

Project B: Housing Renovations/Living Learning Spaces - Apartment/Traditional Housing

Project C: Academic Master Plan

Project D: Sustainability, Infrastructure, Technology

Estimated Cost Summary

	Project A	Project B	Project C	Project D	Total
Construction cost	$ 16,016,000	$ 4,620,000	$ 2,310,000	$ 1,540,000	$ 24,486,000
Architectural, engineering and consultant costs	$ 2,080,000	$ 600,000	$ 300,000	$ 200,000	$ 3,180,000
Furnishings and equipment	$ 2,704,000	$ 780,000	$ 390,000	$ 260,000	$ 4,134,000
Site acquisition					$ 0
Principal amount of debt to be refinanced					$ 0
Other (excluding issuance costs and reserves)					$ 0
Total	$ 20,800,000	$ 6,000,000	$ 3,000,000	$ 2,000,000	$ 31,800,000

Estimated Financing Summary

	Project A	Project B	Project C	Project D	Total
Amount of funds from other sources	$ 10,800,000				$ 10,800,000
Amount of project cost (excluding issuance costs and reserves) to be financed with Authority bonds	$ 10,000,000	$ 6,000,000	$ 3,000,000	$ 2,000,000	$ 21,000,000
Principal amount of debt to be refinanced					$ 0
Total	$ 20,800,000	$ 6,000,000	$ 3,000,000	$ 2,000,000	$ 31,800,000

Please give the approximate dates of any of the following steps that have already been taken:

	Project A	Project B	Project C	Project D
Construction has started		6/1/2022	11/1/2022	6/1/2022
Construction contract has been awarded	2/20/2002			
Purchase contract for materials or equipment has been awarded				

Is any part of the facilities, now or in the future, to be managed or otherwise used by any person other than the borrower?

☐ Yes ☑ No

If you checked "YES," please describe briefly the location and extent of the use and whether the user is an exempt organization under Section 501(c)(3) of the Internal Revenue Code:

Will any of the following actions violate any provisions of the articles of incorporation, the bylaws or constitution of the borrower or of any affiliated organization, any existing mortgage, deed, contract or other agreement, or any state, local or federal law, rule, regulation or ordinance?

Entering into a loan agreement with the Authority for the repayment of bond proceeds?

☐ Yes ☑ No

Completing the proposed project or prepaying the Authority bonds or other debt that will be refinanced?

☐ Yes ☑ No

Entering into a mortgage or security agreement to secure repayment to the Authority?

☐ Yes ☑ No

Proposed Timing Summary

	Project A	Project B	Project C	Project D
Start date	6/1/2022	6/1/2022	11/1/2022	6/1/2022
Completion date	10/25/2024	5/31/2025	1/31/2026	1/30/2026
Acquisition date if the project is only for equipment				
Optional redemption date for refinancings				

How will this bond issue be sold?

☐ Competitive public sale
☐ Negotiated public offering
☑ Private placement
☐ Undecided

When do you wish to close on the bond issue?

- [x] As soon as practical
- [x] No later than: May 2023
- [ ] Not sooner than:

What is the expected source of funds to repay the loan of bond proceeds? (check all that apply)

- [x] Operating funds
- [ ] Additional revenue from the project
- [ ] Gifts from private donors
- [ ] Grants from governmental sources
- [ ] Other

If repayment is not expected to be entirely from operating funds, state the approximate amount from the other sources and whether such funds are temporarily or permanently restricted in any way as to use:

A capital campaign is underway; once campaign finalizes, unrestricted gifts may be available for loan repayment.

Is credit or liquidity enhancement expected? (check all that may apply)

- [ ] Bond insurance
- [ ] Letter of credit
- [ ] Standby bond purchase agreement for tendered bonds
- [ ] Guaranty

What is the status of any application for the foregoing?

What are the preferred scheduled payment dates?

Month and earliest year for annual principal payments: Same as current existing bonds

Earliest month and earliest year for interest payments: Same as current existing bonds

Are revenues available to pay interest during the construction period?

☐ Yes ☑ No, interest should be capitalized for 6 months ☐ Not Applicable

The following two questions apply to all refinancings. Please select "Not Applicable" if this does not apply.

☑ Not Applicable

1. Has the original project been completed substantially in accordance with the plans and specifications?

☐ Yes ☐ No

2. Has there been a default by the institution or by any other party, in the performance of the covenants and conditions relating to the Authority bonds or other debt to be refinanced?

☐ Yes ☐ No

The following four questions apply to refinancing debt that is not Authority issued bonds. Please select "Not Applicable" if this does not apply.

☑ Not Applicable

1. Will the proposed refinancing enhance and preserve the borrower and the facilities being refinanced or utilization thereof for educational purposes?

☐ Yes

☐ No, because:

2. Will the proposed refinancing extend or adjust maturities to correspond to the resources available for their payment?

☐ Yes

☐ No, because:

3. Will the proposed refinancing reduce the tuition charges or fees imposed on students for the use of such facilities or costs met by state or federal funds?

☐ Yes

☐ No, because:

4. Will the proposed refinancing enhance or preserve educational programs and research or other facilities eligible to be a project or part thereof?

☐ Yes

☐ No, because:

The table below applies to refinancing debt that is not Authority issued bonds. Please check “Not Applicable "if this does not apply.

- [x] Not Applicable

Statutory Maximum to Refinance Debt Other Than Authority Bonds

	Project A	Project B	Project C	Project D
(a) Original project costs				
(b) Principal amount of any debt (other than Authority bonds) to be refinanced				
(b) Accrued but unpaid interest on debt (other than Authority bonds) to be refinanced				
(b) Prepayment premium (or discount) on debt (other than Authority bonds) to be refinanced				
(c) Appraised value of project				
(c) Depreciated equipment				
Maximum allowable: the lesser of (a) original cost, (b) principal, interest and premium and (c) present value				

Check below if any of the projects are located in or involve any of the following:

- [ ] Riparian frontage
- [ ] Shoreland area
- [ ] Delineated flood plain
- [ ] State or Federally designated wild and scenic rivers district
- [ ] Minnesota River Project Riverbend area
- [ ] Mississippi River headwaters area

If there are any potential environmental issues, please summarize the major environmental issues:

Governmental Approval Summary

	Project A	Project B	Project C	Project D
Zoning variance or change	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending
Building permit	☐ not applicable ☑ received ☐ pending	☐ not applicable ☑ received ☐ pending	☐ not applicable ☑ received ☐ pending	☐ not applicable ☐ received ☐ pending
Other governmental approval	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending
Environmental Assessment Worksheet	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending
Environmental Impact Statement	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending	☑ not applicable ☐ received ☐ pending

If one or more governmental approvals are pending, please describe the status of the application process and whether approval is expected before the bond closing:

Borrower Contact Information:

Legal name of corporate borrower and street address:

St. Catherine University, 2004 Randolph Ave, St. Paul, MN 55105

President of College or University:

ReBecca Koenig Roloff

Chief Financial Officer (please give name, title, preferred mailing address, telephone, fax and email address):

Tracey Gran, SVP of Finance & CFO; 651-690-6044; tlgran@stkate.edu;
2004 Randolph Ave, St. Paul, MN 55105, F-03

Additional staff assisting with the project (please give name, title, preferred mailing address, telephone, fax and email address):

Mary Thao, Controller; 651-690-6566; mcthao453@stkate.edu;
2004 Randolph Ave, St. Paul, MN 55105, F-05

Attorney (please give name of firm and the responsible individual as well as preferred mailing address, telephone, fax and email address)

David Murphy, Kutak Rock, 60 South Sixth St, Suite 3400, Minneapolis, MN 55402-4018;
david.murphy@kutakrock.com; 612-334-5003

Independent Auditor (please give name of firm and the responsible individual as well as preferred mailing address, telephone, fax and email address)

Clifton Larson Allen LLC; Brenda Scherer; 612-376-4626; brenda.scherer@CLAconnect.com
220 South Sixth Street, Suite 300, Minneapolis, MN 55402-1436

Description of Accreditation and Degrees:

If the principal institutional accreditation is not North Central Association of Colleges and Secondary Schools, please state the principal accreditor:

The Higher Learning Commission

Degrees conferred are:

- [x] Associate of Arts
- [x] Associate of Applied Science
- [x] Associate of Science
- [x] Bachelor of Arts
- [ ] Bachelor of Fine Arts
- [ ] Bachelor of Music
- [ ] Bachelor of Music Education
- [x] Bachelor of Science
- [x] Master of Arts
- [x] Master of Business Administration
- [x] Master of Education
- [ ] Master of Fine Arts
- [x] Master of Science
- [x] Master of Social Work
- [ ] Master of Physical Therapy
- [ ] Doctor of Chiropractic Medicine
- [ ] Doctor of Education
- [ ] Doctor of Philosophy
- [ ] Doctor of Public Administration
- [ ] Doctor of Psychology
- [ ] Juris Doctor
- [x] Others:

Religious Affiliations

1. Does the institution receive support from any church body?

☐ Yes ☑ No

2. Does a church body or religious order control the election of any trustees or officers?

☐ Yes ☑ No

3. Is the consent of any religious order or any other corporation necessary before the instution may sell or motgage its property or borrow money?

☑ Yes ☐ No

4. Are there any religious qualifications for faculty appointments?

☐ Yes ☑ No

5. If the institution teaches courses in religion or theology, does the institution confer a theology degree or otherwise prepare students for a religious vocation?

☑ Yes ☐ No

6. If the institution teaches courses in religion or theology, does the institution teach the distinctive doctrines, creeds or tenets of any particular religious sect?

☑ Yes ☐ No

7. Are the students required to attend chapel or other religious service?

☐ Yes ☑ No

Please explain if you have answered "YES" to any of the foregoing seven questions:

3: The sponsoring religious congregation, The Sisters of St. Joseph of Carondelet, hold a reserve power over alienation of property as established by the United States Conference of Catholic Bishops.
5: The University confers a bachelors degree in theology.
6: Theology courses at St. Catherine's offer opportunities to all students to reflect on historical and theological aspects of religious experience, practice and tradition, particularly, but not exclusively, within the Judeo-Christian framework.

Teaching and Admission Standards

1. Does the institution and its faculty subscribe to the Statement of Principles of Academic Freedom promulgated by the American Association of University Professors and the Association of American Colleges?

☑ Yes ☐ No

2. Are all courses of study, including any religion and theology courses, at the institution taught according to the academic requirements of the subject matter and the individual instructor's concept of professional standards?

☑ Yes ☐ No

3. Does the institution admit students without regard to race, color, religion or national origin?

☑ Yes ☐ No

Please explain if you have answered "No" to any of the foregoing three questions:

No Discriminatory Practices

1. Does the institution unlawfully discriminate in any manner in the full utilization or benefit of the institution or its services because of gender, race, color, creed, national origin or other basis?

☐ Yes ☑ No

2. Does the institution expel, limit or otherwise unlawfully discriminate against enrolled students because of gender, race, color, creed, national origin or other basis?

☐ Yes ☑ No

3. Does the institution unlawfully discriminate in hiring, promotion, salary, and assignments or in any other matter in its employment practices, because of gender, race, color, creed, national origin or other basis?

☐ Yes ☑ No

Please explain if you have answered "Yes" to any of the foregoing three questions:

LIST OF EXHIBITS

(please number consecutively)

For traditional undergraduate and graduate programs and any nontraditional programs that provide substantial revenue: (A) Enrollment information (head count and full-time equivalent) submitted to the Office of Higher Education for the five-year period immediately preceding this application, (B) Projected head count and full-time equivalent enrollment for the five-year period following this application and (C) Applications, acceptances and matriculations for first year students during the past five fall terms.

- [x] attached as Exhibit A
- [ ] not attached because project is for equipment only under lease program

Most recent published tuition, room and board fee schedule, and any supplemental charges.

- [x] attached as Exhibit B
- [ ] not attached because project is for equipment only under lease program

List of all outstanding indebtedness (excluding debt that will be refinanced with new Authority bonds), including interest rates, amounts, repayment schedule and description of the mortgage or other collateral securing payment.

- [x] attached as Exhibit C
- [ ] not attached because project is for equipment only under lease program

Description of any debt limitation, covenant or restriction to which the institution is subject, with a statement by the Chief Financial Officer and supporting calculations as to compliance with such debt limitation, covenant or restriction.

- [x] attached as Exhibit D
- [ ] not attached because project is for equipment only under lease program

Audited financial statements for each of the past five fiscal years. May be provided by reference to your website (please state specific website address below), sent electronically, or on a labeled CD (mailed or delivered).

- [x] attached as Exhibit E
- [ ] Website address:

Current operating budget.

- [x] attached as Exhibit F

Current college catalog for undergraduate and graduate programs. May be provided by reference to your website (please state specific website address below), sent electronically, or on a labeled CD (mailed or delivered).

- [x] attached as Exhibit G
- [x] Website address: catalog.stkate.edu

Current faculty handbook. Please provide the website address, send electronically, or on a labeled CD (mailed or delivered).

- [x] attached as Exhibit H
- [ ] Website address:

List of current board members and officers.

- [x] attached as Exhibit I

Copy of the current articles of incorporation. If the institution was incorporated under a special act, a copy of the special act with all amendments should be provided. Please include any amendments that are expected to be proposed for approval.

- [x] attached as Exhibit J

Copy of the current bylaws of the corporation. Please include any amendments that are expected to be proposed for approval. Please include any other similar corporate guidelines such as a "constitution".

- [x] attached as Exhibit K

Copy of the articles of incorporation and bylaws of any affiliated religious or other organization that must approve any action by the institution to sell or mortgage its property or to borrow money.

- [ ] attached as Exhibit __
- [x] not applicable

Copy of the most recent ruling or letter from the Internal Revenue Service confirming that the institution is an organization described in Section 501(c)(3) of the Internal Revenue Code.

- [x] attached as Exhibit L

Copy of the most recent letter from the Office of Higher Education confirming registration under Minnesota Statutes, Section 136A.61 to 136A.71.

- [x] attached as Exhibit M

Description of any pending litigation that is uninsured and would have a material adverse financial impact if resolved against the institution. In addition, please describe any charge filed against the institution by a state or federal agency or any individual or group alleging unlawful discrimination by the institution.

- [ ] attached as Exhibit __
- [x] no pending litigation

Either (A) a copy of a survey of the site (as built, if this is a refinancing) of the project, including the related legal description or (B) a plat map or other depiction of the project site that clearly shows the location of existing and proposed buildings and the relationship to a legal description. If a mortgage is necessary for this financing, a survey will be required and it must show any right-of-way necessary for access by the mortgagee or new owner to a public street or highway and all easements and other legal encumbrances.

- [x] attached as Exhibit N
- [ ] arrangements for a survey or plat map will be made before bonds are offered for sale
- [ ] not attached because project is for equipment only under lease program

Either (A) a commitment to issue a title insurance policy in an owner's or mortgagee's form or (b) a preliminary opinion of title based upon an examination of real estate records covering the project site and certified to within approximately 30 days of the date of the opinion. All exceptions, liens and encumbrances should be noted on the commitment or opinion. The evidence should indicate that title or suitable ownership interest is held by the institution or a seller of any real estate to be acquired with this financing.

- [ ] attached as Exhibit ___
- [x] arrangements for evidence of ownership will be made before bonds are offered for sale.
- [ ] not attached because project is for equipment only under lease program

Copy of the resolution of the governing board (or the executive committee) of the institution in a form similar to Attachment A declaring official intent to reimburse itself from bond proceeds and authorizing submission of the Application.

- [x] attached (showing the effective date) as Exhibit O
- [ ] not attached but will be adopted on ______________________________ (must be before public hearing)
- [ ] not applicable because this application is solely for refunding Authority bonds.

Copy of the resolution of the governing board (or the executive committee) of the institution in a form similar to Attachment B authorizing submission of this Application.

- [ ] attached (showing the effective date) as Exhibit ___
- [x] not applicable because a resolution similar to Attachment A is submitted

Certification by the architect in a form similar to Attachment C that the estimated costs of the items comprising the total structure costs are considered to be realistic and have been made according to accepted architectural practices for developing preliminary estimates.

- [ ] attached as Exhibit ___
- [ ] not applicable because no construction or significant renovation is proposed

The following exhibits apply only to refinancing of debt that is <u>not</u> Authority bonds. Please select "Not Applicable" if this does not apply.

- [x] Not Applicable

Copy of all loan agreements, promissory notes, financing agreements, indentures, mortgages or other documents relating to the debt (that is not Authority bonds) to be refinanced, together with all amendments or modifications. May be provided on a labeled CD.

- [ ] attached as Exhibit ___

Copy of all leases, management agreements, use agreements or other documents relating to the capital project originally financed by the debt (that is not Authority bonds) to be refinanced, together with all amendments or modifications. May be sent electronically or provided on a labeled CD (mailed or delivered).

- [ ] attached as Exhibit ___

Copy of current appraisal of capital project originally financed by the debt (that is not Authority bonds) to be refinanced prepared by an appraiser with the MAI designation or the equivalent.

- [ ] attached as Exhibit ___

Signature and Certifications

The undersigned officers of the borrower hereby certify that the Application, including the enclosed exhibits are complete and correct. We have reviewed and hereby accept the terms of the Indemnity Agreement as set forth in Attachment D.

(Chief Executive Officer)

Signature:

Title: President

And

(Chief Financial Officer)

Signature:

Title: Senior Vice President of Finance & Administration / Chief Financial Officer

Date of this Application: 3/16/2023

Delivery Instructions

The following two items must be received by the Authority in order to proceed with the financing:

☑ Signed Application, together with exhibits, for the Authority

- Email to bwf@mnhefa.org (cc: agl@mnhefa.org)
- Signed Application, together with exhibits, will be forwarded by the Authority to Bond Counsel and the Financial Advisor

☑ $1,000 Application Fee

- Checks should be made payable to: Minnesota Higher Education Facilities Authority
- Mail or Deliver check to:

  Minnesota Higher Education Facilities Authority

  380 Jackson Street, Suite 450

  Saint Paul, MN 55101

  651-296-4690

- Electronic payment is also available. Please contact the Authority for banking information if preferred.

North Slope Capital Advisors
2000 S. Colorado Blvd
Tower 1, Suite 2000-412
Denver, CO 80222
303-953-4101

April 26, 2023

Minnesota Higher Education Facilities Authority
c/o Mr. Gary D. Benson Board Chair
and Mr. Barry W. Fick, Executive Director
860 Blue Gentian Road, Suite 145
Eagan, MN 55121

Dear Mr. Benson, Mr. Fick, & Authority Board Members:

As the independent registered municipal advisor for St. Catherine University (the "University"), we are pleased to provide the following review of the financing application submitted by the University. The University intends to issue its Series 2023 Revenue Notes (the "Notes"), the proceeds of which will be used for:

(1) Renovations to Mendel Hall; renovating living and learning spaces with apartment and traditional housing; upgrading the academic learning and student experience spaces; improving the sustainability and efficiency of the University by modernizing its infrastructure and technology, all on the University's St. Paul campus, and
(2) Paying costs of issuance.

Provided below is a summary of the financing followed by a detailed review of the University's credit profile, the Project, and the proposed revenue note financing.

Financing Summary	
Par Amount (Estimated as of April 17, 2023)	$20,440,000
Financing Type	New Money
New Money Projects	Renovations and restoration of Mendel Hall ($10MM), campus housing renovations ($6MM), infrastructure and technology improvements ($5MM), all on the University's St. Paul campus.
Refinancing Projects	None
Prior MHEFA Bonds Outstanding (as of April 17, 2023)	Series 2018A&B
Current Underlying Rating	Baa1 (Stable) as of January 2021
Note Purchaser	Morgan Stanley Bank, N.A.
Bond Counsel	Taft Law
Issuance Date (Estimated)	June 15, 2023

Based on our review of the material provided by the University, as well as the debt service pro forma constructed by North Slope, we are of the opinion that a borrowing in the amount required to achieve the purposes above is fiscally feasible and a bond with adequate security can be structured. Accordingly, North Slope will be attending the Authority's meeting on April 26, 2023, to present our review of the University's application and answer any questions on the information contained in this letter.

Respectfully submitted,

NORTH SLOPE CAPITAL ADVISORS by
Stephanie M. Chichester, President

NORTH SLOPE CAPITAL ADVISORS by
Nick E. Taylor, Managing Director

cc: Ms. Tracey Gran, Senior Vice President, and Chief Financial Officer
Ms. Mary Thao, University Controller
Mr. David Sengstock, Director of Budgeting and Planning
Taft Law, Bond Counsel

St. Catherine University

St. Catherine University (formerly the College of St. Catherine) (the "University"), was founded in Saint Paul, Minnesota, in 1905 by the Sisters of St. Joseph of Carondelet. Today the University is one of the largest Catholic universities primarily for women in the nation. In 1917, St. Catherine University earned full accreditation by the North Central Association of Colleges and Schools, and by 1937, the University became the first Catholic college or university in the United States, and the third Minnesota institution, to be awarded a Phi Beta Kappa chapter.

St. Catherine University became a university on June 1, 2009. The change reflected the University's transformation into the comprehensive institution it is today — with four schools and three colleges — and the vision to move from a regional presence to national and international pre-eminence. The University offers traditional four-year liberal arts and professional programs as well as non-traditional evening, weekend, and online opportunities to pursue associate, baccalaureate, masters and doctoral degrees in the liberal arts, healthcare, and other professional programs.

The University is an independent non-profit 501(c)(3) corporation organized under the laws of the State of Minnesota. The University is sponsored by the Sisters of St. Joseph of Carondelet, also a non-profit 501(c)(3) corporation. The Sisters of St. Joseph of Carondelet is a pontifical religious institute with headquarters in Saint Louis, Missouri. The University is governed by a Board of Trustees (the "Board") and the maximum number of trustees, exclusive of ex officio trustees, is 30.

Enrollment

The University's headcount and full-time enrollment trends for the last five academic years are provided below.

	2018/19	2019/20	2020/21	2021/22	2022/23
Headcount (University)					
Undergraduate	3,283	3,153	2,983	2,593	2,416
Graduate and Professional	1,576	1,248	1,294	1,322	1,173
Total Headcount	**4,859**	**4,401**	**4,277**	**3,915**	**3,589**
FTEs (University)					
Undergraduate	2,862	2,759	2,588	2,208	2,113
Graduate and Professional	1,442	1,138	1,180	1,285	1,058
Total FTE	**4,304**	**3,897**	**3,768**	**3,493**	**3,171**

Source: Continuing Disclosures FYE May 31, 2022, or Fall Term 2022. emma.msrb.org SCU Filing.

Summary of Financial Operations

Provided on the following page is a *Statement of Activities and Change in Net Assets* for the University's five prior fiscal years ending May 31, 2018, through 2022 which presents information about the University's operating activities (without donor restrictions) derived from the audited financial statements.

	2018	2019	2020	2021	2022
Revenues*					
Tuition and fees	108,867,160	112,832,054	112,040,040	110,074,049	107,058,800
Scholarships, financial aid	(35,264,517)	(35,981,187)	(37,815,370)	(38,285,385)	(39,270,893)
Net tuition and fees	73,602,643	76,850,867	74,224,670	71,788,664	67,787,907
Grants	706,102	310,250	1,085,314	539,236	243,619
Contributions	3,633,731	2,425,641	1,952,931	2,598,505	2,215,839
Auxiliary Services	10,146,850	10,036,304	7,925,279	4,470,528	6,266,161
Investment Income, Net	829,930	1,234,104	1,026,946	525,805	627,099
Net Gain (Loss) on Investments	1,719,898	50,483	908,252	12,875,026	(5,703,917)
Interest on Student Loans	96,850	91,686	75,480	55,291	74,998
Other	1,900,780	2,322,211	1,986,322	1,283,018	1,110,716
Net Assets Released from Restrictions	12,624,186	12,808,293	11,531,932	14,087,945	18,397,138
Total unrestricted operating revenues	105,260,970	106,129,839	100,717,126	108,224,018	91,019,560
*St. Catherine University does not take an endowment payout to support operations.					
Expenses	104,881,112	104,105,832	100,051,463	98,000,010	99,253,819
Surplus / (deficit) - Change in Net Assets	379,858	2,024,007	665,663	10,224,008	(8,234,259)
Net Assets - Beginning of the Year	88,933,565	89,313,423	91,337,430	92,003,093	102,227,101
Net Assets - End of the Year	89,313,423	91,337,430	92,003,093	102,227,101	93,992,842
Surplus	379,858	2,024,007	665,663	10,224,008	(8,234,259)
Interest	2,015,993	3,030,060	3,193,356	3,194,077	3,195,464
Depreciation	4,177,746	4,288,558	4,052,444	4,409,890	4,635,809
EBIDA	6,573,597	9,342,625	7,911,463	17,827,975	(402,986)
Operating Margin	0.4%	1.9%	0.7%	9.4%	-9.0%
EBIDA margin	6.2%	8.8%	7.9%	16.5%	-0.4%

Summary of Financial Position

Provided below is a *Statement of Financial Position* for the University's five prior fiscal years ending May 31, 2018, through 2022, which presents information about the University's balance sheet (without donor restrictions) derived from the audited financial statements.

	2018	2019	2020	2021	2022
Cash and Investments					
Cash	7,189,080	7,995,746	12,603,004	9,680,152	9,242,144
Investments	189,245,636	190,070,690	196,792,174	258,496,237	238,999,269
Cash & Investments	196,434,716	198,066,436	209,395,178	268,176,389	248,241,413
Donor restr. net assets invested in perpetuity	(45,836,442)	(47,372,560)	(50,329,693)	(54,866,507)	(60,820,159)
Spendable Cash and Investments	150,598,274	150,693,876	159,065,485	213,309,882	187,421,254
Debt					
Total debt (notes, bonds)	61,187,000	70,535,000	70,535,000	70,535,000	70,535,000

Summary of Outstanding Debt

As of April 17, 2023, the University had $70.535 million of outstanding bonds as summarized on the following page:

Series	Issue Date	Original Par Amount	Outstanding	Mode	Use
MHEFA Series 2018A	9/13/2018	$49,770,000	$49,770,000	Fixed (Exempt)	Refunding and new money
MHEFA Series 2018B	9/13/2018	$20,765,000	$20,765,000	Fixed (Taxable)	Refunding
Total			**$70,535,000**		

Source: St. Catherine University FY2022 Audit and Financial Advisor

The proposed Series 2023 issuance of approximately $20.4 million in principal amount represents a 30% increase to the University's outstanding debt. The University's liquidity is expected to remain robust with total cash and investments for Fiscal Year 2022 (with and without restrictions) providing a strong 2.73x coverage of outstanding and proposed new debt. The University's operating cash flows for Fiscal Year 2022 also provide for solid affordability for the existing and proposed debt service in the near-term; however, projected maximum aggregate annual debt service (~$6.1million) as a percent of operations would increase to 6.2% based on operating expenses for Fiscal Year 2022 (~$99.2 million) which is slightly high for the University's rating category.

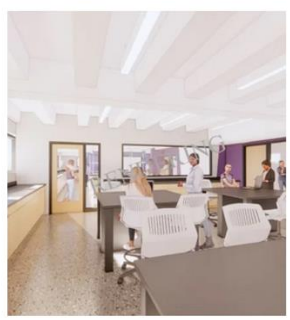
The Projects

As part of the University's Strategic Plan, "Setting Our Sails 2028", the University plans to invest in physical and technological infrastructure and delivery systems that provide quality student, faculty, and staff experiences while maintaining a safe and secure learning and work environment. Further, the University plans to implement technologies/systems and functional capability that supports the University's ability to leverage processes and data in the timely and efficient management of the institution. These funding initiatives, among others outlined in the Strategic Plan, is to support the University's Mission - ***to educate women to lead and influence*** – and Vision - ***to be respected globally for educating women who transform the world.***

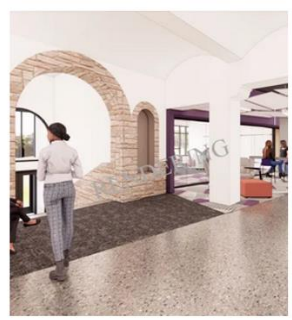
To accomplish these infrastructure initiatives, the University will allocate approximately $10 million of the Notes proceeds to renovate the Historic Mendel Building to create science and technology spaces to prepare "STEM" leaders. Flexible faculty research spaces and technologically advanced labs will enhance the University's reputation for excellence in the sciences and allow St. Kate's to be competitive in the recruited of talented STEM students.

1927
Opened in 1927, Mendel has housed our sciences for over 95 years.

Fall 2020
Mendel space must reflect current teaching methods as well as support future needs.



Spring 2022
Early renderings provide insight on refreshed labs.



Spring 2022
Early renderings show refreshed student collaboration spaces.

The second project, of which approximately $6 million of the Notes proceeds are expected to be allocated, will be for renovations of Sister Alberta and Sister Georgia student apartment buildings and Caecilian and St. Mary residence halls. Renovations include renewing flooring, plumbing, fixtures, walkways, and community learning spaces covering approximately 64,700 square feet.

The last of the planned projects, of which approximately $5 million of the Notes proceeds are expected to be allocated, will be for: a) renovations to the Butler Center, including repairs to entrance and renovation of HVAC system; b) repairs to building entrance, masonry upgrades, and renovation of simulation classroom lab spaces to accommodate a shared services model of teaching in Whitby Hall; c) repairs to building entrance, masonry upgrades and renovation of classroom space to support the University's Fashion Merchandizing program in Fontbonne Hall; d) certain stormwater infrastructure and drainage improvements to support the University's tennis, track and softball programs; e) elevator replacement in the Music Building, and f) campus wide IT infrastructure improvements.

The Financing

The University anticipates issuing the notes to: (i) finance the Projects, and (ii) pay costs of issuance. The University's Board of Trustees and Leadership Team has approved structuring the issuance as a 30-year fixed rate note with level annual debt service. The University has selected Morgan Stanley Bank, N.A., as its financing partner to purchase the Series 2023 Notes but is still negotiating terms as of the writing of this Letter. Provided in Appendix A is a debt service 'skyline' for the University's outstanding debt service and pro forma debt service.

Sources and Uses (as of April 17, 2023)
A preliminary estimate of sources and uses is provided below:

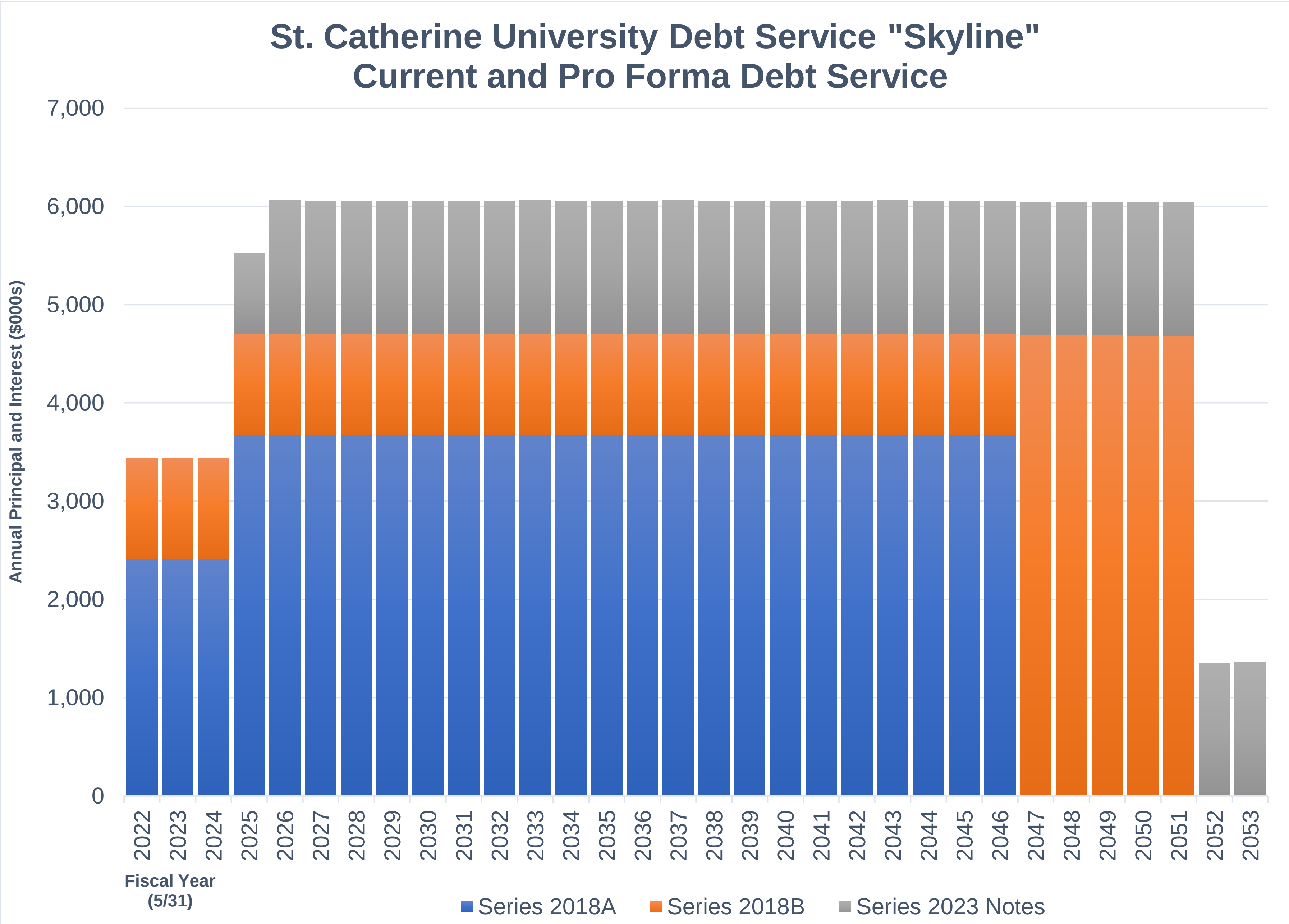
Preliminary Sources and Uses for Series 2023 Notes	
SOURCES	
Par amount	$20,440,000
Net Reoffering Premium	813,426
Total Sources	**$21,253,426**
USES	
Deposit to Project Fund	$21,000,000
Costs of Issuance	253,426
Total Uses	**$21,253,426**

Source: MHEFA_SK Series 2023 Notes – DS Pro Formas – 4-17-2023. Prepared by North Slope.

Security for the Notes
The Notes will be issued by the Authority and secured by loan repayments made by the University pursuant to a *Loan Agreement* between the Authority and the University, or from other amounts pledged pursuant to a *Trust Indenture*. The Notes will be payable solely as a general obligation of the University from the general funds and any other legally available moneys of the University. There will not be a mortgage lien nor security interest in any property of the University; the Notes will not be secured by a debt service reserve fund, and there will be no 'negative pledge' on the University's real property, subject to permitted encumbrances.

Financial Covenants
The University currently has a rates and charges covenant associated with its Series 2018 Bonds and has complied with this covenant since the issuance of the Series 2018 Bonds. The University is currently negotiating final terms with the purchaser and an update will be provided at the Authority's Board Meeting on May 17, 2023.

Rating
The University is currently rated "Baa1" with a stable outlook from Moody's Investors Service ("Moody's") which was affirmed in January of 2021 in conjunction with their annual surveillance. Moody's has not provided a rating on the Notes as of the date of this Application Review Letter but the rating conference with the University and Moody's has been scheduled for May 4, 2023. The rating on the Series 2023 Notes is expected to be published on May 11, 2023.


St. Catherine University Debt Service "Skyline"
Current and Pro Forma Debt Service
Annual Principal and Interest ($000s)
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050 2051 2052 2053
Fiscal Year (5/31)
Series 2018A
Series 2018B
Series 2023 Notes

Taft/

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MEMORANDUM

TO: Barry W. Fick

FROM: Taft Stettinius & Hollister LLP

DATE: April 19, 2023

RE: Application of St. Catherine University for MHEFA Financing

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We have reviewed the Application of St. Catherine University (the "University") submitted to the Authority on March 17, 2023 (the "Application"), and have found it to be complete and satisfactory from a legal standpoint, subject to the following:

1. Purpose. The Application, according to additional information provided by the University, relates to financing for a project (the "Project") consisting of the acquisition, design, demolition, construction, renovation, improvement, furnishing and equipping of various facilities, including (i) Mendel Hall (approximately 36,000 square feet of classroom, labs, office, and common space) on the University's St. Paul campus, including creating flexible and adaptable spaces, modernizing science teaching spaces, upgrading accessibility, and upgrading infrastructure; (ii) Sister Alberta and Sister Georgia student apartment buildings and Caecilian and St. Mary residence halls, including renewing flooring, plumbing, fixtures, walkways, and community learning spaces; (iii) the Butler Center, including repairs to entrance and renovation of HVAC system; (iv) Whitby Hall, including repairs to building entrance, masonry upgrades, and renovation of simulation classroom lab spaces to accommodate a shared services model of teaching; (v) Fontbonne Hall, including repairs to building entrance, masonry upgrades and renovation of classroom space to support the University's Fashion Merchandizing program; (vi) certain stormwater infrastructure and drainage improvements (including installation of a drainage pond and new grading) to support the University's tennis, track and softball programs; (vii) elevator replacement in the Music Building, and (viii) campus wide IT infrastructure improvements.

The land, buildings, equipment, facilities, and improvements described above and proposed to be financed by the Project are sometimes collectively referred to in this Memorandum as the "Project Facilities." All of the Project Facilities are or will be owned and operated by the University and located on the University's St. Paul campus, the principal street address of which is 2004 Randolph Avenue, St. Paul, Minnesota.

The Application also includes a request for financing for improvements to restore Our Lady of Victory Chapel to preserve select historic features. However, for State statutory and federal constitutional reasons more specifically described below, we are not including it in the Project to be financed by the proposed bonds to be issued by the Authority.

2. Incomplete Items. The following items required by the Application are missing or incomplete:

Evidence of Title. A master plan of the campus was submitted with the Application, but no survey, plat, or formal evidence of title was submitted. The University indicated that it will provide evidence of title before the bonds are offered for sale. We will work with the University to obtain title evidence, in the form of a title commitment, attorney's title opinions, or owners and encumbrances reports and an updated survey, plat map or other property depiction, prior to bond closing, to confirm that the University has good title (or other suitable interest) to the Project Facilities sites.

Audited Financial Statements. The University included a copy of its continuing disclosure report for the fiscal year ending May 31, 2022. Because the University has already provided its financial statements for the years ended May 31, 2018, through May 31, 2022, to the Authority, at your direction the University did not include those financial statements with the Application. The University should also provide any supplemental information or schedules contained in such annual audits.

Architect's Certification. The architect's certification of estimated cost was not provided. An accurate estimate of the cost of the renovation and new construction is necessary both to avoid tax concerns relating to over-issuance of tax-exempt debt and to assure that adequate funding from the anticipated financing will be available to complete renovations and new construction. The University should provide information as to how its cost estimate was arrived at, and should submit an architect's certification as soon as practicable.

Officers and Current Board Members. The University included a list of two of the top officers at the University, as well as a list of the Board of Trustees' officers and members. This information does not include all officers of the University such as Mary Thao, who is a Vice President and the Controller of the University and is also a Board member of the Authority. In accordance with the Bylaws of the Authority, as an Authority Board member, Ms. Thao must not engage in any discussion related to the Application of the University and must recuse herself from any votes of the Board of the Authority related to the Application of the University. A link to the webpage with a list of the University's Board of Trustees was provided but a link to the non-Board officers webpage was not. The latter webpage is available at https://www.stkate.edu/about/university-leadership.

Internal Revenue Service Letter. The University has provided a March 31, 1970, letter advising that a group ruling was addressed to the United States Catholic Conference to the effect that organizations operated, supervised, or controlled by or in connection with the Roman Catholic Church and whose names appear in the United States edition of The

Official Catholic Directory, are exempt under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The University should provide evidence that it is listed in the current United States edition of The Official Catholic Directory.

Building Permits and Other Governmental Approvals. According to the Application, building permits have been obtained for those portions of the Project listed in clauses (i) through (vii) in paragraph 1. Purpose above, but the Application provided no indication related to that portion of the Project listed in clause (viii) above. The University should provide information, if any, regarding building permits for that portion of the Project. (We note that the date for the construction contract for the portion of the Project described in clause (i) is given as February 2, 2002. Presumably this is a typographical error but it should be clarified.) The University has indicated that other governmental approvals for the Project are not applicable. The University has indicated an environmental assessment worksheet and an environmental impact statement are not applicable.

Indemnity Agreement. The Application as originally submitted did not include Attachment D, the Indemnity Agreement. The University subsequently resubmitted the original Application with the Indemnity Agreement.

Resolutions of the University. The Resolutions of the Board of Trustees of the University for its February 14, 2022, meeting authorized application to the Authority for financing of the Project and authorized the Finance Committee and a Special Committee to proceed with the Project and financing related thereto. The Resolutions of the Finance Committee for its February 28, 2023, meeting authorized financing in a principal amount not to exceed $22.5 million for the Project. The University should submit a final authorizing resolution reflecting the final structure and terms of the proposed obligations.

3. Prior Liens; Financial Covenants. The Application indicates that the University has long-term debt consisting of the Authority's Series 2018A Bonds and Series 2018B Bonds (the "Prior Bonds"). Other than the Authority's standard rates and charges provision in the Loan Agreement, no financial covenants were entered into by the University when the Prior Bonds were issued. The University in connection with other obligations may have entered into specific financial covenants. Prior to the issuance of the proposed bonds, the University and its accountants and counsel should examine all such prior covenants and provide the Authority with the information necessary to demonstrate both current compliance, and whether issuance of the proposed bonds will cause an event of noncompliance. Any prior liens, pledges, commitments, or covenants that will remain in place following the issuance of the proposed bonds should be identified and disclosed in any offering documents if any mortgages on the Project Facilities are contemplated as security for the proposed obligations, and also within the context of the University's pledge of its full faith and credit.

4. Consent by Church. In the Application, the University stated that consent of the religious order known as the Sisters of St. Joseph of Carondelet (the "Sisters of St. Joseph") is required in connection with the alienation of property as established by the United States

Conference of Catholic Bishops (information submitted by the University in connection with prior Authority financings indicated such consent was required in respect of corporate property in excess of $5,705,000). Accordingly, if the contemplated security for payment of the proposed bonds includes a mortgage on any University facilities or a lien on revenues, the University should provide such consent or an opinion of counsel or other satisfactory evidence that such consent is not necessary with respect to such lien or mortgage. In addition, under the Amended and Restated Bylaws of the University, an affirmative vote of at least four of the seven Trustees constituting a subgroup of the Board of Trustees, designated as the Sponsorship Council Trustees, is required for the sale or mortgaging of property, major construction contracts, or debt in excess of the thresholds established by the National Conference of Catholic Bishops. Four of the seven Sponsorship Council Trustees must be vowed members of the Sisters of St. Joseph. The University should provide appropriate evidence of compliance with this requirement of the Amended and Restated Bylaws.

5. <u>$150 Million Limit on Tax Exempt Non-Hospital Bonds Under Section 145(b) of Internal Revenue Code</u>. In the Application, the University stated that the University does not receive support from another religious body and that no church body controls the election of trustees. As noted, however, the University stated that the consent of the Sisters of St. Joseph is required in connection with the alienation of certain corporate property and that certain major actions of the University are subject to approval by the Sponsorship Council Trustees which, according to the Amended and Restated Bylaws, "serves as the means by which the Sisters of St. Joseph of Carondelet exercise their responsibilities as sponsor of St. Catherine University." In addition, as noted, the University derives its 501(c)(3) status from inclusion in <u>The Official Catholic Directory</u> that lists the organizations supervised, operated, or controlled by the Roman Catholic Church.

The Application includes Amended and Restated Articles of Incorporation of the University that were approved in October 2009 and were filed with the Minnesota Secretary of State on May 20, 2010, and Amended and Restated Bylaws of the University that were adopted in October 2009 and amended in October 2017. The Amended and Restated Articles of Incorporation state that the University was "founded in 1905 as the College of St. Catherine by the Sisters of St. Joseph of Carondelet, St. Paul Province, a congregation of pontifical right in the Roman Catholic Church, and sponsored continually by the same."

Such relationships have potential significance because Internal Revenue Code Section 145(b) limits the aggregate amount of outstanding qualified 501(c)(3) non-hospital bonds from which any 501(c)(3) organization may benefit to $150 million. For purposes of this rule, two or more organizations under common management or control are treated as one organization.

A 1997 amendment to Section 145(b) excluded from the $150 million limit tax exempt nonhospital bonds issued after August 5, 1997, as part of an issue 95 percent or more of the net proceeds of which (including issuance costs) are to be used to finance capital expenditures incurred after that date. Proceeds of the proposed tax-exempt bonds will be used to finance capital improvements, namely, the Project.

Accordingly, the proposed tax-exempt bonds will not be subject to the $150 million limit.

We do not interpret Section 145(b) so broadly as to include the Roman Catholic Church generally or other orders or instrumentalities of the Roman Catholic Church. Having said that, we will verify that no organizational changes have occurred with respect to the University that might change the conclusion that aggregation with other Roman Catholic organizations is not required. We will be preparing for the closing certificates a debt schedule to ensure that the $150 million limit is satisfied. In furtherance thereof, we should be furnished with a schedule of outstanding tax-exempt debt of the University and any organization controlling or controlled by the University.

6. Establishment of Religion Concerns. As noted, the University derives its 501(c)(3) status from its listing in The Official Catholic Directory – in effect, the University falls within the "group exemption" of the Roman Catholic Church. The Amended and Restated Articles of Incorporation provide that the University shall have neither capital stock nor members. The Amended and Restated Bylaws of the University state that at least one-quarter of the Board shall be members of the Sisters of St. Joseph, and the Providence Leadership Team liaison of the Sisters of St. Joseph shall be an ex officio trustee. (We note that the Amended and Restated Bylaws previously lowered the percentage of members of the Board that must also be members of the Sisters of St. Joseph as well as relaxing certain requirements related to the President of the University.)

In the Application, the University indicated that the University confers a bachelors and masters degree in theology and, in connection with such programs, students receive instruction in the doctrines, creeds and tenets particularly, but not exclusively, within the Judeo-Christian framework. The Application further indicates that there are no religious qualifications for students or faculty and there are no religious service attendance requirements for students. The University subscribes to the principles of academic freedom.

Although the University offers theology courses, it appears from the Application that those courses explore principles of the Judeo-Christian worldview in Western civilization and are not designed to indoctrinate students into a particular denomination or sect. Faculty members are required to support the Catholic mission of the University but, similar to students, faculty members are not required to be members of a particular religious denomination or sect.

The Application materials contain a number of statements and other items in support of a conclusion that the University is not a "sectarian" institution for the purposes of applying Establishment of Religion Clause limitations. In particular, the relevant organizational documents, general statements contained in official University publications, admissions standards, and faculty hiring and tenure requirements support the conclusion that the University does, in fact, follow academic freedom in the classroom and non-discrimination practices in faculty and student recruitment, retention, and promotion. Under the Supreme Court's guidelines as established by the relevant decisions, the focus on actual practices is as important as the focus on institutional documents. Therefore, the members of the Authority should be satisfied that the University does, in fact, follow academic freedom in the classroom and non-discrimination practices in faculty and student recruitment, retention, and promotion.

On these facts, and under existing judicial interpretation of the Establishment of Religion Clause, we conclude that Authority financing of the Project proposed by the University will not violate Establishment of Religion Clause limitations.

We note that the most recent United States Supreme Court decisions in this area, while not directly on point, do appear to broaden the permitted scope of public assistance to religious-affiliated educational institutions. Financing such as that provided by the Authority falls well within the permitted limits.

However, as noted, the Application does include a request for financing to restore Our Lady of Victory Chapel to preserve select historic features. The Authority's enabling statute prohibits the Authority from engaging in a project that includes any facility used or to be used for sectarian instruction or as a place of religious worship. Given this prohibition and the Establishment of Religion Clause, we have advised the University that the chapel restorations may not be included in the Project to be financed with the proposed bonds. The University has indicated that it has sufficient funds through its capital campaign or otherwise to finance the chapel restoration, outside of the financing of the Authority.

7. Rebate, Two Year, 18-month and 6-month Spend-Down Exceptions. The Application indicates that work on various phases of the Project commenced beginning in June and November 2022 and will be completed between October 2024 and the end of January 2026. The requirement to pay arbitrage rebate for the bonds has three exceptions that are related to the speed in which the proceeds of the bonds are spent: the 2-year exception, the 18-month exception, and the 6-month exception.

Based on the proposed schedule provided by the University, it is possible that one or two exceptions could apply to portions of the Project. Bond counsel and the municipal advisor will work with the University regarding the timing of the proposed bond issue and the construction schedule to determine whether an exception would be possible.

The following is a summary of each exception:

a. The Revenue Reconciliation Act of 1989 (the "1989 Act"), as amended by a technical corrections act in 1990, created a two-year exception (the "2-year exception") from the requirement to pay arbitrage rebate for governmental and 501(c)(3) bonds which meet the definition of a "construction issue" - that is, a bond issue for which at least 75 percent of net proceeds will be expended for "construction expenditures." "Construction expenditures" are costs of construction chargeable to the capital account (other than expenditures for land or existing real property). Construction expenditures include costs of fixtures such as heating, ventilating, and air conditioning, costs of equipment depreciated over a period of a year, and costs of certain computer software.

To comply with this exception, all available construction proceeds of the issue must be spent within two years from the date of closing on the bond issue: 10% within 6 months, 45% within one year, 75% within 18 months, and 95% to 100% within two years with an extension to three years for up to 5% retained from contractors. For the purposes of the proposed bond issue, "available construction proceeds" that must be spent on schedule generally includes investment earnings, but excludes amounts used to fund a reserve fund and issuance costs. Investment earnings on the reserve fund during the construction period must be spent on schedule for project costs, including interest but not principal on the bonds or, if the University so elects, must be rebated. This 2-year exception is in addition to the six-month exception created under prior law. Rebate would still be payable on reserve fund investment income, if any (to the extent the yield of the investments exceeds the bond yield) after the construction period, but the 2-year exception offers potentially significant savings.

b. Under Treasury Department Regulations, a second exception was created for proceeds, including reasonably expected investment earnings as determined at closing, which are spent within 18 months (6 months - 15%, 12 months - 60% and 18 months - 100%), except for a de minimis amount or a reasonable retainage that must be spent within 30 months of the bond closing date. This exception is not limited to construction purposes.

c. The 1989 Act also created an exception for proceeds (whether for refunding, equipment, or construction) that are spent in six months.

8. Reimbursement Regulations. As noted above, the University indicated in its Application that work on portions of the Project began in June and November 2022. The Internal Revenue Service has adopted rules for determining when an issuer may use bond proceeds to reimburse expenditures made before the bonds are issued. The University adopted a resolution declaring official intent to reimburse effective February 14, 2022, but that resolution did not identify a not-to-exceed amount for the anticipated financing, which is a required component of a reimbursement resolution. The Finance Committee of the University adopted a subsequent resolution declaring official intent to reimburse effective February 18, 2023 that did include a not-to-exceed amount. Therefore, it appears the University can be reimbursed for Project expenditures paid (as opposed to incurred but not paid) prior to the bond closing but generally not earlier than 60 days prior to February 18, 2023 (i.e., December 21, 2022). (We note that the 2022 resolution delegated to two officers the ability to make further declarations of reimbursement intent; if either did so the University should provide those declarations.) In addition, the University may be reimbursed for certain preliminary expenditures and in amounts considered to be de minimis. We will work with the University to identify reimbursable costs and to protect the University's ability to finance expenditures made before the bonds are issued.

The University must use proceeds from a bond issue to reimburse itself for prior expenditures within 18 months from the later of (i) the date that the original expenditure is paid or (ii) the date that an element of the Project is placed in service (but in no event more than three years after the original expenditure is paid). "Placed in service" means the date on which the project or facility has reached a degree of completion, which would permit its operation at substantially its design level, and it is in operation at such level. The University should expect to be reimbursed from bond proceeds shortly after the closing.

9. Project Contracts. At the time of bond closing, the University must be able to demonstrate that it is or will be in a position to commence or continue construction of the Project and to confirm the cost estimates therefor, which were provided in the Application. The University should provide copies of fixed price or guaranteed maximum price contracts to the Authority and bond counsel.

10. Use of Project Facilities by Business Enterprises. If the University has or will have use by a private party of the financed facilities in a trade or business, including a contract with a for-profit private enterprise to provide services in connection with any of the financed facilities, we will need to review the contract to ensure compliance with guidelines relating to private use established in the Internal Revenue Code and related regulations in Revenue Procedures 97-13, 97-14, 2001-39, 2016-44, and 2017-13 (together, "Private Use Rules"). For example, "private use" could arise from agreements with a food service contractor or from use with respect to parking or skyway connections. The University indicated in the Application that it does not expect any such activity to be carried on in the Project Facilities, but we think some further inquiry would be prudent to determine whether there is any "private use." Discovery of "private use" may necessitate that the University use its own funds to finance the private use facility (and allocated common areas) and to follow the guidelines in the Private Use Rules to preserve tax-exempt financing for the rest of the financed facilities.

Section 145(a) of the Internal Revenue Code provides that no more than five percent of the net proceeds of an issue may be used by any person other than a 501(c)(3) organization or governmental unit, or in a trade or business unrelated to the exempt purposes of the University. Even if a food service or other management contract, or use of parking, or other use of the Project Facilities does not generate unrelated business income for the University, such agreements may constitute "use" of facilities of the University by a private (and nonexempt) entity, which could render the bonds used to finance the facilities taxable. The Private Use Rules are lengthy and complex and will require careful review and application. The Private Use Rules require that the costs of issuance (a maximum of two percent payable from bond proceeds) be counted against the five percent limit of private use, leaving only three percent available for other private use.

Subject to certain restrictions, the Private Use Rules would permit parts of the Project Facilities, that are "used" by a private entity to be financed by tax-exempt bonds. We will need to examine the intended "use" of the Project Facilities to determine the applicable restrictions.

Any change in use or ownership of the Project Facilities or any portion thereof should be undertaken only with advice of bond counsel and, in some cases, advance arrangement of a "remedial action" under Treasury Regulations Section 1.141-12.

11. Litigation. The University has indicated that there is currently no litigation or claim pending against the University. If any litigation or claims, threatened or pending, should arise prior to closing, the University should promptly notify the Authority, the financial advisor, and bond counsel and provide a description of such litigation.

12. Sinking Fund Proceeds; Replacement Proceeds. The Application states that the funds to pay debt service on the proposed bonds will be derived from the University's general operations. No pledge of collateral is proposed. This financial structure is similar to other recent Authority financings and does not appear to raise "sinking fund" concerns.

The notes to the University's financial statements indicate that the University as of May 31, 2022, had substantial unrestricted, temporarily-restricted, and restricted assets available for various purposes. The arbitrage regulations adopted by the Internal Revenue Service impose limits on the yield on investments of "gross proceeds" of tax-exempt bonds. "Gross proceeds" include not only the actual proceeds received from the issuance and sale of bonds but also other monies characterized as "replacement proceeds." Amounts are "replacement proceeds" under the regulations if it is concluded that such amounts would have been used for the governmental purpose for which the bonds were issued (here, financing of the Project) had proceeds of the bonds not been used for that governmental purpose. Amounts also may be replacement proceeds if they are held or expected to be used to pay debt service on bonds, or are subject to a negative pledge or maintenance covenant. The mere availability or preliminary earmarking of funds for such purposes does not, in itself, necessarily lead to the conclusion that such funds would have been used for the governmental purpose of the bonds and thus are replacement proceeds. We will confer with the University and its counsel to confirm compliance with the replacement proceeds rules, particularly if gifts are expected to pay some of the Project costs or may be applied to debt service on the proposed bonds.

RESOLUTION RELATING TO
APPLICATION FOR
ST. CATHERINE UNIVERSITY

Be It Resolved by the Minnesota Higher Education Facilities Authority as follows:

1. The Authority acknowledges receipt of the Application, submitted on March 17, 2023, of St. Catherine University, a Minnesota nonprofit corporation, formerly known as The College of Saint Catherine (the "University"), as owner and operator of St. Catherine University (the "Institution"), and exhibits thereto, including an Indemnity Agreement and an application fee in the amount of $1,000 (the "Application"), to finance costs of a project (the "Project") consisting of the acquisition, design, demolition, construction, renovation, improvement, furnishing and equipping of various facilities, including (i) Mendel Hall (approximately 36,000 square feet of classroom, labs, office, and common space) on the Institution's St. Paul campus, including creating flexible and adaptable spaces, modernizing science teaching spaces, upgrading accessibility, and upgrading infrastructure; (ii) Sister Alberta and Sister Georgia student apartment buildings and Caecilian and St. Mary residence halls, including renewing flooring, plumbing, fixtures, walkways, and community learning spaces; (iii) the Butler Center, including repairs to entrance and renovation of HVAC system; (iv) Whitby Hall, including repairs to building entrance, masonry upgrades, and renovation of simulation classroom lab spaces to accommodate a shared services model of teaching; (v) Fontbonne Hall, including repairs to building entrance, masonry upgrades and renovation of classroom space to support the Institution's Fashion Merchandizing program; (vi) certain stormwater infrastructure and drainage improvements (including installation of a drainage pond and new grading) to support the Institution's tennis, track and softball programs; (vii) elevator replacement in the Music Building, and (viii) campus wide IT infrastructure improvements.

2. All of the facilities and improvements to be financed by the Project are hereinafter referred to as the "Project Facilities." The Project Facilities are or will be owned and operated by the University and located on the Institution's St. Paul campus, the principal street address of which is 2004 Randolph Avenue, St. Paul, Minnesota.

3. The Executive Director, in consultation with the Chair of the Authority, has selected a date for a public hearing to be held with respect to the Application in conjunction with a meeting of the Authority and has caused notice of the public hearing to be given by posting electronically on the Authority's public website in an area used to inform the public of meetings of the Authority, no fewer than seven days prior to the date of the hearing.

4. In accordance with Section 147(f) of the Internal Revenue Code, this Authority conducted a public hearing on April 26, 2023, on the proposal described in the Application to finance the Project, at which public hearing all parties who appeared in person or by toll-free teleconferencing, or who submitted written comments, were given an opportunity to express their views with respect to the proposal.

5. Officers of the University have presented to this Authority information concerning the need for the Project, the feasibility of the Project, the Project Facilities, the financing schedule

for the Project, and responded to other matters concerning the Project, the Project Facilities, the Institution and the University.

6. The Executive Director of the Authority, Taft, Stettinius & Hollister LLP, Bond Counsel, and North Slope Capital Advisors, Municipal Advisor to the **[University],** have reviewed the Application and the exhibits thereto, and recommend that the Authority approve the Application as submitted, subject to the conditions herein set forth.

7. On the basis of the information contained in the Application and its exhibits and presented orally to the Authority and to the Executive Director, Bond Counsel and Municipal Advisor, and on the basis of the recommendations made, the Authority hereby finds and determines that:

(a) The University is a nonprofit corporation and the Institution is an institution of higher education in the state, eligible to be a participating institution of higher education under Section 136A.25 to 136A.42, Minnesota Statutes, as amended (the "Act").

(b) The Project as described in the Application is eligible for financing by the Authority and is a "project" under the Act.

(c) The Project Facilities and the financing of the Project are intended for and will provide for additional educational opportunity to the current and future generations of youth of the state in nonprofit institutions of higher education and will otherwise carry out the purposes and policies of the Act.

(d) The Institution is nonsectarian and does not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed and does not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect and all courses of study, including any religion and theology courses, are taught according to the academic requirements of the subject matter and the instructor's concept of professional standards.

(e) The Institution admits students without unlawful discrimination, and does not exclude, expel, limit or otherwise unlawfully discriminate against enrolled students in accordance with Minnesota Statutes, Section 363A.13.

(f) The Project Facilities are and will be available to the students of the Institution without unlawful discrimination in accordance with Minnesota Statutes, Section 363A.13.

(g) Issuance of revenue obligations by the Authority will not have the primary purpose or effect of advancing religion or interfering with the free exercise of religion and will not provide financing for a facility used or to be used for sectarian instruction or as a place of religious worship or a facility which is used or to be used primarily in connection with any part of the program of a school or department of divinity for any religious denomination.

(h) The Project and issuance of revenue obligations appear feasible.

8. The Project and the financing thereof by the issuance of revenue obligations of the Authority in the maximum aggregate principal amount of up to approximately $22,500,000 are therefore approved, provided that the University shall furnish any items which are needed to complete the Application or which are reasonably required by Bond Counsel in order to deliver an unqualified opinion as to the validity of the revenue obligations and tax status of the interest on the revenue obligations.

9. The Executive Director shall direct Bond Counsel and the Municipal Advisor to the Authority to prepare and submit recommendations as to the terms of financing and the forms of financing documents, including, if necessary, a loan agreement and a trust indenture or a loan and note purchase agreement, a bond purchase agreement or a note placement agreement or similar agreement, a mortgage, if any, an official statement or a private placement memorandum, if any, and related documents and resolutions, to the Authority and to the University for consideration and approval.

10. The Authority and the University each respectively reserves its right to terminate the Project and the financing thereof under the Act as provided in the Indemnity Agreement.

Adopted: April 26, 2023.

MINNESOTA HIGHER EDUCATION
FACILITIES AUTHORITY

By ____________________________________
Chair

By ____________________________________
Secretary

Approved: ____
Governor, State of Minnesota

Date Approved: ____________________________________

MN Higher Education Facilities Authority

Budget vs. Actuals: FY2023 Original Budget - FY23 P&L

July 2022 - June 2023

	TOTAL					
	ACTUAL	BUDGET	OVER BUDGET	REMAINING	% OF BUDGET	% REMAINING
Income						
4010 Annual Fee Income	842,043.23	1,503,695.00	-661,651.77	661,651.77	56.00 %	44.00 %
4020 Application Fee Income	1,000.00	3,000.00	-2,000.00	2,000.00	33.33 %	66.67 %
Discounts given	-547,328.11	-977,400.00	430,071.89	-430,071.89	56.00 %	44.00 %
Total Income	**$295,715.12**	**$529,295.00**	**$ -233,579.88**	**$233,579.88**	**55.87 %**	**44.13 %**
GROSS PROFIT	**$295,715.12**	**$529,295.00**	**$ -233,579.88**	**$233,579.88**	**55.87 %**	**44.13 %**
Expenses						
6000 Stipends	774.91	3,520.00	-2,745.09	2,745.09	22.01 %	77.99 %
6001 Board Travel	1,492.12	5,000.00	-3,507.88	3,507.88	29.84 %	70.16 %
6002 Communications	**8,596.13**	**18,050.00**	**-9,453.87**	**9,453.87**	**47.62 %**	**52.38 %**
6003 Staff Travel	**9,939.02**	**20,000.00**	**-10,060.98**	**10,060.98**	**49.70 %**	**50.30 %**
6004 Office Rent	32,093.54	50,000.00	-17,906.46	17,906.46	64.19 %	35.81 %
6005 Office Supplies	**344.54**	**2,750.00**	**-2,405.46**	**2,405.46**	**12.53 %**	**87.47 %**
6006 Repairs	742.63	3,000.00	-2,257.37	2,257.37	24.75 %	75.25 %
6007 Printing Expense	745.24	1,500.00	-754.76	754.76	49.68 %	50.32 %
6008 Periodicals/Memberships	6,499.52	8,000.00	-1,500.48	1,500.48	81.24 %	18.76 %
6009 Fiscal Consultant Fees		5,000.00	-5,000.00	5,000.00		100.00 %
6010 Audit Fees	19,950.00	19,950.00	0.00	0.00	100.00 %	0.00 %
6012 Legal Fees	12,500.00	5,000.00	7,500.00	-7,500.00	250.00 %	-150.00 %
6013 Insurance Expense		1,849.00	-1,849.00	1,849.00		100.00 %
6015 Miscellaneous Expense	2,745.11	4,000.00	-1,254.89	1,254.89	68.63 %	31.37 %
6016 Bank Service Charges	1,628.25	3,500.00	-1,871.75	1,871.75	46.52 %	53.48 %
6017 Conference Expenses	19,192.39	27,000.00	-7,807.61	7,807.61	71.08 %	28.92 %
6018 Professional Development-Board		2,000.00	-2,000.00	2,000.00		100.00 %
6020 Professional Development-STAFF	2,785.00	5,000.00	-2,215.00	2,215.00	55.70 %	44.30 %
6021 IT	**12,974.02**	**20,350.00**	**-7,375.98**	**7,375.98**	**63.75 %**	**36.25 %**
6023 Postage/Delivery Expense	89.16	350.00	-260.84	260.84	25.47 %	74.53 %
6100 Salaries	159,802.04	225,000.00	-65,197.96	65,197.96	71.02 %	28.98 %
6101 Fringe Benefits	56,659.74	87,000.00	-30,340.26	30,340.26	65.13 %	34.87 %
6104 Worker's Compensation	170.00	170.00	0.00	0.00	100.00 %	0.00 %
6107 Office Contract Work	90.00	1,000.00	-910.00	910.00	9.00 %	91.00 %
6200 Equipment Leases	**5,493.01**	**7,170.00**	**-1,676.99**	**1,676.99**	**76.61 %**	**23.39 %**
Total Expenses	**$355,306.37**	**$526,159.00**	**$ -170,852.63**	**$170,852.63**	**67.53 %**	**32.47 %**
NET OPERATING INCOME	**$ -59,591.25**	**$3,136.00**	**$ -62,727.25**	**$62,727.25**	**-1,900.23 %**	**2,000.23 %**
Other Income						
4000 Interest Income	15,410.67	6,000.00	9,410.67	-9,410.67	256.84 %	-156.84 %
4050 Unrealized Gain/Loss Adjustment on Sale	1,585.76		1,585.76	-1,585.76		
Total Other Income	**$16,996.43**	**$6,000.00**	**$10,996.43**	**$ -10,996.43**	**283.27 %**	**-183.27 %**
Other Expenses						
Other Miscellaneous Expense		59,000.00	-59,000.00	59,000.00		100.00 %
Total Other Expenses	**$0.00**	**$59,000.00**	**$ -59,000.00**	**$59,000.00**	**0.00%**	**100.00 %**
NET OTHER INCOME	**$16,996.43**	**$ -53,000.00**	**$69,996.43**	**$ -69,996.43**	**-32.07 %**	**132.07 %**
NET INCOME	**$ -42,594.82**	**$ -49,864.00**	**$7,269.18**	**$ -7,269.18**	**85.42 %**	**14.58 %**