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Listing of Mailout Material
January 17, 2024

- Cover Memo
- Meeting Agenda

I. *Review and approve minutes of the meeting of December 13, 2023*

- Minutes of December 13, 2023

II. *St. Olaf College, Series 2024*

- St. Olaf College, Series 2024 Application
- Application Review – North Slope
- Application Memorandum - Taft
- Resolution Relating to the Application – Taft

III. *University of St. Thomas, Series 2024*

- University of St. Thomas, Series 2024 Application
- Application Review – North Slope
- Application Memorandum - Taft
- Resolution Relating to the Application – Taft

IV. *Old Business*

V. *New Business*

- Resolution Authorizing General Salary Increase for FY2023
- MMB Memo Regarding Managerial Plan General Salary Increases

VI. *Other Business*

- December 2023 Budget vs Actual

MEMORANDUM

MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

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

Date: January 10, 2024

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: January 17, 2024, Authority Board Meeting Preview

Welcome to 2024. This January, Board members are reminded to fill out their annual Minnesota Board Member Financial Information and file it with the Minnesota Campaign Finance Board.

At the January 2024 Minnesota Higher Education Facilities Authority Board meeting, we have three important topics for consideration.

- We will hold a public hearing for St. Olaf College on their Financing Application
- We will hold a public hearing for the University of St. Thomas' on their Financing Application
- We will conduct the Annual Performance Review for the Operations Manager.

Representatives from both schools will attend the meeting to present information on their respective financing applications and answer questions. Other finance team professionals will also attend the meeting to present their analysis of the Applications.

There will be subsequent consideration of the financing plans for both Schools at the February Board meeting.

The meeting will be held at the Authority's Eagan office. This is an in-person meeting, but if you are not able to attend in person, we will use our video link system for this meeting. Instructions for accessing the video link are available in Board packet material included with this email. In addition, telephone access is available.

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We look forward to your participation in-person, or by video conferencing, or telephone at the meeting.

Board Meeting Agenda

Wednesday, January 17, 2024
2:00 PM
Location: MHEFA Office,
Lower-Level Conference Room

Individuals may request reasonable accommodation or modifications in order 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 December 13, 2023

II. St. Olaf College, Series 2024

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

III. University of St. Thomas, Series 2024

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

IV. Old Business

V. New Business

- FY2024 General Salary Increase Resolution

VI. Other Business

- Executive Director's Report

VII. Closed Session of the MHEFA Board – Personnel Matter

- *Operations Manager Annual Performance Review*

General Public may attend in-person at the address below, via call-in number: 1-877-978-6969 Access Code: 843-929-912# or through this link: https://www.gomeet.com/843-929-912

860 Blue Gentian Road, Lower-Level Conference Room, Eagan, MN 55121

The Minnesota Higher Education Facilities Authority (the "Authority" or "MHEFA") convened a Special Board meeting at 2:02 pm Central Standard Time, Wednesday, December 13, 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 the lower-level conference room of Grand Oak I, 860 Blue Gentian Road, Eagan, MN 55121. Operations Manager Amanda Lee was physically present. Ms. Lee 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 at the entrance to the Authority office, located at 860 Blue Gentian Road, Suite 145, Eagan, MN 55121.

The public was able to attend the meeting in person, monitor the meeting by calling a toll-free number, and able to connect to the meeting 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.

Executive Summary – Minnesota Higher Education Facilities Authority

Meeting on November 15, 2023: Board Actions Taken:

Motions:	Result:	Vote:
Approval of Meeting Minutes of November 15, 2023	Passed	Unanimous

Resolutions	Result:	Vote:
University of St. Thomas Series 2022B Bond Proceeds reallocation	Passed	Unanimous

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

Board Members:	David Rowland – V Bonnie Anderson Rons - IP Nancy Sampair - IP Gary Benson - IP Mary Ives – V Mary Thao – V Ray Vin Zant – V Poawit Yang - V
Absent:	Poawit Yang Mikeya Griffin
Other Attendees:	Wade Holmberg, University of St Thomas – V Peter Cooper, Taft Law firm – V Catherine Courtney, Taft Law firm – V Mark LeMay, public - V
Staff:	Barry W. Fick, Executive Director, MHEFA – V Amanda Lee, Operations Manager, MHEFA – IP

David Rowland, Chair, called the meeting order at 2:02 pm CST. Executive Director Fick confirmed that a quorum was present.

Agenda Item I – Minutes of the November 15, 2023, Board meeting.

The first item on the agenda is the review and consideration of the minutes of the most recent prior Authority Board meeting.

Chair Rowland asked for a motion to accept and approve the November 15, 2023 Minutes. A motion was made by Ray Vin Zant to approve the November 15, 2023 minutes. The motion was seconded by Bonnie Anderson Rons. Chair Rowland asked if there were any questions, discussion, or changes to the minutes of the most recent prior Board meeting.

Nancy Sampair suggested amending the November 15, 2023 meeting minutes to reflect the addition of a discussion between Board members regarding the enrollment trends at Minnesota schools. It was suggested that the Minnesota Private College Council be asked to present an analysis of enrollment trends at a future meeting and tasked Executive Director Fick with arranging such a presentation.

There were no other questions or proposed changes to the minutes from Board members.

Chair Rowland called for a vote regarding the approval of the minutes, adjusted to include the enrollment trend review request. A roll call vote was conducted, and the Board members voted as follows:

Board Members:	David Rowland	Yes
	Bonnie Anderson Rons	Yes
	Nancy Sampair	Yes
	Gary Benson	Yes
	Mary Ives	Yes
	Mary Thao	Yes
	Ray Vin Zant	Yes
	Poawit Yang	Yes

There were no votes against the motion and the Minutes of the November 15, 2023, MHEFA Board meetings were approved.

Agenda Item II – University of St. Thomas Series 2022B Project Funding Reallocation

Chair Rowland introduced the University of St. Thomas representative, Wade Holmberg, who is the Controller of the University, to present the request of the University for a modification of certain aspects of the projects to be funded with proceeds from the Series 2022B Bonds, issued in June 2022.

Chair Rowland opened the public hearing and asked Mr. Holmberg to discuss the University's request. Mr. Holmberg thanked the Authority for their past support and bond issuance on behalf of the University. Mr. Holmberg stated that the University is asking to have the Authority authorize the reallocation of funds from the University of St. Thomas' Series 2022B financing due to changes to the 1) relocation of the hockey facilities project to the main campus, 2) reduction in the amount of land purchased at an off-campus site, and 3) remove one project from the uses of funds and reallocate those funds to other qualified capital projects. Mr. Holmberg referenced the letter submitted in support of the reallocation request. He described the reasoning for the request as follows:

The University originally expected to acquire the off-campus Highland Bridge Property in part for the location of a hockey arena, and to complete related site planning and design. The University no longer intends for hockey facilities to be located on the Highland Bridge Property. Rather, the University expects updated hockey facilities will be located within a multi-purpose arena to be developed on its St. Paul Campus. The University has determined that the cost of constructing hockey facilities on the Highland Bridge Property was too high. In addition, having a multi-purpose arena on campus, hosting both hockey and basketball, provides cost efficiencies and enables more students to attend games, thereby enhancing the student experience.

Modifications to the Series 2022B Loan Agreement will clarify that intended use of the Highland Bridge Property does not include hockey facilities, and that the already contemplated "other permissible on-campus capital projects" explicitly includes site planning and design work for the intended multi-purpose arena housing hockey facilities.

The Series 2022B Loan Agreement defined the Highland Bridge Property to be acquired by the University as "an approximately 20-acre tract of land located near the intersection of Cleveland and Montreal Avenues . . ." The decision to locate hockey facilities on-campus reduced the scope of off-campus land required for athletic facilities. The University only needed and has acquired a 13.76-acre portion of the Highland Bridge Property. The University acquired as much land as it expects will be needed to develop baseball, softball, and related athletic facilities.

The Series 2022B projects contemplated that the Project would include the acquisition of a residential house located at 2037 Summit Avenue, St. Paul, MN. After entering a Purchase Agreement to acquire the Residential Property, the University encountered strong neighborhood resistance to the transaction. As a result, the University reevaluated the benefit of acquiring the property and declined to complete the acquisition. Modifications to the Loan Agreement would omit the Residential Property from the scope of the Project.

The University views the Project Updates as refining and/or clarifying the scope of existing components of the Project, not as additions or material modifications to the nature of such Project components. These funds are being reallocated to reflect updated financial cost/benefit analysis and land and neighborhood studies that have been conducted in the planning of future Athletic Complex buildings. These studies have resulted in changes to project plans at these locations.

Mr. Holmberg concluded his presentation and asked if there were questions about the request. Board Member Bonnie Anderson Rons asked about the student response to moving the location of the arena on campus. According to the feedback Mr. Holberg has heard, it has been positive, because the arena will be on campus and easier for students to access. Executive Director Fick noted that the University is preparing a financing request for submission to the Authority in early 2024 that will provide funding for the multipurpose arena (to house basketball and hockey), among other purposes and that this request is consistent with the likely 2024 financing.

Chair Rowland then closed the Public Hearing. Chair Rowland asked Catherine Courtney, of Taft, to review the amendment to the loan agreement and Resolution Relating to Amendment Application and Reallocation of Bond Proceeds. Ms. Courtney reviewed the First Amendment to the Loan Agreement. She noted that the amendment modifie0s and conforms to the terms of the original Loan Agreement to match the changes to the projects requested by the University. She noted that it does not alter any other terms of the original Loan Agreement. She observed that the proposed amendments and stated that it covered the changes just reviewed by Mr. Holmberg. Ms. Courtney then directed the Board to the Resolution.

Ms. Courtney reviewed the Resolution for the Board. She noted that the Resolution recites the original issue of the Series 2022B Bonds and includes the changes to project definitions requested by the University. The Resolution further notes that the Authority has followed proper procedures to schedule the Public Hearing and that the Public Hearing was properly publicized and conducted in accordance with all applicable rules and regulations. Ms. Courtney concluded her presentation and asked if there were any questions. There were no questions for Ms. Courtney.

Chair Rowland asked for a motion to accept and approve the Resolution Relating to Amendment Application and Reallocation of Bond Proceeds for the University of St. Thomas. A motion to approve the Resolution relating to Amendment Application and Reallocation of Bond Proceeds for the University of St. Thomas was made by Mary Ives. The motion was seconded by Ray Vin Zant.

Mr. Rowland called on the Executive Director to conduct a roll call vote on the Resolution. A roll call vote was conducted, and the Board members voted as follows:

David Rowland	Yes
Bonnie Anderson Rons	Yes
Nancy Sampair	Yes
Gary Benson	Yes

Mary Ives	Yes
Mary Thao	Yes
Ray Vin Zant	Yes
Poawit Yang	Yes

There were no abstentions or votes against the Motion and the Resolution relating to Amendment Application and Reallocation of Bond Proceeds for the University of St. Thomas was passed.

Agenda Item III –– Old Business

Chair Rowland 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 IV – New Business

Chair Rowland asked if there were any New Business items from Board members for discussion.

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

Agenda Item VII – Other Business

Chair Rowland called upon Executive Director Fick to discuss Other Business and present the Executive Directors Report.

<u>Rating Agency Update</u>

- Moody's Investors Service is conducting rating updates with a number of schools over the next few weeks. We worked with the schools to prepare material and are awaiting the decision of the Credit Committee.
    - St. Olaf – Rating call held, no change to rating
    - St. John's – Rating call held, no change to rating
    - Concordia College – Rating call held, rating changed to Baa2, stable (previously Baa1, stable)

<u>Various</u>

Executive Director Fick let Board members know that the Authority has acquired a number of art pieces from MCAD students and alumni. These will be installed at the Authority Office in Eagan.

Operations Manager Amanda Lee noted some administrative items, including that no form 1099's will be sent for calendar year 2023, since the stipends paid to Board members did not meet the level that requires a 1099 to be provided. In addition, the annual Finance Disclosure form must be completed by Board members during January. Questions about completing the form can be directed to the Authority.

The Board term for Mary Ives and Ray Vin Zant concludes in early January 2024. Both have indicated they plan to reapply. As noted in November, we are on schedule for appointments or re-appointments to be made in April 2024. Ms. Ives and Mr. Vin Zant may continue to serve until June 30, 2024 under their current appointments unless they are reappointed or replaced on the board.

Ms. Lee and Mr. Fick provided information on the recently launched LinkedIn page of the Authority. Ms. Lee demonstrated how to access the page and how to sign up to "follow" the Authority. The goal of adding the LinkedIn page is to further reach people interested in the Authority and disseminate information about upcoming conferences, bond sales and other information about the Authority. The LinkedIn page will supplement and complement the Authority's award-winning Web page.

Board members were reminded that the Authority expects to hold a meeting in January 2024 to consider expected Applications from St. Olaf and St. Thomas. The January 2024 meeting will occur on January 17, 2024.

Chair Rowland asked if there was any further business to come before the Board. Executive Director Fick and Operations Manager Lee stated that there was no additional business to bring to the Board at this time.

There were no other items for the Board to consider. A motion to adjourn was made by Bonnie Anderson Rons with a second provided by Nancy Sampair. The Board acted by voice vote to adjourn the meeting at 2:35 pm, Central Time.

Respectfully submitted,

____
Assistant Secretary

Application for Financing

Higher Education

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Borrower Information

Name of Borrower: St. Olaf College

Date: 12/7/2023

Borrower Primary Contact Information:

Name Mike Berthelsen

Title VP of Finance and CFO

Email mikeb@stolaf.edu

Phone 507-785-3018

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: Hilleboe/Kittlesby Residence Hall Renovation - Residence Hall Renovation consisting of approximately 70,000 sq ft and 286 beds (anticipated 234 beds at completion after expanding bathrooms and lounges).

Project B: Facilities Complex Relocation & Improvements - Construction of new pole type buildings near the main campus wind turbine to support facilities operations (landcare, vehicle maintenance, custodial program) and provide storage. Building is to be 10,000 gsf.

Project C: Facilities Infrastructure + Roof Replacements including: Generator switchgear updates, additional generator, building expansion, new switch, and transformers, upgrade electrical service feed, chillled water plant upgrades, new chiller, cooling tower, piping, roof replacements, and other building system needs

Project D:

Estimated Cost Summary

	Project A	Project B	Project C	Project D	Total
Construction cost	$ 18,561,300	$ 2,500,000	$4,700,000	$ 0	$25,761,300
Architectural, engineering and consultant costs	$ 4,000,000	$ 400,000	$500,000		$4,900,000
Furnishings and equipment	$ 1,100,000		$ 8,000,000		$ 9,100,000
Site acquisition					$ 0
Principal amount of debt to be refinanced					$ 0
Other (excluding issuance costs and reserves)	$ 1,000,000				$1,000,000
Total	$24,661,300	$ 2,900,000	$ 13,200,000		$40,761,300

Estimated Financing Summary

	Project A	Project B	Project C	Project D	Total
Amount of funds from other sources	$ 7,161,300	$ 400,000	$8,200,000		$15,761,300
Amount of project cost (excluding issuance costs and reserves) to be financed with Authority bonds	$ 17,500,000	$ 2,500,000	$5,000,000		$25,000,000
Principal amount of debt to be refinanced					$ 0
Total	$ 24,661,300	$ 2,900,000	$ 13,200,000		$40,761,000

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	6/1/2023	NA	NA	
Construction contract has been awarded	9/10/2021	10/3/2023	NA	
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
- [x] 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
- [x] No

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

- [ ] Yes
- [x] No

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

- [ ] Yes
- [x] No

Proposed Timing Summary

	Project A	Project B	Project C	Project D
Start date	6/1/2023	5/1/2024	3/1/2024	
Completion date	9/1/2025	10/1/2024	12/31/2026	
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
- [x] Private placement
- [ ] Undecided

When do you wish to close on the bond issue?

- [x] As soon as practical
- [ ] No later than:
- [ ] 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:

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, 2025

Are revenues available to pay interest during the construction period? 19

- [ ] Yes
- [x] No, interest should be capitalized for _____ months
- [ ] Not Applicable

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

- [x] 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.

- [x] 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 <u>not</u> 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:

NA. Only building permits are required and these are not needed prior to closing.

Borrower Contact Information:

Legal name of corporate borrower and street address:

St. Olaf College, 1520 St. Olaf Avenue, Northfield, MN 55057

President of College or University:

Susan Rundell Singer

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

Mike Berthelsen (Vice President for Finance and CFO), mikeb@stolaf.edu, 507-786-3018
1520 St. Olaf Avenue, Northfield, MN 55057

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

Angela Mathews (Asst VP for Budget and Auxiliary Operations), mathews@stolaf.edu, 507-786-3231
Nathan Engle (Asst VP and Controller), engle1@stolaf.edu, 507-786-3502

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

Carl Crosby Lehmann (General Counsel), lehmann@stolaf.edu, 507-786-3894
1520 St. Olaf Avenue, Northfield, MN 55057

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

Baker Tilly, 225 S. Sixth Street, Suite 2300, Minneapolis, MN 55402-4661
Rebekah Martin: Rebekah.Martin@bakertilly.com, 612-876-4869

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:

St. Olaf College receives a small amount from the Evangelical Lutheran Church in America (ELCA) Foundation.

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 1
- [ ] 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 2
- [ ] 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 3
- [ ] 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 4
- [ ] 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).

- [ ] attached as Exhibit __
- [x] Website address: https://wp.stolaf.edu/finance/financial-statements/

Current operating budget.

- [x] attached as Exhibit 5

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).

- [ ] attached as Exhibit __
- [x] Website address: https://catalog.stolaf.edu/

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

- [ ] attached as Exhibit __
- [x] Website address: https://wp.stolaf.edu/facultyhandbook/

List of current board members and officers.

- [x] attached as Exhibit 6

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 7

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 8

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 9

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 10

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.

- [ ] attached as Exhibit __
- [x] 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 11
- ☐ 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 12
- ☐ 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 13
- ☐ 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: Susan Rundell Singer

Title: President

And

(Chief Financial Officer)

Signature: Mike Berthelsen

Title: Vice President of Finance and CFO

Date of this Application: 12-21-23

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

- *Electronic payment is available. Please contact the Authority for ACH information.*
- Checks should be made payable to: Minnesota Higher Education Facilities Authority
- Mail or Deliver check to:

  Minnesota Higher Education Facilities Authority

  860 Blue Gentian Road, Suite 145

  Eagan, MN 55121

  651-296-4690

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

January 17, 2024

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

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

As the independent registered municipal advisor for the Authority, we are pleased to provide the following review of the financing application submitted by St. Olaf College (the "College"). The Authority intends to issue its Series 2024 Revenue Note (the "2024 Note") on behalf of the College, the proceeds of which will be used for:

(1) the renovation, equipping, and furnishing of two existing residence halls, connected by a common entrance, known as Hilleboe and Kittlesby Halls ("Project A"),
(2) the construction of a new, approximately 10,000 square foot building near the main campus wind turbine to support facilities operations and provide storage for the College ("Project B"),
(3) the construction of various improvements to facilities infrastructure, including roof replacements ("Project C", and together with Project A and Project B, the "Projects"),
(4) Funding capitalized interest through construction (one year from issuance), and
(5) Funding a portion of the costs of issuance (up to 2.00% of par issued).

The Projects will be owned and operated by the College and located on the College's campus in Northfield, Minnesota.

Provided below is a summary of the financing followed by a summary review of the College's credit profile, a brief description of the Projects, and preliminary details on the proposed financing structure.

Financing Summary	
Par Amount (Estimated as of January 10, 2024)	$25,000,000
Financing Type	New Money
New Money Projects	Residence hall renovations, new building for facilities operations, various improvements to facilities infrastructure, and roof replacements.
Prior MHEFA Bonds Outstanding (as of January 10, 2024)	Series 2021, Eight-N, Eight-G
Current Underlying Rating	A1 (Stable) as of November 2023
Purchaser	JPMorgan Chase Bank, N.A.
Bond Counsel	Taft Law
Issuance Date (Estimated)	March 2024

Based on our review of the material provided by the College, including the debt service pro formas provided by the Purchaser, North Slope's opinion is 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 January 17, 2024, to present our review of the College's application and answer any questions regarding 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: Mr. Mike Berthelsen, Vice President of Finance and Chief Financial Officer (St. Olaf College)
Angela Mathews, Assistant Vice President for Budget and Auxiliary Operations (St. Olaf College)
Nathan Engle, Assistant VP and Controller (St. Olaf College)
Taft Law, Bond Counsel

St. Olaf College

St. Olaf College ("St. Olaf" or the "College") is a private, four-year, co-educational liberal arts college located in Northfield, Minnesota. The College was founded in 1874 by a group of Norwegian-American pioneer pastors, farmers, and businessmen and operated as an academy, St. Olaf's School, until 1886. The purpose of the school was to offer a program of liberal studies to students preparing for careers in business, politics, the clergy, and other professions. In 1889, the name was changed to St. Olaf College and the first college class graduated in 1890. Throughout its history, the College has been affiliated with the American Lutheran Church, one of the merging churches that became the Evangelical Lutheran Church in America (ELCA) in January of 1988. The College, however, is neither under common management with, nor controlled by, the Evangelical Lutheran Church in America. Today, the College offers 44 graduation majors, including 10 teaching certifications, 19 concentrations and 20 pre-professional fields.

The College is accredited by the Higher Learning Commission and is registered with the Minnesota Office of Higher Education in accordance with Minnesota Statutes.

Enrollment
The College's full-time and headcount enrollment trends for the last five fall semesters are provided below.

	Fall 2019	Fall 2020	Fall 2021	Fall 2022	Fall 2023
Headcount					
Total	3,072	2,953	2,988	3,046	3,074
% Change	-	-4.03%	1.17%	1.90%	0.91%
FTEs					
Total	3,050	2,916	2,964	3,022	3,044
% Change	-	-4.60%	1.62%	1.92%	0.72%

Source: Exhibit 1 to 2024 MHEFA Application for St. Olaf.

The objective of the College is to maintain full-time, fall semester enrollment of 2,900 to 3,000 over the next several years. The student body enrolled in the fall of 2023 consisted of students from 49 states and 94 foreign countries. Fifty-three percent (53%) of full-time students come from outside Minnesota.

Summary of Financial Operations
Provided on the following page are *Statements of Activities and Change in Net Assets* for the College's five prior audited fiscal years ending May 31, 2023, through 2019, which presents information about the College's operating activities derived from the audited financial statements.

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Statements of Activities					
($ Million) Years Ended	**FY 2019 5/31/2019**	**FY 2020 5/31/2020**	**FY 2021 5/31/2021**	**FY 2022 5/31/2022**	**FY 2023 5/31/2023**
Revenues					
+ Net Tuition and Fee Revenues	93.3	84.0	83.2	80.5	87.1
+ Gross Tuition and Fee Revenues	*183.0*	*0.0*	*179.2*	*186.0*	*200.3*
- Tuition Discounts and Allowances	*89.7*	*0.0*	*96.0*	*105.5*	*113.2*
+ Grant and Contract Revenues	2.9	5.0	6.8	10.1	6.6
+ Auxiliary Enterprise Revenues	1.6	1.4	0.4	0.4	0.7
+ Endowments and Gifts	11.3	9.7	12.9	13.0	15.2
+ Investment Income - Operating	19.6	21.1	24.1	25.6	28.7
+ Other Revenue	3.8	3.6	1.2	2.3	3.7
Revenue	132.5	124.7	128.7	131.9	141.9
Expenses					
- Academic Support Expenses	15.1	15.1	16.1	16.3	16.6
- Depreciation Expenses	12.8	12.9	12.7	12.4	13.7
- Interest Expenses Operating	3.3	3.1	3.0	3.1	4.7
- Other Operating Expenses	93.2	92.0	85.9	94.3	103.0
Total Operating Expenses	124.4	123.1	117.7	126.2	137.9
Operating Income or Losses	8.1	1.6	11.0	5.7	3.9
Non-Operating					
- Investment Income	18.6	34.4	(157.9)	31.1	(2.7)
- Net Non-Oper Losses (Gains)	(16.1)	(5.4)	(26.7)	(17.9)	(10.4)
Change in Net Assets (without restriction)	(8.2)	(8.3)	77.8	(3.1)	6.5
Change in Net Assets	**5.6**	**(27.4)**	**195.5**	**(7.5)**	**17.0**
Change in Net Assets	5.6	(27.4)	195.5	(7.5)	17.0
Net Assets Beginning	722.9	728.5	701.1	896.6	889.2
Net Assets Ending	728.5	701.1	896.6	889.2	906.2
Ratios					
Revenue Growth (%)	1.9	(5.9)	3.2	2.5	7.5
Operating Margin (%)	6.1	1.3	8.5	4.3	2.8
EBIDA CF Margin	6.9	7.3	88.2	9.6	21.7

Source: Bloomberg and St. Olaf FY Audits

Summary of Financial Position

Provided on the following page are *Statements of Financial Position* for the College's five prior audited fiscal years ending May 31, 2023, through 2019, which presents information about the College's balance sheet derived from the audited financial statements.

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Statements of Financial Position					
($ Million)	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
Years Ended	**5/31/2019**	**5/31/2020**	**5/31/2021**	**5/31/2022**	**5/31/2023**
Assets					
+ Cash and Cash Equivalents	15.8	14.8	23.2	25.0	11.5
+ Long Term Unrestricted Investments	553.5	534.1	726.8	718.3	740.4
+ Land, Buildings, and Equipment, Net	246.7	244.0	242.8	275.5	296.2
+ Other	27.4	20.1	79.5	46.2	27.4
Total Assets	**843.4**	**813.0**	**1,072.2**	**1,065.0**	**1,075.4**
Liabilities					
+ Long Term Debt	75.7	71.7	135.5*	131.2*	130.2*
+ Other	39.3	40.2	40.1	44.6	39.0
Total Liabilities	**115.0**	**111.9**	**175.6**	**175.8**	**169.2**
Net Assets					
+ Without Donor Restrictions	342.0	333.8	411.5	408.4	414.9
+ With Donor Restrictions	386.5	367.3	485.1	480.8	491.3
Total Net Assets	728.5	701.1	896.6	889.2	906.2
Total Liabilities & Net Assets	**843.4**	**813.0**	**1,072.2**	**1,065.0**	**1,075.4**
Ratios					
Monthly Days Cash on Hand	607	542	594	548	502
Cash+Inv. to Long Term Debt (x)	7.52	7.66	5.54	5.67	5.77

**Includes long-term leases and unamortized premium on Bonds.*
Sources: Bloomberg, St. Olaf FY Audits, Moody's Supplemental Worksheets for Monthly Liquidity.

Summary of Outstanding Debt
As of May 31, 2023, the College had $115.725 million of outstanding bonds issued by the Authority for the College's benefit as summarized below:

Outstanding Long-Term Debt				
Series	Issue Date	Outstanding Principal	Mode	Use of Proceeds
Eight-G	7/1/2015	$ 36,700,000	Fixed	Refund Six-O (Science Bldg.), refund Five-M2 (Ytterboe Hall), terminate swap, finance residential and classroom buildings (Kittelsby, Kildahl, Larson and Mohn Halls, and Dittman Center and Hall of Music connection)
Eight-N	9/15/2016	21,690,000	Fixed	Refund Seven-F (refunded Five-H, Five-M1 and Five-M2 Bonds)
2001	3/18/2021	57,335,000	Fixed	Honor's houses replacement and new residence hall construction
Total		**$ 115,725,000**		

Source: 2021 Official Statement and Exhibit 3 to 2024 MHEFA Application for St. Olaf.

The proposed 2024 Note represents a 21.6% increase to the College's outstanding debt. The College's liquidity is expected to remain robust with fiscal year end 2023 total cash and investments providing a strong

4.8x coverage of outstanding[1] and proposed new debt and operating cash flows provide strong affordability for existing and proposed debt service. Projected maximum aggregate annual debt service of approximately $9.6 million as a percent of operations would increase to 6.9% from 5.8% based on operating expenses for FY2023 which is slightly high for the "A" rating category. The College's outstanding and projected debt service is relatively 'front loaded' with close to 25% of the principal repaid in the next eight years, a credit positive for the rating agencies.

The Projects

Project A: Hill/Kit Residence Hall Renovation (~$25 Million)
This project is the first existing residence hall renovation project made possible with the construction of the Ole Avenue residence hall project completed in 2022. The Ole Avenue Project was the first step in eliminating the overcrowded housing conditions created over the past 30 years. Hill/Kit was identified as the most significantly impacted by the Ole Avenue Project and the top priority for renovation once the Ole Avenue Project was completed.

Hill/Kit projects include triple occupancy rooms that will be brought back to original design capacity of double rooms. A reduction of 40 beds from 20 rooms is planned to allow for the expansion of bathroom facilities, provide ADA compliant and gender inclusive bathrooms, and restore student lounges and study spaces that had been backfilled as residence rooms. Upon completion of this project, the Hill-Kit residence hall will be on par with the newly constructed Ole Avenue Project residence facility.

Project B: Facilities Complex Relocation & Improvements ($3 Million)
Construction of three new pole type buildings near the main campus wind turbine is needed to safely support facility operations that currently use buildings on the South side of Highway 19, and to replace storage areas that are no longer available. One building will be cold storage and will support not only facilities, but also storage of music equipment and athletic equipment.

These facilities projects will improve safety on campus. St. Olaf's Ground shop and Custodial operations are currently located on the South side of the main highway from I-35 into Northfield. The driveway for the complex is at the top of a hill with limited sight both East and West. Moving the current facilities onto the main campus will improve safety and eliminate the possibility of collisions when crossing the main highway. This project will also improve efficiency and improve the life of some equipment that is currently stored outside.

Project C: Facilities Infrastructure (±$8 Million)
As upgrades to existing facilities continue, and as new facilities are constructed, infrastructure demand will exceed current plant capacity. Project C will address this issue and consists of 6 Phases under 2 primary components, Electric Generation and Chilled Water needs. Finally, the College is planning to complete a series of roof replacements over the next few years to catch up with deferred maintenance on various buildings.

The Financing

The Authority anticipates issuing one series of notes for the benefit of the College to: (i) finance a portion of the Projects, (ii) fund capitalized interest during construction (one year), and (iii) pay costs of issuance (up to 2.00% of par issued). The College will be using funds from other sources to finance the remaining portion of the cost of the Projects and pay additional costs of issuance not funded with the 2024 Note proceeds. The estimated par amount of the 2024 Note is $25 million with the first principal payment on October 1, 2025, and a final stated maturity of October 1, 2053 (30-year amortization). Debt service on the 2024 Note is expected to be structured with fixed, level annual payments.

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[1] Includes long-term leases and unamortized premium on outstanding revenue bonds less unamortized debt issue costs for FY2023.

The College has selected JPMorgan Chase Bank, N.A. as Purchaser of the 2024 Note and has selected the 10-year, fixed rate non-callable option. Accordingly, the interest rate will be fixed for an initial period of ten years (FY2034) but the 2024 Note will amortize over a 30-year period as mentioned previously. The 2024 Note will be subject to mandatory tender by the Purchaser in FY2034 and will not be subject to optional redemption. The remaining principal balance on the mandatory tender date is expected to be $20.35 million. As of January 9, 2024, the estimated fixed interest rate was 4.30% which is subject to change daily until the 2024 Note is issued or a written rate lock letter agreement is executed by the College and the Purchaser, and the Commitment Letter is executed by the College. Provided in Appendix A is a debt service 'skyline' for the College's outstanding and pro forma debt service.

Sources and Uses (as of January 11, 2024)
A preliminary estimate of sources and uses is provided below:

Preliminary Sources and Uses	
SOURCES	**Series 2024 Note**
Par amount	$25,000,000
Total Sources	**$25,000,000**
USES	
Project Fund	$23,641,250
Capitalized Interest Fund	1,218,750
Costs of issuance	140,000
Total Uses	**$25,000,000**

Source: JPMorgan St. Olaf Amortization Structure dated 1-11-2024. Assumes fixed rate structure with capitalized interest through the end of May 2025 and a mandatory tender date of ten years (FY2034). Rate indication as of 1-9-2024. All assumptions are subject to change.

Security for the 2024 Note
The 2024 Note will be issued by the Authority and secured by loan repayments made by the College pursuant to a *Loan and Note Purchase Agreement* between the Authority, the College and the Purchaser. The 2024 Note will be payable solely as a general obligation of the College from the general funds or any other moneys legally available to the College. It is anticipated there will not be a mortgage lien nor security interest in any property of the College, no funded debt service reserve fund, a 'negative pledge' on the College's real property subject to permitted encumbrances, and certain financial covenants as described below. At this time, it is anticipated that the 2024 Note will be issued on parity with the College's outstanding Series 2021, Series Eight-G and Series Eight-N Bonds.

Financial Covenants
The College is subject to two financial covenants and one additional bonds test (ABT) contained in the outstanding Loan Agreement(s) for the Series Eight-G Bonds, Series Eight-N Bonds, and Series 2021 Bonds issued by Authority as summarized below. The College shall continue to observe the covenants below for the benefit of the Purchaser until the 2024 Note and other Bonds have matured or are redeemed in full.

1. **Covenants:**
    a. For at least two of the preceding three complete Fiscal Years, the Revenue/Expenditure Test must be met (Series Eight-G and Eight-N Bonds only), and
    b. The College shall charge and collect tuition and fees in each Fiscal Year sufficient to produce Net Income Available for Debt Service to result in a Debt Service Coverage Ratio equal to or greater than 110% (Series 2021 Bonds only).
2. **ABT:**
    a. For so long as the Series Eight-G and Series Eight-N Bonds remain outstanding, the College shall incur no Funded Debt with a maturity in excess of two years unless the average pro forma Debt Service Coverage Ratio for the last two audited Fiscal Years was at least 110%.

For purposes of this Application Review Letter, North Slope has calculated the financial covenants in the table below using information provided by the College (Exhibit 4 to the Application Letter), annual financial statements of the College, and definitions provided in the various loan agreements:

Financial Covenant Calculations			
	Fiscal Year 2023	**Fiscal Year 2022**	**Compliance (Y/N)**
a. Revenue/Expenditure Test			
(Calc: Net Revenues (Expenditures) ≥ 0)	$ 10,115,380	$ 9,227,008	Yes
b. Debt Service Coverage Ratio			Yes
(Calc: Net Income Available for Debt Service ÷ DS ≥ 110%)			
Net Income Available for Debt Service	$ 10,115,380	$ 9,227,008	
Yearly Debt Service	$ 8,041,675	$ 8,117,301	
Annual Debt Service Coverage Ratio	126%	114%	

Additional Bonds Test			
a. Funded Debt Test			Yes
(Calc: Net Income Available for Debt Service ÷ MADS ≥ 110%)			
Net Income Available for Debt Service[2]	$ 14,722,876	$ 13,525,658	
Maximum Annual Debt Service (incl. Ser. 2024)	$ 9,600,000	$ 9,600,000	
Max. Annual Debt Service Coverage Ratio	153%	141%	
Debt Service Coverage Ratio (Two-Year Average)	**147%**		

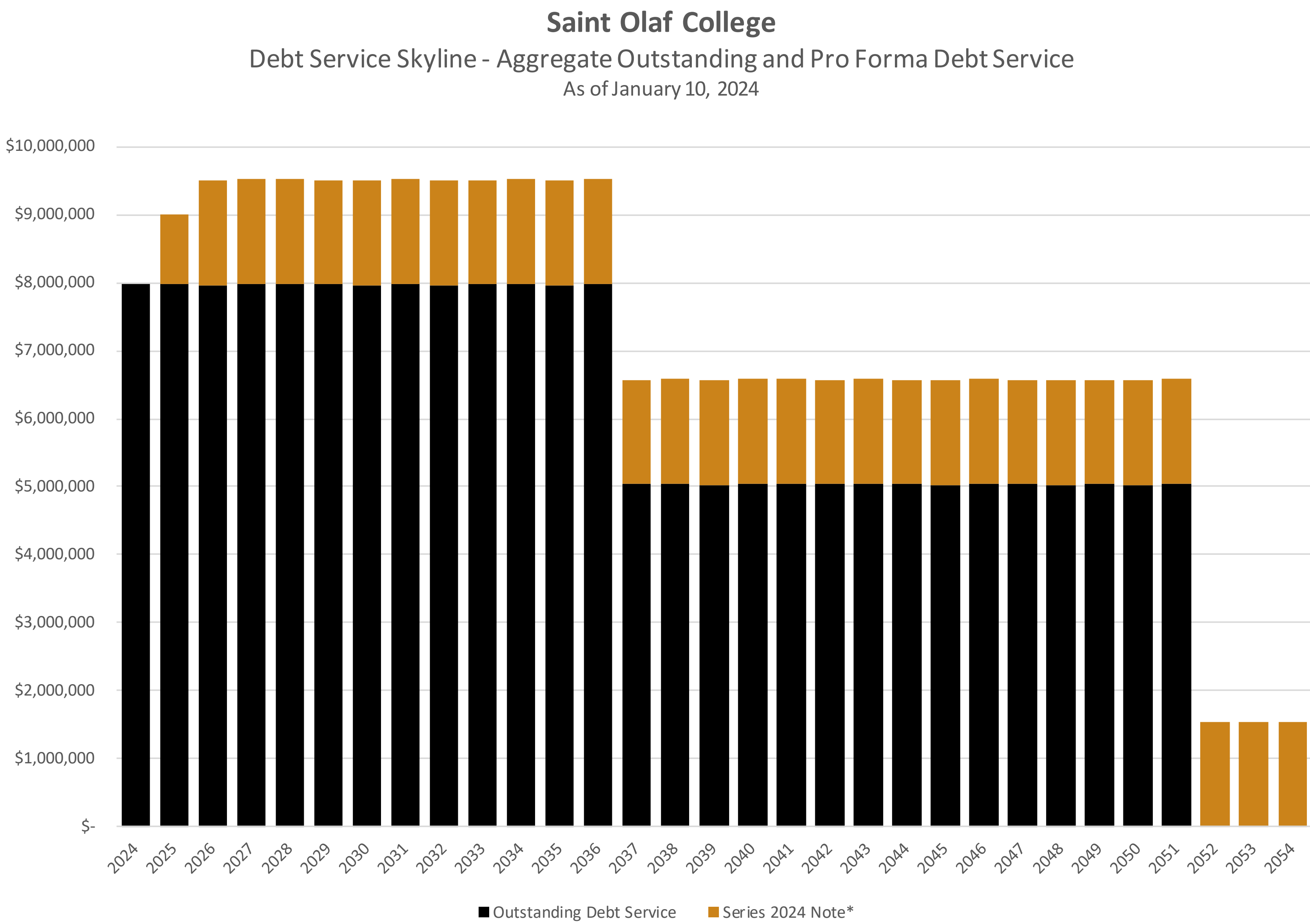
As indicated above, the College meets the requirements for the Funded Debt Test and has calculated covenant compliance as required under the existing financial covenants.

Rating

The College is currently rated "A1" with a stable outlook from Moody's Investors Service ("Moody's"). The College's underlying rating and outlook were affirmed in November 2023 in conjunction with Moody's annual surveillance and referenced/included the issuance of the $25 million 2024 Note for purposes of calculating various debt and capital ratios. While the 2024 Note was referenced in Moody's rating report, the 2024 Note will not be rated.

[2] "Construction in Progress" in the amounts of $4,607,496 and $2,554,849 were added back to "Net Income Available for Debt Service" for fiscal years 2023 and 2022, respectively, based on the definition/calculations for "Adjusted Increase (Decrease) in Unrestricted Net Assets" as defined in the Series Eight-G and Eight-N Loan Agreements for the Funded Debt Test.

Minnesota Higher Education Facilities Authority
Application Review Letter from North Slope Capital Advisors
for Financing from St. Olaf College (Series 2024)
Date: January 17, 2024
Appendix A



*While the 2024 Note is subject to mandatory tender on 10/1/2034, debt service is demonstrated through final maturity of 10/1/2053.

Taft/

2200 IDS Center, 80 South 8th Street
Minneapolis, MN 55402-2210
Tel: 612.977.8400 | Fax: 612.977.8650
taftlaw.com

MEMORANDUM

TO: Barry W. Fick
Minnesota Higher Education Facilities Authority

FROM: Taft Stettinius & Hollister LLP

DATE: January 9, 2024

RE: Application of St. Olaf College for MHEFA Financing

We have reviewed the Application of St. Olaf College (the "College"), dated December 7, 2023, and found it to be complete and satisfactory from a legal standpoint, subject to the following:

1. Purpose. The Application relates to financing the costs of (i) the renovation, equipping, and furnishing of two existing residence halls, connected by a common entrance, known as Hilleboe and Kittlesby Halls ("Project A"); (ii) the construction of a new approximately 10,000 square foot building near the main campus wind turbine to support facilities operations and provide storage ("Project B"), and (iii) the construction of various improvements to facilities infrastructure and roof replacements ("Project C," and together with Project A and Project B, the "Project").

The buildings, equipment, facilities and improvements described above constituting the Project proposed to be financed are sometimes collectively referred to in this Memorandum as the "Project Facilities." The Project Facilities are owned and operated by the College and located on the College's campus, the principal street address of which is 1520 St. Olaf Avenue, Northfield, Minnesota.

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

A. Enrollment and Projections. The College should provide full-time and head count enrollments for the 2018/2019 academic year and the projected full-time and head count enrollments for the 2028/2029 academic year.

B. Officers of the College. Exhibit six (6) lists the members of the Board of Regents (the "Board") of the College, but does not provide a list of the officers of the College. A list of the non-Board officers of the College is available at https://wp.stolaf.edu/president/leadership/.

C. Evidence of Title. No evidence of title was submitted. The College should provide title evidence, in the form of a title commitment, attorney's title opinions, or owners and encumbrances reports and an updated as-built survey, plat map, plot plan or other property depiction, prior to closing, which will need to be examined when received to confirm that the College has good title to (or other suitable interest in) the Project. We will work with the College and its counsel to determine appropriate evidence of title.

3. Financial Covenants. The Application, in Exhibit 4, addresses that the Authority's Series Eight-G Bonds, Series Eight-N Bonds, and Series 2021 Bonds contain financial covenant tests regarding the College's authority to incur additional funded debt. Prior to the issuance of the proposed revenue obligations, the College and its accountants and counsel should examine such prior covenants and pledges and provide the Authority with the information necessary to demonstrate both current compliance and whether issuance of the proposed revenue obligations will cause an event of noncompliance. Any prior liens, pledges and commitments which will remain in place following the issuance of the proposed bonds should be identified within the context of the College's pledge of its full faith and credit or other collateral for the proposed bonds.

4. $150 Million Limit on Tax-Exempt Non-Hospital Bonds Under Section 145(b) of Internal Revenue Code. In the Application, the College has stated that the College receives an annual allocation from the Evangelical Lutheran Church in American ("ELCA") Foundation. The Application includes Articles of Amendment Amending and Restating the Articles of Incorporation (the "Articles"), adopted March 25, 2022, and Amended and Restated Bylaws of the College (the "Bylaws"), adopted May 7, 2021.

Pursuant to the Articles, the members (the "Members") of the College include the members of the ELCA Church Council, the officers of the ELCA or its successor, the President of the College, and the Board. The management and direction of the business and affairs of the College is vested in the Board. Pursuant to Article IX of the Articles, the Articles may only be amended by the affirmative vote of a majority of the members of the Board, but such amendments only take effect upon subsequent approval by the Members of the College. Pursuant to Article XII of the Bylaws, any amendment to the Bylaws requires an affirmative vote of two-thirds (2/3) of the Board, but the approval of the Members is only required with amendments to certain articles of the Bylaws.

The By-Laws require that the President of the College be a member of the ELCA or its successor, or another denomination with which the ELCA or its successor has established full communion. The By-laws also provide that the Board "shall sustain and support the Lutheran tradition" of the College. In addition, the By-Laws state that (i) the Board must maintain a composition in which a majority of the members of the Board are members of the ELCA or another denomination with which the ELCA or its successors has established full communion, and at least 40% of the members of the Board must be members of the ELCA; and (ii) at least one member of the Board must be a bishop of the ELCA or a person who is widely recognized as a thought or practice leader of the ELCA. In addition, the By-Laws allow for the Presiding Bishop of the ELCA, or the successor church officer equivalent thereto, or a person designated by such Presiding Bishop, to be invited to serve as an ex officio voting member of the Board solely for the purposes of participating in a search for a President of the College and voting on the election of the President of the College.

These facts would be significant due to the limitation set forth in Internal Revenue Code Section 145(b) prior to 1997, of 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.

The 1997 amendment to Section 145(b) excludes from the $150 million limit tax-exempt non-hospital 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 bonds will finance capital expenditures originally incurred after August 5, 1997. The proposed bonds will therefore not be subject to the $150 million aggregate limit.

It appears that the College and the ELCA are not under common control and management, but we will verify such determination with the College and its attorney, and we will verify that no other organizations are controlling, controlled by or under common management or control with the College. 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 College and any organization controlling or controlled by the College.

5. Establishment of Religion. We have reviewed the legal analysis provided to the Authority by bond counsel of prior bond issues and do not disagree with their conclusion that the College is sufficiently nonsectarian to avoid Establishment of Religion problems, despite the link between the College and the ELCA, as described above.

The Application materials contain a number of statements in support of a conclusion that the College is not a sectarian institution. 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 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 College does in fact follow academic freedom in the classroom and non-discrimination practices in faculty and student recruitment, retention and promotion.

Under the tests established in Tilton v. Richardson, 403 U.S. 672 (1970), Hunt v. McNair, 413 U.S. 734 (1973), and Roemer v. Board of Public Works in Maryland, 426 U.S. 736 (1976), and applied in Minnesota Higher Education Facilities Authority v. Hawk, 305 Minn. 97, 232 N.W. 2d 106 (1975), there is serious doubt that a loan from the Authority to the College to finance improvements for the use of the ELCA Church located on the College campus would be constitutionally permitted, even if sectarian projects were not prohibited by Section 136A.28, Subdivision 3. Along these same lines, in examining the floor plans of Hilleboe Hall, we noted that the third floor of the building contains Blair Buntrock Kittelson Memorial Chapel. We will need more information concerning the activities that take place in this Chapel. If sectarian activities and/or worship do take place in this Chapel, a portion of the equity contributed by the College to the renovation of the residence halls can be expressly allocated to the Chapel to avoid Establishment of Religion concerns.

On these facts, and under existing judicial interpretation of the Establishment of Religion Clause, we conclude that other than the issue noted above relating to the Chapel in Hilleboe Hall, the Authority financing of the Project proposed by the College will not violate Establishment of Religion clause limitations, despite the link to the ELCA. In addition to constitutional concerns, the Authority's enabling law, as noted, specifically excludes facilities used for sectarian purposes or religious worship from permissible projects to be financed.

We note that the most recent United States Supreme Court decision in this area, while not directly on point, does 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. The Application indicates that work on Project A began on June 1, 2023 and is expected to be completed by September 1, 2025, construction on Project B is expected to commence May 1, 2024 and be completed by October 1, 2024, and construction of Project C is expected to commence on March 1, 2024 and be completed by December 31, 2026. We will need more information as to why Project C is predicted to have a construction period of approximately 34 months. The requirement to pay arbitrage rebate for the proposed obligations has three exceptions, which are related to the speed in which the proceeds of the proposed obligations are spent: the two-year exception, the 18-month exception and the 6-month exception.

Looking at the proposed schedule provided by the College, depending upon the allocation of bond proceeds to Project C and the speed with which the College expends bond proceeds allocated to Project C, the two-year exception may apply to the Project. Depending on the draw schedule for the Project, the 18-month exception may also be available. Bond counsel and the municipal advisor will work with the College regarding the timing of the proposed revenue obligations and the construction schedules for each element of the Project to determine which exception, if any, will be possible.

You should note that the proposed revenue obligations are not expected to be secured by a reserve fund, but if a reserve fund is required, such reserve fund will be subject to rebate.

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 revenue obligations, "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 revenue obligations 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.

b. 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%, 12 months – 60% and 18 months – 100%), except for a de minimis 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.

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

6. Reimbursement Regulations. As noted above, the College has indicated in its Application that construction of Project A began on June 1, 2023, construction on Project B is expected to commence May 1, 2024, and construction of Project C is expected to commence on March 1, 2024.

The Internal Revenue Service has adopted rules for determining when an issuer may use bond proceeds to reimburse expenditures made before the proposed obligations are issued. The College adopted a resolution declaring official intent to reimburse for expenditures related to the Arena, effective December 19, 2023, and therefore, the College can be reimbursed for Project expenditures paid (as opposed to incurred but not paid) prior to the bond closing. In addition, the College may be reimbursed for certain preliminary expenditures and in amounts considered to be *de minimis.* We will work with the College to identify reimbursable costs and to protect the College's ability to finance expenditures made before the proposed obligations are issued.

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 Facilities 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 shortly after the closing.

7. Building Permits and Other Governmental Approvals. The College has indicated in the Application that a zoning variance or change is needed for Project B and that building permits are pending, but the issuance of the pending building permits is expected following bond closing. We will confer with the College and its counsel to confirm that required governmental approvals for the Project are obtained.

8. Construction Contracts. The College has entered into a construction contract for Project A and Project B. At the time of bond closing, the College must be able to demonstrate that it is or will be in a position to commence construction of the remainder of the Project Facilities

and to confirm the cost estimates therefor which were provided in the Application. The College should provide copies of fixed price or guaranteed maximum price contracts to the Authority and bond counsel.

9. Use of Project Facilities by Business Enterprises. If the College has or will have a contract with a for-profit private enterprise to provide services in any of the Project Facilities, we will need to review the use and/or contract to ensure compliance with guidelines relating to private use established in the Internal Revenue Code and related regulations and in Revenue Procedures 2001-39, 2007-47 and 2016-44 (together, "Private Use Rules"). The College has not described 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 College 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 College. Even if a service or other management contract, or use of parking or other proposed 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 Facilities 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 there is any change in the status of these matters, or if other litigation or claims, threatened or pending, should arise prior to closing, the College should promptly notify the Authority, the municipal advisor and bond counsel and provide a description of such litigation.

9. Sinking Fund Proceeds; Replacement Proceeds. The Application states that the funds to pay debt service on the proposed revenue obligations will be derived from the College's general operations. No pledge of collateral is proposed. While this financing structure is similar to other recent Authority financings and does not appear to raise "sinking fund" concerns, it will nonetheless be necessary to analyze whether any such change in unrestricted endowments are 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, as of May 31, 2023, had substantial unrestricted assets, temporarily-restricted assets 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 purposes for which the bonds were issued (here, the Project) had proceeds of the revenue obligations 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 revenue obligations, such as restricted gifts or pledges for the Project. 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 including fundraising for the Project and endowment funds.

RESOLUTION RELATING TO APPLICATION
FOR ST. OLAF COLLEGE

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

1. The Authority acknowledges receipt of the Application, dated December 7, 2023, of St. Olaf College, a Minnesota nonprofit corporation (the "College"), as owner and operator of St. Olaf College (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 (i) the renovation, equipping, and furnishing of two existing residence halls, connected by a common entrance, known as Hilleboe and Kittlesby Halls; (ii) the construction of a new approximately 10,000 square foot building near the main campus wind turbine to support facilities operations and provide storage; and (iii) the construction of various improvements to facilities infrastructure and roof replacements to existing buildings.

2. The facilities and improvements constituting the Project to be financed are hereinafter referred to as the "Project Facilities." All the facilities and improvements to be financed by the Project are or will be owned and operated by the College and are or will be located on the Institution's main campus, the principal street address of which is 1520 St. Olaf Avenue, Northfield, Minnesota, and the boundaries of which are 330^{th} St. W. and Greenvale Ave. W. on the north, Lincoln St. N. on the east, Colvill Memorial Highway on the south, and Eaves Avenue on the west.

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 10 days prior to the date of the hearing.

4. In accordance with Section 147(f) of the Internal Revenue Code and Rev. Proc. 2022-20, the Authority conducted a public hearing on January 17, 2024, 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 College have presented to this Authority information concerning the need for the Project, the feasibility of the Project, the financing schedule for the Project, and responded to other matters concerning the Project, the Project Facilities, the Institution and the College.

6. The Executive Director of the Authority, Taft Stettinius & Hollister, bond counsel, and North Slope Capital Advisors, municipal advisor 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.

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 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 Facilities and the financing thereof 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 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.

8. The Project and the financing thereof by the issuance of revenue obligations of the Authority in the maximum aggregate principal amount of $25,000,000 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.

9. The Executive Director shall direct bond counsel to the Authority 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 purchase 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 College for consideration and approval.

10. 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.

[Signature page follows.]

Adopted: January 17, 2024

MINNESOTA HIGHER EDUCATION
FACILITIES AUTHORITY

By ___________________________________
David D. Rowland, Chair

By ___________________________________
Bonnie M. Anderson Rons, Secretary

Approved: ______________________________
Governor, State of Minnesota

Date Approved: __________________________

Application for Financing

Higher Education

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Borrower Name:

University of St Thomas

Date: **11/28/2023**

Borrower Primary Contact Information

Name: **Mark Vangsgard**

Title **VP of Business Affairs & CFO**

Email: **mdvangsgard@stthomas.edu** Phone: **651-962-6095**

Purpose of Financing (Select all that apply)

☒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: **Site planning, design, demolition and construction in support of a new multi-purpose arena and related higher-education facilities located on the Institution's St. Paul campus, including facilities for hockey, basketball, other athletics, and other Institution operations.**

Project B: **Other projects which may include portions of Project A or other permissible capital projects on the Institution's St. Paul Campus.**

Project C: **Refund and redeem the Series Seven-Z Note (including paying principal and interest due on the Series Seven-Z Note through the date of redemption).**

Estimated Cost Summary ****See Appendix A****

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

Estimated Financing Summary ****See Appendix A****

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

Please give the approximate dates of any of the following steps that have already been taken: ****See Appendix A****

	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				

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: **University of St Thomas is an exempt organization**

under Section 501(c)(3) of the Internal Revenue Code. Certain facilities may have private business use. However, the University will monitor financed facilities to ensure PBU is under the required threshold.

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 ****See Appendix A****

	Project A	Project B	Project C	Project D
Start date				
Completion date				
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?

☒As soon as practical

☐No later than:

☐Not sooner than:

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

☒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: **Anticipated gifts to date total $88 million. Funds available through prior issuance total $7.9 million.**

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 are the preferred scheduled payment dates?

Month and earliest year for annual principal payments: **Fiscal year 2031. Note – a portion of the issue may be structured as a put bond with a mandatory tender as early as FY2028.**

Earliest month and earliest year for interest payments: **Capitalized Interest through FY26**

Are revenues available to pay interest during the construction period?

☐Yes ☒No, interest should be capitalized for **24** 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 <u>not</u> 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 ****See Appendix A****

	Project A	Project B	Project C	Project D
Zoning variance or change				
Building permit				
Other governmental approval				
Environmental Assessment Worksheet				
Environmental Impact Statement				

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:

University of St Thomas
2115 Summit Ave.
Saint Paul, MN 55105

President of College or University:

Robert Vischer

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

Mark Vangsgard, VP Business Affairs and CFO
2115 Summit Ave., AQU 216, Saint Paul, MN 55105
Telephone: 651-962-6095
Fax: 651-962-6424
Email: mdvangsgard@stthomas.edu

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

Wade Holmberg, AVP for Finance and Controller
2115 Summit Ave., AQU 219, Saint Paul, MN 55105
Telephone: 651-962-6142
Email: wholmberg@stthomas.edu

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

Vantage Law Group
Tyler Adams
Telephone: 612-353-1711
Email: tyler.adams@vantage.law

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
Don Loberg
220 South Sixth Street, Minneapolis, MN 55402
Email: don.loberg@claconnect.com

Principal Accreditation and Degrees: Higher Learning Commission

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

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:

4. Faculty members are required to support the Catholic mission of the University but are not required to be members of the Roman Catholic church, or any other church.

5. The Saint Paul Seminary prepares men for the priesthood but is under its own governing body. The School of Divinity is a graduate school in the University of St. Thomas offering courses and degrees in lay ministry.

6. The Theology Department teaches the doctrines of the Roman Catholic Church but also teaches those of other religions as well. Theology courses provided students with an opportunity to explore issues of faith but students are not required to adhere to any particular faith tradition.

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.

attached as Exhibit 1

not attached because project is for equipment only under lease program

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

attached as Exhibit 2

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.

attached as Exhibit 3

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.

not attached as not applicable

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).

attached as Exhibit 5

Website address:

Current operating budget.

attached as Exhibit 6

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).

attached as Exhibit 7

Website address:

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

attached as Exhibit

Website address: https://www.stthomas.edu/media/officeofgeneralcounsel/policies/Faculty-Handbook.pdf

List of current board members and officers.

attached as Exhibit

Website address: [Board of Trustees | University of St. Thomas - Minnesota (stthomas.edu)]

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.

attached as Exhibit 10

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".

attached as Exhibit 11

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

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.

attached as Exhibit 12

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

attached as Exhibit 13

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 14

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.

attached as Exhibit 15

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

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 16

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 16

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 17

not applicable because no construction or significant renovation is proposed

The following exhibits apply only to refinancing of debt that is not *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 – Robert Vischer**

And

(Chief Financial Officer)

Signature:

Title: **VP of Business Affairs and CFO – Mark Vangsgard**

Date of this Application: **11/28/2023**

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

- *Electronic payment is available. Please contact the Authority for ACH information.*
- Checks should be made payable to: Minnesota Higher Education Facilities Authority
- Mail or Deliver check to:

  Minnesota Higher Education Facilities Authority

  860 Blue Gentian Road, Suite 145

  Eagan, MN 55121

  651-296-4690

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

January 17, 2024

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

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

As the independent registered municipal advisor for the Authority, we are pleased to provide the following review of the financing application submitted by the University of St. Thomas (the "University"). The Authority intends to issue its Series 2024 Revenue and Revenue Refunding Bonds (the "Series 2024 Bonds") on behalf of the University, the proceeds of which will be used for:

(1) the acquisition, design, site preparation (including demolition of existing improvements), construction, improvement and equipping of (i) an approximately 240,000 square-foot multi-purpose arena (the "Arena") including facilities for NCAA Division I hockey and basketball, other athletics, and other institution operations, (ii) related higher-education facilities and (iii) other permissible capital projects (collectively, the "Projects");
(2) the current refunding of the Authority's outstanding Series Seven-Z Revenue Note (2014) which was issued on behalf of the University;
(3) Funding capitalized interest through fiscal year 2026 on the Series 2024 Bonds, and
(4) Funding costs of issuance.

The Projects will be owned and operated by the University and located on or adjacent to the University's main campus in Saint Paul, Minnesota. Provided below is a summary of the financing followed by a summary review of the University's credit profile, a description of the Projects and the refunding, and the preliminary financing structure.

Financing Summary	
Par Amount (Estimated as of January 10, 2024)	$172,065,000
Financing Type	New Money and Refunding
New Money Projects	Multi-purpose arena and other capital projects
Refinancing Projects	Seven-Z Note
Prior MHEFA Bonds Outstanding (as of March 1, 2022)	Series 2022, 2020A&B, 2019, 2017A&B, Eight-L, Seven-U, Seven-Z
Current Underlying Rating	A2 (Stable) as of April 2022
Underwriter	RBC
Bond Counsel **Tax Counsel**	Taft Law Pacifica
Issuance Date (Estimated)	March 2024

Based on our review of the material provided by the University, including the preliminary debt schedules provided by the Underwriter, North Slope's opinion is 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 January 17, 2024, to present our review of the University's application and answer any questions regarding 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: Mr. Mark Vangsgard, Vice President of Business Affairs and Chief Financial Officer (University of St. Thomas)
Wade Holmberg Associate Vice President of Finance and Controller (University of St. Thomas)
Taft Law, Bond Counsel

The University of St. Thomas

The University of St. Thomas (the "University"), until 1990 known as the College of St. Thomas, a Minnesota not-for-profit corporation, was founded in 1885 by Archbishop John Ireland as St. Thomas Aquinas Seminary. The University became a four-year institution of higher education in 1908 and conferred its first baccalaureate degrees in 1910. The University currently offers a broad range of academic programs leading to undergraduate and graduate degrees.

The main campus of the University is located in the West Summit Avenue area of Saint Paul, Minnesota, between the downtown districts of Saint Paul and Minneapolis. The University began its downtown Minneapolis presence in 1987. The University's Minneapolis campus is comprised of four academic buildings, which include the following schools: the School of Law; the Opus University of Business; the Schulze School of Entrepreneurship; the School of Education; and the Dougherty Family University. The University also owns and operates the Bernardi facility in Rome, Italy.

The University is accredited by the Higher Learning Commission and is registered with the Minnesota Office of Higher Education in accordance with Minnesota Statutes.

Enrollment
The University's full-time and headcount enrollment trends for the last five fall semesters are provided below.

	Fall 2019	Fall 2020	Fall 2021	Fall 2022	Fall 2023
Headcount					
Undergraduate	6,173	6,137	5,935	5,778	5,840
Two Year College	229	196	132	164	229
Graduate and Professional	3,469	3,459	3,280	3,119	3,077
Total	9,871	9,792	9,347	9,061	9,146
% Change	-	-0.80%	-4.54%	-3.06%	0.94%
FTEs					
Undergraduate	6,051	6,030	5,830	5,676	5,762
Two Year College	229	196	132	164	229
Graduate and Professional	2,369	2,353	2,214	2,131	2,123
Total	8,649	8,580	8,176	7,971	8,114
% Change	-	-0.80%	-4.71%	-2.51%	1.79%

Source: Series 2022 Official Statement and Exhibit 1 to 2024 MHEFA Application for University of St. Thomas.

Projected headcount and FTE enrollment for Fall 2024 is expected to be 9,307 and 8,262 students, respectively.

Summary of Financial Operations
Provided on the following page are *Consolidated Statements of Activities and Change in Net Assets* for the University's five prior fiscal years ending June 30, 2023 through 2019, which presents information about the University's operating activities derived from the audited financial statements. Note, the June 30, 2023 statements are presented in *Draft* format while the 2022, 2021, 2020 and 2019 statements are presented as final audited statements.[1]

[1] Source: Exhibit 1 to 2024 MHEFA Application for University of St. Thomas.

Consolidated Statements of Activities					
($ Million) **Years Ended**	**FY 2019** **06/30/2019**	**FY 2020** **06/30/2020**	**FY 2021** **06/30/2021**	**FY 2022** **06/30/2022**	**FY 2023*** **6/30/2023**
Revenues					
+ Net Tuition and Fee Revenues	180.5	183.7	182.8	170.7	171.7
+ Gross Tuition and Fee Revenues	*320.7*	*335.0*	*348.5*	*343.1*	*351.0*
- Tuition Discounts and Allowances	*140.2*	*151.3*	*165.7*	*172.5*	*179.3*
+ Grant and Contract Revenues	5.2	8.4	14.6	21.2	7.9
+ Sales and Services Revenues Adjusted	46.4	33.3	32.7	37.4	45.5
+ Endowments and Gifts	9.7	11.2	11.3	16.2	28.6
+ Investment Income - Operating	2.5	1.1	1.3	1.1	4.5
+ Net Assets Released from Restrictions	31.3	32.3	30.6	31.7	31.8
+ Other Revenue	5.7	6.3	3.7	5.7	6.2
Revenue	281.2	276.4	277.0	284.0	296.0
Expenses					
- Instructional Expenses	130.1	126.7	118.1	129.0	130.3
- Academic Support Expenses	15.3	15.2	15.0	16.0	16.0
- Educational Research Expenses	1.3	2.0	1.7	1.8	1.9
- Student Services Expenses	33.6	33.5	33.8	43.6	49.0
- Auxiliary Enterprise Expenses	38.1	32.6	38.6	41.8	45.4
- Public Service Expenses	13.0	12.6	12.1	12.1	3.7
- Depreciation Expenses	16.6	16.1	16.6	18.4	19.0
- Interest Expenses Operating	7.3	6.8	10.0	9.8	12.1
- Other Operating Expenses	20.5	18.9	10.7	19.8	19.7
Total Operating Expenses	275.9	264.5	256.6	292.4	297.1
Operating Income or Losses	5.4	11.9	20.4	(8.4)	(1.1)
Non-Operating					
- Investment Income	(5.2)	7.0	(63.0)	14.4	10.2
- Net Non-Oper Losses(Gains)	1.1	0.5	(5.2)	(0.8)	(0.4)
Change in Unrestricted Net Assets	**9.4**	**4.4**	**88.6**	**(22.0)**	**(10.9)**
Change in Restricted Net Assets	**19.4**	**12.2**	**138.9**	**28.2**	**104.1**
Change in Net Assets	28.8	16.6	227.5	6.2	93.2
Net Assets Beginning	950.1	978.9	995.5	1,223.1	1,229.3
Net Assets Ending	978.9	995.5	1,223.1	1,229.3	1,322.5
Ratios					
Revenue Growth (%)	3.7	(1.7)	0.2	2.5	4.2
Operating Margin (%)	1.9	4.3	7.4	(2.9)	(0.4)
EBIDA CF Margin	12.0	10.3	33.3	2.0	6.7

*Source: Bloomberg and UST FY Audits.   *Draft*

Summary of Financial Position

Provided below are *Consolidated Statements of Financial Position* for the University's five prior fiscal years ending June 30, 2023 through 2019, which presents information about the University's balance sheet derived from the audited financial statements. Note, the June 30, 2023 statements are presented in *Draft* format while the 2022, 2021, 2020 and 2019 statements are presented as final audited statements.[2]

Consolidated Statements of Financial Position					
($ Million)	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023***
Years Ended	**06/30/2019**	**06/30/2020**	**06/30/2021**	**06/30/2022**	**6/30/2023**
Assets					
+ Cash and Cash Equivalents	2.9	12.4	1.8	11.9	1.7
+ Long Term Unrestricted Investments	670.7	665.4	910.1	874.2	874.4
+ Land, Buildings, and Equipment, Net	403.9	490.8	497.6	525.5	603.5
+ Other	239.5	163.0	133.1	261.2	274.8
Total Assets	**1,317.0**	**1,331.6**	**1,542.5**	**1,672.9**	**1,754.4**
Liabilities					
+ Long Term Debt	248.7	238.3	236.4	355.4	343.9
+ Other	89.3	97.8	83.1	88.2	88.0
Total Liabilities	**338.1**	**336.0**	**319.5**	**443.6**	**431.9**
Net Assets					
+ Without Donor Restrictions	446.9	451.3	539.9	517.9	507.0
+ With Donor Restrictions	532.0	544.2	683.2	711.4	815.5
Total Net Assets	978.9	995.5	1,223.1	1,229.3	1,322.5
Total Liabilities & Net Assets	**1,317.0**	**1,331.6**	**1,542.5**	**1,672.9**	**1,754.4**
Ratios					
Days Cash on Hand	348	340	530	465	382
Cash+Inv. to Long Term Debt (x)	2.71	2.84	3.86	2.49	2.55

*Source: Bloomberg and UST FY Audits. *Draft*

Summary of Outstanding Debt

As of June 30, 2023, the University had $332.6 million of outstanding bonds issued by the Authority for the University's benefit as summarized on the following page:

[remainder of page intentionally left blank]

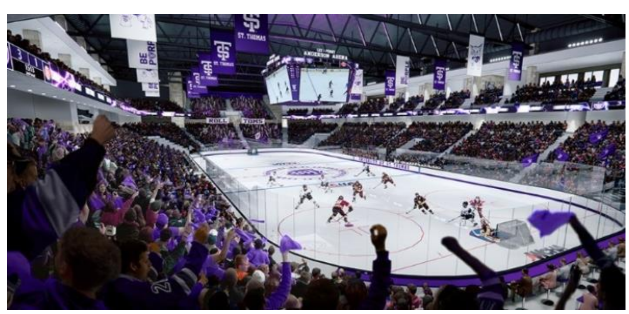
[2] Source: Exhibit 1 to 2024 MHEFA Application for University of St. Thomas.

Outstanding Long-Term Debt				
Series	Issue Date	Outstanding Principal	Mode	Use of Proceeds
2022A(Green)&B	6/2/2022	$ 131,000,000	Fixed	STEAM Building, Brady and Dowling, Koch Commons, Summit Classroom, land purchase
2020A&B	7/1/2020	13,660,000	Variable	Refund 2017C (McNeely Hall), Six-H (Center for Well Being & Ireland Hall Renovations)
2019	5/30/2019	76,840,000	Fixed	Tommie East & Tommie North
2017A	12/28/2017	49,310,000	Fixed	Anderson Student Center
2017B	12/1/2017	665,000	Variable	Refund Four-O and Five-C (Science and Engineering Center, John Roach Center, Morrison Hall)
Eight-L	3/9/2016	40,510,000	Fixed	Advance Refund 6W & 6X (Anderson Athletic & Rec. Complex & Anderson Parking Facility
Seven-U	3/28/2013	8,940,000	Fixed	Advance Refund 5L & 5Z (School of Law, Schulze Hall & Terrence Murphy Hall)
Seven-Z	3/1/2014	11,706,593	Fixed	Refund Five-Y (Flynn Hall)
Total		**$ 332,631,593**		
Source: 2022 Official Statement and Exhibit 3 to 2024 MHEFA Application for University of St. Thomas.				

The proposed Series 2024 Bonds (new money par amount only) represent a 48.4% increase to the University's outstanding debt. The University's capital ratios are expected to moderate with draft fiscal year end 2023 total cash and investments of $876 million providing 1.8x coverage of outstanding and proposed new debt (~$493 million) which is down from 2.5x coverage prior to the Series 2024 issuance. The University's operating cash flows, including proposed income from gifts, provide for adequate affordability for the existing and proposed debt service in the near-term; however, projected, estimated maximum aggregate annual debt service as a percent of draft fiscal year end 2023 operations would increase to ~11% which is slightly high for the "A" rating category. The University's outstanding debt service 'skyline' has been provided in Appendix A.

The Project

The University of Saint Thomas intends to spend the new money proceeds on the construction of a multi-purpose athletics arena for basketball and hockey which will be known as the *Anderson Arena.* The arena will have a seating capacity of up to 6,000 and aside from hockey and basketball games and hosting special events, the arena is envisioned as the new home for St. Thomas commencement ceremonies, academic convocations, speakers, career fairs and other events for the university and broader community. The arena will also provide potential opportunities for St. Thomas to partner with local schools, youth sports organizations, nonprofits, businesses and other organizations. Project costs are estimated to be $183.4 million with $19.5 million of the costs to be funded by gifts received during construction, $7.9 million funded with remaining proceeds of the Series 2022 Bonds, and $156 million to be funded with proceeds from the Series 2024 Bonds. Partnering with design-build specialists Ryan Companies US, Inc. and Crawford Architects, the University broke ground in January with a target opening anticipated for fall 2025.



Finally, the University is contemplating a refinancing of approximately $11.7 million of its Series Seven-Z Bonds.

The Financing

The Authority anticipates issuing at least two series of fixed rate bonds (taxable and tax-exempt) for the benefit of the University to: (i) finance the Project, (ii) refund the Series Seven-Z Bonds, (iii) fund capitalized interest, and (iv) pay costs of issuance. While the financing structure has not been finalized, the University has selected Royal Bank of Canada (RBC) to be the sole managing underwriter for the negotiated sale of the Series 2024 Bonds. RBC is experienced in negotiating sales of tax-exempt and taxable bonds not only for issuers in Minnesota but also issuers across the Country.

Sources and Uses (as of January 10, 2024)
A preliminary estimate of sources and uses is provided below:

SOURCES	**Series 2024A (Tax-Exempt)**	**Series 2024B (Taxable)**	**Total**
Estimated Par amount	$149,700,000	$22,365,000	$172,065,000
Reoffering Premium	8,256,956	-	8,256,956
Total Sources	**$157,956,956**	**$22,365,000**	**$180,321,956**
USES			
Project Fund	$131,750,126	$19,895,337	$151,645,463
Escrow Fund	11,876,026		11,876,026
Capitalized Interest Fund	13,378,744	2,325,746	15,704,490
Costs of issuance	952,060	143,917	1,095,977
Total Uses	**$157,956,956**	**$22,365,000**	**$180,321,956**

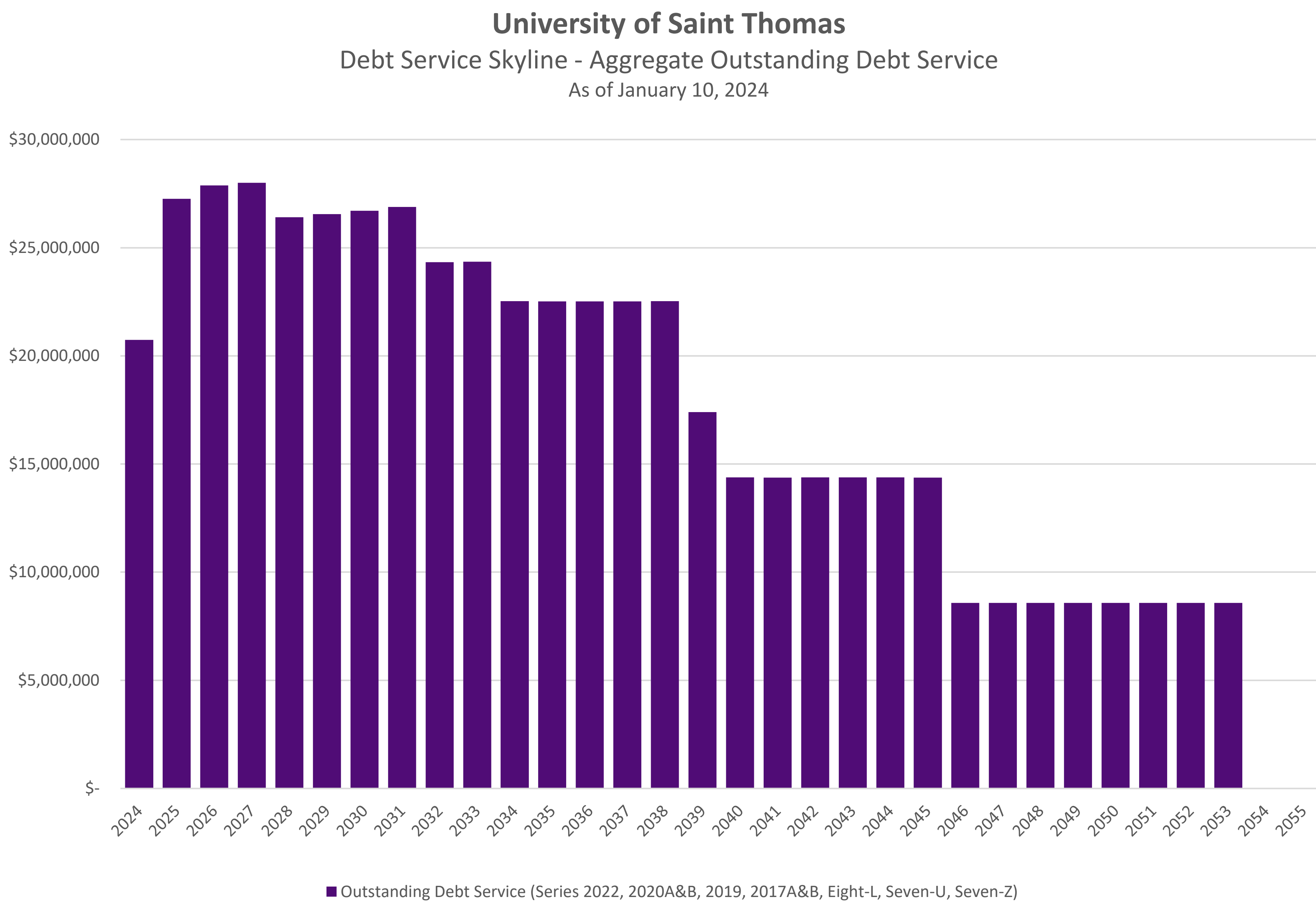
Source: RBC UST Financing Structure Dated (1-10-2024) which assumes all fixed rate debt with 2 years of capitalized interest. As of the date of this Letter, the tax analysis has not been finalized to determine the amount of taxable proceeds needed to finance the project. All the assumptions above are subject to change, including the mix of taxable and tax-exempt bonds to be issued.

Security for the Notes
The Series 2024 Bonds 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 Series 2024 Bonds 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 Series 2024 Bonds 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. At this time, it is anticipated that the Series 2024 Bonds will be issued on parity with the University's outstanding bonds.

Financial Covenants
The University is not subject to any financial covenants and the Series 2024 Bonds will be marketed without any financial covenants.

Rating
The University is currently rated "A2" with a stable outlook from Moody's Investors Service ("Moody's") which was affirmed in April 2022 in conjunction with the issuance of the Series 2022 Bonds. Moody's has not provided a rating on the Bonds as of the date of this Application Review Letter; however, it is anticipated that the rating conference with the University and Moody's will be scheduled in February, with the rating for the Bonds published before issuance. Finally, the University is evaluating the benefits of pursuing an ESG designation on a portion of the issue.

Minnesota Higher Education Facilities Authority
Application Review Letter from North Slope Capital Advisors
for Financing from University of St. Thomas (Series 2024)
Date: January 17, 2024
Appendix A



Taft/

2200 IDS Center, 80 South 8th Street
Minneapolis, MN 55402-2210
Tel: 612.977.8400 | Fax: 612.977.8650
taftlaw.com

MEMORANDUM

TO: Barry W. Fick

FROM: Taft Stettinius & Hollister LLP

DATE: January 8, 2024

RE: **Application of University of St. Thomas for MHEFA Financing**

We have reviewed the Application of University of St. Thomas (the "University") dated November 28, 2023 (the "Application"), and have found it to be complete and satisfactory from a legal standpoint, subject to the following:

1. Purpose. The Application relates to financing for a project (the "Project") consisting of (a) the acquisition, design, site preparation (including demolition of existing improvements), construction, improvement and equipping of (i) an approximately 240,000 square-foot multi-purpose arena (the "Arena") including facilities for NCAA Division I hockey and basketball, other athletics, and other institution operations, (ii) related higher-education facilities and (iii) other permissible capital projects (the "New Money Facilities"); and (b) the current refunding of the Authority's outstanding Revenue Note, Series Seven-Z (University of St. Thomas), dated March 14, 2014, issued in the original principal amount of $24,210,000 (the "Series Seven-Z Note") to provide funds to advance refund the Authority's Revenue Bonds, Series Five-Y (University of St. Thomas), dated August 1, 2004, which were issued to provide funds to finance the construction, equipping and furnishing of Flynn Residence Hall (formerly known as Selby Residence Hall), a seven-story student residential hall and related parking facility (the "Refunding").

The land, buildings, equipment, facilities and improvements being financed or refinanced described above constituting the Project proposed to be financed or refinanced 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 or adjacent to the University's main campus, the principal street address of which is 2115 Summit Avenue, Saint Paul, Minnesota.

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

Evidence of Title. The University provided a May 2022 survey of a portion of the St. Paul campus, together with a site plan for the proposed Arena. The University should provide title evidence, in the form of a title commitment, attorney's title opinions, or owners and encumbrances reports and an updated as-built survey, plat map, plot plan or other property depiction, prior to closing, which will need to be examined when received to confirm that the University has good title to (or other suitable interest in) the Project. We will work with the University and its counsel to determine appropriate evidence of title.

Audited Financial Statements. The University provided audited financial statements for fiscal years 2019 through 2022. The University also provided draft audited financial statements for the fiscal year ended June 30, 2023. The University should provide the final audited financial statements for fiscal year 2023, when available.

Officer and Current Board Members. A link to the webpage with a list of the Board members was provided but a link to the non-Board officers webpage was not, but such webpage is available at https://www.stthomas.edu/about/leadership/index.html

3. Financial Covenants; Prior Commitments. The Application and the notes to the University's most recent financial statements indicate that the University has a number of outstanding Authority bond and note issues. The financial statement notes also indicate that the University has access to a line of credit and has entered into an interest rate swap as well as operating leases and capital leases for facilities, equipment and vehicles. In connection with these obligations, the University has entered into certain agreements, which may include specific financial covenants, and which may contain negative pledges with respect to certain real property. Prior to the issuance of the proposed revenue obligations, the University and its accountants and counsel should examine such prior covenants and pledges and provide the Authority with the information necessary to demonstrate both current compliance and whether issuance of the proposed revenue obligations will cause an event of noncompliance. Any prior liens, pledges and commitments which will remain in place following the issuance of the proposed bonds should be identified within the context of the University's pledge of its full faith and credit or other collateral for the proposed bonds.

The University indicated in its Application that it is not subject to any debt limitation, covenant or restriction. The University was subject to certain debt limitations, covenants, or restrictions in 2022, as indicated in its application (the "2022 Application") related to the Authority's Revenue Bonds, Series 2022A and Series 2022B (University of St. Thomas) (the "Series 2022 Bonds"). However, the applicable continuing covenant agreements were amended to remove the debt limitations, covenants, and restrictions contemplated in the 2022 Application after the submission of the 2022 Application and prior to closing on the Series 2022 Bonds.

4. Consent by Church. The University responded in the negative to the question in the Application which inquires as to whether the consent of any religious order is necessary before the University may sell or mortgage its property or borrow money. However, prior Authority bond counsel have noted their understanding that the Code of Canon Law (1983 Edition) requires the consent of church officials under certain circumstances where property exceeding a value of $1 million is transferred or encumbered; thus, the imposition of any lien or encumbrance on any of the property encompassed by the Project Facilities, including a lien on revenues of the Project Facilities, which are considered non-cash equivalents under Canon 1291(c), may also require such consent. Accordingly, if the contemplated security for payment of the proposed obligations

includes a mortgage on any of the facilities or a lien on revenues, the University should be asked to provide an opinion of counsel or other satisfactory evidence that such consent is not necessary with respect to such lien or mortgage.

5. $150 Million Limit on Tax Exempt Non-Hospital Bonds Under Section 145(b) of Internal Revenue Code. In the Application, the University has stated that the University does not receive support from another religious body, no church body controls the election of trustees and the consent of another religious body is not required in order for the University to mortgage its property or borrow money.

The Application includes Articles of Amendment Amending and Restating the Articles of Incorporation and Amended and Restated Bylaws of the University, both adopted November 20, 2014. The Articles of Incorporation, as amended and restated, continue to state that the University is a "Catholic institution." The Amended and Restated Bylaws continue the requirement that the President of the University be a Roman Catholic priest, a Roman Catholic Religious or a Roman Catholic lay person.

These facts may be significant 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) excludes from the $150 million limit tax-exempt non-hospital 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. The proposed obligations will not be subject to the $150 million aggregate limit by reason of the 1997 amendment. The post-1997 rule contains certain narrow exceptions, relevant primarily in the context of refunding of pre-1997 bonds. We will confer with the University and its counsel to confirm compliance with the $150 million limitation with respect to the proposed obligations.

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 which 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. As noted, the Amended and Restated Articles of Incorporation continue to state that the University is a "Catholic institution," and the Amended and Restated Bylaws require that the President of the University be a Roman Catholic priest, Roman Catholic Religious or Roman Catholic lay person. The articles and bylaws also reduced the maximum number of trustees from 50 to 42 (the minimum number remains at 15) and carried

forward the requirement that three trustees be nominated by the Saint Paul Seminary in accordance with an Affiliation Agreement between the University and the Seminary.

In the Application, the University has indicated that students in the Saint Paul Seminary are preparing for a religious vocation, and that the School of Divinity is a graduate school of the University offering courses and degrees in lay ministry. In previous applications for MHEFA financing the University has indicated that there are religious qualifications for students enrolled in the Saint Paul Seminary division of the School of Divinity, and for a limited number of faculty appointments to the Saint Paul Seminary division of the School of Divinity.

Under the tests established in Tilton v. Richardson, 403 U.S. 672 (1970), Hunt v. McNair, 413 U.S. 734 (1973), and Roemer v. Board of Public Works in Maryland, 426 U.S. 736 (1976), and applied in Minnesota Higher Education Facilities Authority v. Hawk, 305 Minn. 97, 232 N.W. 2d 106 (1975), there is serious doubt that a loan from the Authority to the University to finance improvements for the use of the School of Divinity would be constitutionally permitted, even if sectarian projects were not prohibited by Section 136A.28, Subdivision 3. In order to finance any project at the University of St. Thomas, the Authority must be satisfied that the remainder of the University, other than the School of Divinity, continues to be nonsectarian. Along these lines, the chapel in the University's School of Law building was not financed or refinanced with proceeds of Authority-issued debt; rather, a portion of the substantial equity contributed by the University to the project was expressly allocated to the chapel as evidenced by required certifications of the University and its general contractor.

The University indicates in the Application that its theology department teaches the doctrines of the Roman Catholic Church but also teaches other religions. It appears from the Application and supporting materials that the theology courses explore principles of the Judeo-Christian world view 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, and numerous denominations are represented in the faculty and administrative leadership.

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, despite the link to the Roman Catholic Church. However, the University should confirm that the Project Facilities to be financed with the proposed obligations will not be used primarily by students or faculty of the School of Divinity. In addition to constitutional concerns, the Authority's enabling law, as noted, specifically excludes facilities used for sectarian purposes or religious worship from permissible projects to be financed. Accordingly, the financing documents should include provisions to the effect that no proceeds shall be expended for any facilities to be used primarily by the School of Divinity.

We note that the most recent United States Supreme Court decision in this area, while not directly on point, does 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.

7. Rebate, Two Year, 18-month and 6-month Spend-Down Exceptions. The Application indicates that work on the Arena is anticipated to begin on January 2, 2024. Construction is estimated to be substantially completed by August 29, 2025, a period of approximately 20 months. The requirement to pay arbitrage rebate for the proposed obligations has three exceptions, which are related to the speed in which the proceeds of the proposed obligations are spent: the 2-year exception, the 18-month exception and the 6-month exception.

Looking at the proposed schedule provided by the University, the 2-year exception may apply to the Arena. However, if construction of the Arena is substantially delayed after issuance of the proposed obligations, due to litigation described in paragraph ten (10) below or for some other reason, the 2-year exception may no longer be available. Bond counsel and the municipal advisor for the University 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 6-month exception will apply to bond proceeds used to refund the Series Seven-Z Note.

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 certain computer software.

To comply with this exception, all available construction proceeds of the issue must be spent within the following periods 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 financing, "available construction proceeds" which 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 proposed obligations 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 the following periods from the date of closing on the bond issue: 15% within 6 months, 60% within 12 months, and 100% within 18 months, except for a *de minimis* 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.

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

8. <u>Reimbursement Regulations</u>. As noted above, the University has indicated in its Application that work on the Arena is estimated to begin in January of 2024. The Internal Revenue Service has adopted rules for determining when an issuer may use bond proceeds to reimburse expenditures made before the proposed obligations are issued. The University has adopted a resolution declaring official intent to reimburse for expenditures related to the Arena, effective November 10, 2023, and therefore, the University can be reimbursed for Arena expenditures paid (as opposed to incurred but not paid) prior to the bond closing. 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 proposed obligations 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 Facilities 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. <u>Project Contracts</u>. The University has entered into a construction contract for the construction of the Arena. At the time of bond closing, the University must be able to demonstrate that it is or will be in a position to commence construction of the remainder of the Project Facilities 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. <u>Governmental Approvals</u>. The University has indicated in the Application that zoning variances/changes and certain building permits have been received, and others are pending,

but the issuance of the pending building permits is expected following bond closing. The Application indicates that other governmental approvals were received October 17, 2023, and an environmental assessment worksheet ("EAW") was completed on September 26, 2023.

The Application indicates that an environmental impact statement is not applicable. However, on November 2, 2023, a nonprofit organization called Advocates for Responsible Development filed an appeal with the Minnesota Court of Appeals challenging the City of St. Paul's (the "City") findings following preparation of the EAW for the Arena. The City determined that (1) all requirements for environmental review have been met, (2) the project does not have the potential for significant environmental effects, (3) where environmental effects have been identified, they can be addressed through project design and the permitting process, and (4) an environmental impact statement is not required. The University and City are both considered respondents to the appeal. The Court will likely issue a decision on the appeal in summer or fall 2024. If the appellants were to prevail, the City may require additional environmental review, which could delay the Project and create additional costs. However, unless the appellants request and are granted a stay by the Court, the Project can proceed while the appeal is pending. The University noted in its application that the appellants would likely need to post a bond if they request a stay, and to date, they have not done so.

11. Use of Project Facilities by Business Enterprises. The University has indicated that the Arena will be used by private parties in a trade or business, through the renting of the Arena or portions thereof, or advertising in the Arena, and through the provision of certain services, including concessions, by for-profit private enterprises. We will need to review the contracts with such parties 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”). The University has indicated that it anticipates allocating a portion of proceeds from gifts and proceeds from taxable bonds towards the private business use.

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, parking contracts, rental of space for non-public use, including advertising, 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 proposed obligations 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 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 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.

12. Litigation. As noted above, the University is a respondent to an appeal filed by the Advocates for Responsible Development with the Minnesota Court of Appeals, which challenges the City's findings following preparation of the EAW for the Arena.

Additionally, in November of 2019 a complaint was filed against the University with the U.S. Department of Education, Office of Civil Rights alleging sex discrimination in violation of Title IX, based on the University's School of Engineering's operation of an engineering one-day summer camp program available only to 6th and 8th grade girls, and the University's past practice of making only women eligible for certain annual recognition awards, which the University has now ended. The University denies any unlawful discrimination, and the OCR complaint remains open.

If there is any change in the litigation or discrimination claim or new litigation against the University prior to closing, the University should promptly notify the Authority, the municipal advisor and bond counsel and provide a description of such change or new litigation.

13. Sinking Fund Proceeds; Replacement Proceeds. The Application states that the funds to pay debt service on the proposed obligations will be derived from the University's general operations, additional revenues from the Project, and funds from gifts. No pledge of collateral is proposed. While this financial structure is similar to other recent Authority financings, it will nonetheless be necessary to analyze "replacement proceeds" concerns and whether any amounts are subject to rebate or yield limitations under Section 148 of the Internal Revenue Code.

The University has indicated that income from gifts will cover a portion of debt service expense for the Arena. In addition, the notes to the University's financial statements indicate that the University, as of June 30, 2023, 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 and refinancing of the Project Facilities) 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 the gifts expected to be used to pay a portion of the debt service on the proposed obligations and the Project costs.

The Series Seven-Z Note is expected to have a mandatory tender date within 90 days of the closing. Since the refunding is a current refunding, yield restrictions may not apply at all.

14. Restrictions on Advance Refunding Bonds. Prior to enactment of the Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97, Title I, Dec. 22, 2017, 131 Stat. 2054 (the "Tax Cuts Act"), to the extent principal of, interest on and premium, if any, with respect to bonds being refunded by the proposed obligations were not paid until more than 90 days from the date of issue of the proposed obligations, the proposed obligations would constitute "advance refunding bonds" within the meaning of Internal Revenue Code Section 149(d), and were subject to a number of stringent restrictions as set forth in that section of the Code.

Under provisions of the Tax Cuts Act, no tax-exempt bond may be advance refunded on a tax-exempt basis after December 31, 2017. As noted, the refunding of the Series Seven-Z Note by the proposed obligations will be on a current refunding basis.

RESOLUTION RELATING TO APPLICATION
FOR UNIVERSITY OF ST. THOMAS

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

1. The Authority acknowledges receipt of the Application, dated November 28, 2023, of University of St. Thomas, a Minnesota nonprofit corporation (the "University"), as owner and operator of the University of St. Thomas (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 (a) the acquisition, design, site preparation (including demolition of existing improvements), construction, improvement and equipping of (i) an approximately 240,000 square-foot multi-purpose arena including facilities for NCAA Division I hockey and basketball, other athletics, and other institution operations, (ii) related higher-education facilities and (iii) other permissible capital projects (the "New Money Facilities"); and (b) the current refunding of the Authority's outstanding Revenue Note, Series Seven-Z (University of St. Thomas), dated March 14, 2014, issued in the original principal amount of $24,210,000 (the "Series Seven-Z Note") to provide funds to advance refund the Authority's Revenue Bonds, Series Five-Y (University of St. Thomas), dated August 1, 2004, which were issued to provide funds to finance the construction, equipping and furnishing of Flynn Residence Hall (formerly known as Selby Residence Hall), a seven-story student residential hall and related parking facility (the "Refunding").

2. The facilities and improvements constituting the Project to be financed or refinanced are hereinafter referred to as the "Project Facilities." All the facilities and improvements to be financed or refinanced by the Project are or will be owned and operated by the University and are or will be located on the University's main campus, the principal street address of which is 2115 Summit Avenue, Saint Paul, Minnesota, and the boundaries of which are Selby Avenue and Summit Avenue on the north, Cleveland Avenue South and Cretin Avenue South on the east, Grand Avenue and Goodrich Avenue on the south, and Cretin Avenue and Mississippi River Boulevard on the west.

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 10 days prior to the date of the hearing.

4. In accordance with Section 147(f) of the Internal Revenue Code and Rev. Proc. 2022-20, the Authority conducted a public hearing on January 17, 2024, 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 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, bond counsel, and North Slope Capital Advisors, municipal advisor 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.

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 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 Facilities and the financing and refinancing thereof 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) Except for the School of Divinity, which is separable from the general undergraduate and graduate programs and other educational activities for which the Project are and will be used, 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 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.

8. The Project and the financing thereof by the issuance of revenue obligations of the Authority in the maximum aggregate principal amount of $210,000,000 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 to the Authority 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 purchase 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.

[Signature page follows.]

Adopted: January 17, 2024

MINNESOTA HIGHER EDUCATION
FACILITIES AUTHORITY

By ___________________________________
David D. Rowland, Chair

By ___________________________________
Bonnie M. Anderson Rons, Secretary

Approved: ______________________________
Governor, State of Minnesota

Date Approved: __________________________

Resolution No. 01-2024-03

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

RESOLUTION AUTHORIZING GENERAL SALARY INCREASE UNDER MANAGERIAL PLAN 2023-2025

WHEREAS, the Managerial Plan established compensation, terms and conditions of employment for employees identified by the Minnesota Management & Budget ("MMB") as "managerial" for the two-year period that began on July 1, 2023 and will end on June 30, 2025.

WHEREAS, on WHEREAS, on January 16, 2024, the Minnesota Higher Education Facilities Authority received a memo from MMB stating that General Salary Increases of 5.5% effective July 1, 2023 should now be entered into the system

WHEREAS, the Managerial Plan grants a general salary increase of 5.5% for each manager for the fiscal year that began July 1, 2023 and a general salary increase of 4.5% for the fiscal year that will begin July 1, 2024.

WHEREAS, on May 17, 2023, the Authority reviewed the overall performance of Barry W. Fick and Amanda G. Lee (each a "manager") based up on their progress on the Authority's Plan of Action for the relevant fiscal year and determined that each manager has consistently excelled in the performance of his/her respective job duties and the overall evaluation of the performance review of each manager is "outstanding."

BE IT RESOLVED as follows:

1. Barry W. Fick is eligible for a 5.5% general salary increase granted under the Managerial Plan for the fiscal year that began July 1, 2023
2. Amanda G. Lee is eligible for a 5.5% general salary increase granted under the Managerial Plan for the fiscal year that began July 1, 2023
3. The Board of the Minnesota Higher Education Facilities Authorities approves and authorizes the application of a 5.5% general salary increase, including retroactive pay beginning July 1,

2023, as granted under the Managerial Plan for Barry W. Fick for the fiscal year that began July 1, 2023.

4. The Board of the Minnesota Higher Education Facilities Authorities approves and authorizes the application of a 5.5% general salary increase, including retroactive pay beginning July 1, 2023, as granted under the Managerial Plan for Amanda G. Lee for the fiscal year that began July 1, 2023

Adopted: January 17, 2024

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

By ______________________________

David Rowland, Chair

By ______________________________

Bonnie Anderson Rons, Secretary

MANAGEMENT AND BUDGET

Office Memorandum

Date: January 16, 2024

To: HR Directors and Designees, SEMA4 HR Users, Payroll Users, and Agency Accounting Coordinators

From: Dori Leland, Enterprise Director, Employee Classification and Compensation

Subject: Salary Adjustments for the 2023 - 2025 Biennium Year 1: Commissioner's Plan, Commissioner's Plan Medical Specialists' Addendum, and Managerial Plan

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Minnesota Management and Budget (MMB) will implement the Year 1 salary provisions of these plans over the weekend of January 19, 2024.

Year 1 General Salary Adjustment, effective July 1, 2023

Over the weekend of January 19, MMB will apply a 5.5% general wage adjustment to the job records of employees covered by the Commissioner's Plan, and for "insufficient work time employees" in related job classes.

MMB will insert a SEMA4 job row with an effective date of **7/1/2023** and **Pay Rate Change / GEN** as the action / reason. MMB will update rows with effective dates greater than 7/1/2023 and include a Job Data comment to indicate the rate of pay has been updated by the mass salary update. The new rates of pay will display in SEMA4 on Monday, January 22.

Pay rates over the maximum

Employees with a rate code of **OFFOMD** (due to a demotion with salary above the maximum) or **OFFOMT** (due to a transfer with salary above the maximum):

- Employees whose rate of pay exceeded the maximum for their job class on 6/30/2023, but now falls within the range on 7/1/2023, will be placed at the new range maximum rate for the job class and the rate code will be changed to OFFRNG.
- Employees whose rate of pay exceeded the maximum for their job class on 6/30/2023, and continues to exceed the maximum on 7/1/2023, will not receive an update.

Employees with a rate code of **OFFOMR** (due to a reallocation demotion) will receive the full 5.5% increase.

Managerial Plan and Commissioner's Plan Medical Specialists' Addendum

Employees covered by these plans are eligible for the 5.5% general salary increase effective July 1, 2023, if they have achieved performance standards or objectives. **General salary increases for employees covered by the Managerial Plan and Medical Specialists' Addendum are not included in the mass salary update.** Agencies are responsible for evaluating eligibility and updating the rates of pay accordingly.

For Managerial Plan and Medical Specialists' Addendum employees receiving this increase, insert a Job row with an effective date of 7/1/2023 and Pay Rate Change / PRF as the action / reason. Include a comment to note that this is the general adjustment. Update any subsequent rows accordingly and include a comment to note that this increase is due to the general adjustment.

Pay Rates Over the Maximum for Managers or Medical Specialists

Employees with a rate code of **OFFOMD** (due to demotion with salary above the maximum) or **OFFOMT** (due to a transfer with salary above the maximum):

- The employee is eligible for an increase to the new range maximum for the job class if their rate of pay exceeded the maximum on 6/30/2023 but now falls within the range for the class on 7/1/2023. Change the compensation rate code on the new row to OFFRNG.
- The employee is not eligible for an increase if their rate of pay exceeded the maximum on 6/30/2023 and continues to exceed the maximum on 7/1/2023.

If the rate of pay exceeded the maximum on 6/30/2023 with a compensation rate code of **OFFOMR** (due to a reallocation demotion), the employee is eligible for the full 5.5% increase.

Agency Heads: Managers whose salaries are set in statute (for example, agency heads), are not eligible for these general salary increases.

Mass update report available Monday, January 22, 2024

On Monday, January 22, 2024, report HP7041, *Mass Update Before and After Values for Salary*, will be available in the SEMA4 Standard Report Viewer. This report reflects employees' old and new rates of pay. Please review this report for accuracy. Note: After you open report HP7041, you will see Report ID PDHR7063 in the upper left corner.

Work-out-of-class and trainee pay rates

The mass update will increase employee permanent rates of pay only. Agencies must calculate and enter the rates of pay for work-out-of-class and trainee assignments.

MMB will send agencies separate instructions and a list of work-out-of-class and trainee employees the week of January 22, 2024.

New appointments

Employees appointed after 7/1/2023 will not have a 7/1/2023 Pay Rate Change / GEN row added to their record. However, the mass update program will update the compensation rate on the appointment row and any subsequent rows, to reflect the increase.

Separated employees

- Employee records that are separated (with an Inactive HR Status) on January 19, 2024 will not be included in the general adjustment mass update.
- Employees who have a future-dated separation effective after January 19, 2024, will receive the general adjustment. However, the rate of pay on the separation row will not be updated. Agencies must manually update the separation row with the new rate of pay. MMB will send agencies a list of these employees the week of January 22, 2024.

Employees who separated from state service between 7/1/2023 and 01/19/2024 must make a written request to their HR office to receive the general adjustment. Agencies are responsible for updating the job records with the 7/1/2023 general adjustment row, and any subsequent rows. Agencies are also responsible for calculating retroactive pay and recalculating any vacation payoffs and severance payments previously made to the employee. Employees who separated from state service between 7/1/2023 and 01/19/2024 (the date the salary mass update was run for active status employees) must make a written request to their HR office by **02/09/2026** to receive the general adjustment. These separated employees should be advised to contact MSRS regarding the updated compensation rate.

SEMA4 Salary Adjustment Timeline

Date	Event
Weekend of 01/19/2024	Mass salary update (5.5% general adjustment, effective 7/1/2023) for employees covered by the Commissioner's Plan, and for "insufficient work time employees" in related job classes.
01/22/2024 – 01/26/2024	Agencies review report HP7041, *Mass Update Before and After Values for Salary* in the SEMA4 Standard Report Viewer for accuracy.
01/22/2024 – 01/26/2024	Agencies enter rate increases for work-out-of-class and trainee assignments. MMB will provide further instructions and employee lists.
01/22/2024 – 01/26/2024	Agencies enter performance-based general adjustment increases for Managerial Plan and Medical Specialists' Addendum employees for the increases to be reflected on the February 9, 2024 paycheck.
02/09/2024	Paycheck reflects the 5.5% general adjustment salary increase along with retroactive pay for employees covered by the Commissioner's Plan and any performance-based increases and retroactive pay for employees covered by the Medical Specialists' Addendum or Managerial Plan.

Questions?

For SEMA4 HR questions, please contact your MMB SEMA4 HR Specialist:

- Kaeley Cazin – Kaeley.Cazin@state.mn.us
- Diane Clemens – Diane.Clemens@state.mn.us
- Tia Chester – Tia.Chester@state.mn.us

For questions regarding payroll processing, contact Statewide Payroll Services.

MN Higher Education Facilities Authority

Budget vs. Actuals: FY2024 Original Budget - FY24 P&L

July 2023 - June 2024

	TOTAL					
	ACTUAL	BUDGET	OVER BUDGET	REMAINING	% OF BUDGET	% REMAINING
Income						
4010 Annual Fee Income	635,977.13	494,087.95	141,889.18	-141,889.18	128.72 %	-28.72 %
4020 Application Fee Income	1,000.00	1,000.00	0.00	0.00	100.00 %	0.00 %
Discounts given	-393,703.41		-393,703.41	393,703.41		
Total Income	**$243,273.72**	**$495,087.95**	**$ -251,814.23**	**$251,814.23**	**49.14 %**	**50.86 %**
GROSS PROFIT	**$243,273.72**	**$495,087.95**	**$ -251,814.23**	**$251,814.23**	**49.14 %**	**50.86 %**
Expenses						
6000 Stipends	818.45	2,640.00	-1,821.55	1,821.55	31.00 %	69.00 %
6001 Board Travel	1,304.45	4,000.00	-2,695.55	2,695.55	32.61 %	67.39 %
6002 Communications						
6002.01 Communications - Phones	1,875.10	4,750.00	-2,874.90	2,874.90	39.48 %	60.52 %
6002.02 Communications - Internet	856.95	2,000.00	-1,143.05	1,143.05	42.85 %	57.15 %
6002.03 Communications - Software	156.00	1,000.00	-844.00	844.00	15.60 %	84.40 %
6002.04 Communications - Website	4,285.11	10,000.00	-5,714.89	5,714.89	42.85 %	57.15 %
6002.05 Communications - Misc	126.84	750.00	-623.16	623.16	16.91 %	83.09 %
Total 6002 Communications	**7,300.00**	**18,500.00**	**-11,200.00**	**11,200.00**	**39.46 %**	**60.54 %**
6003 Staff Travel	**7,993.33**	**20,000.00**	**-12,006.67**	**12,006.67**	**39.97 %**	**60.03 %**
6004 Office Rent	23,864.58	46,000.00	-22,135.42	22,135.42	51.88 %	48.12 %
6005 Office Supplies	19.74	1,000.00	-980.26	980.26	1.97 %	98.03 %
6006 Repairs		1,500.00	-1,500.00	1,500.00		100.00 %
6007 Printing Expense	752.31	1,500.00	-747.69	747.69	50.15 %	49.85 %
6008 Periodicals/Memberships	4,651.00	9,000.00	-4,349.00	4,349.00	51.68 %	48.32 %
6009 Fiscal Consultant Fees	1,150.00	5,000.00	-3,850.00	3,850.00	23.00 %	77.00 %
6010 Audit Fees	20,550.00	20,550.00	0.00	0.00	100.00 %	0.00 %
6012 Legal Fees	12,581.50	52,000.00	-39,418.50	39,418.50	24.20 %	75.80 %
6013 Insurance Expense		2,000.00	-2,000.00	2,000.00		100.00 %
6015 Miscellaneous Expense	1,090.25	5,000.00	-3,909.75	3,909.75	21.81 %	78.20 %
6016 Bank Service Charges	343.02	2,750.00	-2,406.98	2,406.98	12.47 %	87.53 %
6017 Conference Expenses	398.21	16,000.00	-15,601.79	15,601.79	2.49 %	97.51 %
6018 Professional Development-Board		3,000.00	-3,000.00	3,000.00		100.00 %
6020 Professional Development-STAFF	345.00	5,000.00	-4,655.00	4,655.00	6.90 %	93.10 %
6021 IT	**4,768.17**	**17,050.00**	**-12,281.83**	**12,281.83**	**27.97 %**	**72.03 %**
6023 Postage/Delivery Expense	60.59	400.00	-339.41	339.41	15.15 %	84.85 %
6100 Salaries	105,714.20	278,000.00	-172,285.80	172,285.80	38.03 %	61.97 %
6101 Fringe Benefits	38,272.50	86,000.00	-47,727.50	47,727.50	44.50 %	55.50 %
6104 Worker's Compensation	170.00	170.00	0.00	0.00	100.00 %	0.00 %
6107 Office Contract Work		1,000.00	-1,000.00	1,000.00		100.00 %
6200 Equipment Leases	**3,932.64**	**6,300.00**	**-2,367.36**	**2,367.36**	**62.42 %**	**37.58 %**
Total Expenses	**$236,079.94**	**$604,360.00**	**$ -368,280.06**	**$368,280.06**	**39.06 %**	**60.94 %**
NET OPERATING INCOME	**$7,193.78**	**$ -109,272.05**	**$116,465.83**	**$ -116,465.83**	**-6.58 %**	**106.58 %**
Other Income						
4000 Interest Income	29,363.87	35,000.00	-5,636.13	5,636.13	83.90 %	16.10 %
4050 Unrealized Gain/Loss Adjustment on Sale	3,312.05		3,312.05	-3,312.05		
Total Other Income	**$32,675.92**	**$35,000.00**	**$ -2,324.08**	**$2,324.08**	**93.36 %**	**6.64 %**
NET OTHER INCOME	**$32,675.92**	**$35,000.00**	**$ -2,324.08**	**$2,324.08**	**93.36 %**	**6.64 %**
NET INCOME	**$39,869.70**	**$ -74,272.05**	**$114,141.75**	**$ -114,141.75**	**-53.68 %**	**153.68 %**