OFFICIAL STATEMENT DATED AUGUST 13, 2002

NEW ISSUE **Rating: Moody's Baa1**

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

$28,265,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Five-N1
(The College of Saint Catherine)

(DTC Book Entry Only)

Dated Date: August 1, 2002 **Interest Due: April 1 and October 1, commencing April 1, 2003**

$5,390,000 serial bonds to mature annually on October 1 as follows:

Year	Amount	Interest Rate	Yield	Year	Amount	Interest Rate	Yield
2003	$460,000	3.00%	2.000%	2008	$540,000	4.00%	3.850%
2004	$470,000	3.00%	2.400%	2009	$565,000	4.00%	4.100%
2005	$485,000	3.00%	2.875%	2010	$590,000	4.20%	4.300%
2006	$505,000	3.50%	3.250%	2011	$615,000	4.30%	4.400%
2007	$520,000	3.75%	3.550%	2012	$640,000	4.40%	4.500%

$4,575,000 5.00% Term Bonds due October 1, 2018 Price 99.557%
$3,925,000 5.25% Term Bonds due October 1, 2022 Price 98.408%
$14,375,000 5.375% Term Bonds due October 1, 2032 Price 98.164%

The Bonds are subject to optional redemption prior to maturity as described herein. The Bonds are subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and the Indenture. The Bonds are subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. The Bonds maturing October 1 in the years 2018, 2022 and 2032 are subject to mandatory redemption in installments as described herein. See "THE BONDS – Prior Redemption."

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

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

The Authority expects to issue for delivery on or about August 22, 2002 its Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-N2 (The College of Saint Catherine) in the approximate principal amount of $24,625,000 (the "Series Five-N2 Bonds"). Proceeds of the Bonds will be loaned to the College and used to refund outstanding debt and, along with proceeds of the Series Five-N2 Bonds, to finance a portion of the Project. See "USE OF PROCEEDS" and "ESTIMATED SOURCES AND USES OF FUNDS" herein and the Official Statement for the Series Five-N2 Bonds, expected to be dated August 8, 2002. THE SERIES FIVE-N2 BONDS ARE NOT OFFERED BY THIS OFFICIAL STATEMENT.

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters named below subject to the opinion as to validity and tax exemption of the Bonds by Best & Flanagan LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Briggs and Morgan, Professional Association, Saint Paul and Minneapolis, Minnesota, and for the Underwriters by Faegre & Benson LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriters at DTC on or about August 22, 2002.

RBC Dain Rauscher Inc. **Wells Fargo Brokerage Services, LLC**

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

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

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

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

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Christopher A. Nelson, Chair	Attorney, Northland Insurance Company, St. Louis Park, Minnesota
Gary D. Benson, Vice Chair	Vice President, Kraus-Anderson Construction Company, Midwest Division, New Brighton, Minnesota
Dr. Gary Langer, Secretary	Associate Vice Chancellor for Academic Programs, Minnesota State Colleges and Universities, Falcon Heights, Minnesota
Carol A. Blomberg	Retired, former Market Administration Manager, Norwest Bank Minnesota, N. A., Nashwauk, Minnesota
Dr. Kathryn Balstad Brewer	Researcher and Consultant, New Brighton, Minnesota
Dr. David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota
Timothy M. Medd (Ex Officio)	Audit Manager, Minnesota Higher Education Services Office, Saint Paul, Minnesota
David D. Rowland	Senior Vice President, The St. Paul Companies, Inc., Edina, Minnesota
Mollie N. Thibodeau	CFRE, Fund Raising Consultant, Duluth, Minnesota

There is one vacancy on the Board of the Minnesota Higher Education Facilities Authority as of the date of this Official Statement.

Marianne T. Remedios, Executive Director

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

$28,265,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES FIVE-N1

(THE COLLEGE OF SAINT CATHERINE)

(DTC Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the “Authority”), an agency of the State of Minnesota, and The College of Saint Catherine, a Minnesota non-profit corporation and 501(c)(3) organization and the owner and operator of an institution of higher education with campuses located in Saint Paul and Minneapolis, Minnesota, (the “College”), in connection with the issuance of the Authority's $28,265,000 Revenue Bonds, Series Five-N1 (The College of Saint Catherine) (the “Bonds”).

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

The Bonds are also being issued pursuant to the Trust Indenture (the “Indenture”) dated as of August 1, 2002 between the Authority and Wells Fargo Bank Minnesota, National Association, Minneapolis, Minnesota, as trustee (the “Trustee”). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the “Loan Agreement”) dated as of August 1, 2002 between the College and the Authority relating to the Bonds, the Authority is loaning the proceeds of the Bonds to the College, and the College will covenant as a general obligation of the College to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The Bond proceeds, along with available College funds and the proceeds of the Minnesota Higher Education Facilities Authority $24,625,000 Variable Rate Demand Revenue Bonds, Series Five-N2 (The College of Saint Catherine) (the “Series Five-N2 Bonds”), will be used to:

(1) construct, equip and furnish a joined Student Center and Learning Commons, including renovating the former St. Joseph Hall and the former Saint Catherine Library,
(2) renovate and upgrade Whitby Hall and Mendel Hall,
(3) relocate, equip and furnish the Food Consumer and Nutritional Sciences program space located in Fontbonne Hall,
(4) relocate, furnish and equip the Health and Wellness Center space located in Butler Center,
(5) fund a portion of the conversion of the steam plant from high pressure to low pressure, and
(6) pay certain issuance costs.

The improvements described herein are collectively referred to as the “Project” and are to be owned and operated by the College and located on the College’s campus in Saint Paul, Minnesota. See “USE OF PROCEEDS” herein.

In addition to paying a portion of the Project costs, proceeds of the Bonds will be used to fund the Reserve Account and, together with any funds remaining with the Trustee for the Minnesota Higher Education Facilities Authority Bonds, Series Three-M1 (The College of Saint Catherine) (the “Prior Bonds”) and available therefor, to defease and refund the Prior Bonds.

The Bonds are secured by a pledge of the Loan Repayments, the payment of which is a general obligation of the College. Under the Loan Agreement, the College will agree to provide the funds necessary to make timely payment of the Loan Repayments.

The Bonds are also secured by the Reserve Account created under the Indenture and held by the Trustee. The Reserve Account will be funded in the amount of the Reserve Requirement from proceeds of the Bonds. (See “ACCOUNTS -- Reserve Account” herein.)

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

THE SERIES FIVE-N2 BONDS ARE NOT OFFERED BY THIS OFFICIAL STATEMENT.

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

RISK FACTORS

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

Risk of Insufficient Collateral

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

Adequacy of Revenues

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

Competition

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

Reliance on Tuition

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

Financial Aid

Approximately 81% of the College's eligible undergraduate students currently receive some form of financial aid covering tuition and fees or living expenses. See Appendix I, "THE COLLEGE -- Financial Aid" herein. No assurance can be given that federal and state financial aid will continue to be funded at current levels or that the College will continue to fund student aid at current levels. Curtailment of such aid could cause a decline in enrollment, which could in turn have an adverse effect on the College's revenues.

Series Five-N2 Bonds; Default Under the Reimbursement Agreement; Failure to Issue Series Five-N2 Bonds

The Series Five-N2 Bonds are being issued as variable rate bonds. As long as the Series Five-N2 Bonds are in the variable rate mode, they are to be collateralized by a letter of credit, beginning with the letter of credit (the "Original Letter of Credit") from Allied Irish Bank (the "Bank"). The Original Letter of Credit may be replaced under certain circumstances. The Trustee for the Series Five-N2 Bonds will draw from the Original Letter of Credit to make payments of the principal, interest and purchase price of the Series Five-N2 Bonds, and the College will reimburse the Bank for these payments. Certain occurrences regarding the Series Five-N2 Bonds and the Original Letter of Credit may affect the Bonds.

The ability of the Bank to honor drawings on the Original Letter of Credit will depend solely on the Bank's general credit. There can be no assurance that the Bank will be able to meet its obligations under the Letter of Credit. If the Bank fails to honor a drawing on the Original Letter of Credit and the College fails to make Loan Repayments when due on the Series Five-N2 Bonds, the Series Five-N2 Bonds will be accelerated. In addition, failure of the College to comply with or otherwise satisfy certain terms, covenants and conditions contained in the Reimbursement Agreement between the College and the Bank related to the Original Letter of Credit, including the failure of the College to reimburse the Bank for drawings under the Original Letter of Credit, would constitute default under the Reimbursement Agreement and entitle the Bank to cause the Trustee to accelerate the Series Five-N2 Bonds and draw on the Letter of Credit. If the Series Five-N2 Bonds are accelerated and all payments thereon become due, the ability of the College to make Loan Repayments with respect to the Bonds could be adversely affected.

The Original Letter of Credit expires August 7, 2007 subject to extension, at the option of the Bank, but in no event beyond October 7, 2032. No assurances can be given that the College will be able to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit to secure the Series Five-N2 Bonds at their stated interest rates and original terms until and including the final stated maturity of the Series Five-N2 Bonds. In the event of a failure to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit, the Series Five-N2 Bonds will be subject to redemption in whole unless the Bonds are converted to a Fixed Rate. Interest owing on the Bonds as of such date will be paid as on any other Interest Payment Date.

The Series Five-N2 sale date is scheduled to be after the Bonds' sale date, and the Series Five-N2 closing date is scheduled to be the same date as the Bonds' closing date. In the event the closing for the Series Five-N2 Bonds cannot or does not occur, it is possible that the College will not close the sale for the Bonds.

Damage, Destruction or other Liability

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

Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the College and computed pro forma debt service coverage are provided in Appendix I under the caption "THE COLLEGE -- Annual Debt Service by Fiscal Year and Pro Forma Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table. The computation of pro forma debt service coverage contains certain assumptions, such as the application of the College's Board-approved Endowment Spending Policy to all of the College's cash and cash equivalents, unrestricted, temporarily restricted and permanently restricted cash and investments (as used in this paragraph, the "Assets"). In any given year, the College applies its Endowment Spending Policy to only a portion of its Assets and spends only that percentage of such Assets and the investment earnings thereon. Any or all of the remaining Assets not subject to the College's Endowment Spending Policy may be spent by the College. For purposes of calculating Net Income Available for Debt Service, the College believes the assumption of applying its spending rate to all of its cash and investments is reasonable because (i) the assumption results in less Net Income Available for Debt Service than would be available under the College's actual Endowment Spending Policy, and (ii) the College understands that rating agencies perform similar calculations when rating obligations issued for institutions of higher education, including the College. The pro forma coverage constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and Bond and other debt service requirements. See "APPENDIX I – Endowment and Endowment Spending Policy" for further discussion on the College's Endowment Spending Policy.

Limited Obligation

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

Bankruptcy

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

Construction Risks

Construction on the Student Center and Learning Commons began in September 2001. The College expects to complete this portion of the Project by July 2004. The upgrades to Whitby Hall and Mendel Hall are scheduled to begin July 2002 with a projected completion date of August 2005. The steam plant conversion began April 2002 with a projected completion date of October 2002.

The construction portions of the Project are subject to ordinary risks associated with new construction, such as risks of cost overruns, noncompletion and delays due to a variety of factors, including, among other things, site difficulties, necessary design changes or final detailing, labor shortage or strife, delays in and shortages of materials, weather conditions, fire and casualty. Any delays in construction would adversely impact the College's ability to complete the Project in time, which may result in, among other things, cost overruns.

See also “USE OF PROCEEDS” herein.

Other Possible Risk Factors

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

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

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

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the “Rule”), the College will enter into an undertaking (the “Undertaking”) with the Trustee for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the College to certain information repositories annually, and to provide notices of the occurrence of any of the events enumerated in the Rule to such repositories or the Municipal Securities Rulemaking Board and to the Minnesota state information depository, if any. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Agreement to be executed by the College at the time the Bonds are delivered, a copy of which is available from the College or the Trustee. Appendix III, "ANNUAL REPORT INFORMATION," contains a summary of the financial information and operating data to be provided annually. The Continuing Disclosure Agreement may be amended under certain circumstances as permitted by the Rule. Furthermore, the College has reserved its right to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the College determines that such modification is required by the Rule. The College has not been subject to any previous undertaking and therefore has never failed to comply with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the College to comply with the Undertaking will not constitute an event of default on the Bonds (although holders may have other remedies in the event of noncompliance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the College pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General

The Bonds will be dated August 1, 2002 and will mature annually each October 1, commencing October 1, 2003, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing April 1, 2003.

Book Entry System

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. Neither the Authority nor the College takes any responsibility for the accuracy thereof.

Prior Redemption

Mandatory Redemption

Portions of the Bonds maturing on October 1 in the years 2018, 2022 and 2032 (collectively, the “Term Bonds”) shall be called for redemption on October 1 in the years set forth immediately below in the principal amounts set forth immediately below, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account.

Term Bond Due October 1, 2018		Term Bond Due October 1, 2022		Term Bond Due October 1, 2032	
Year	Amount	Year	Amount	Year	Amount
2013	$ 670,000	2019	$ 905,000	2023	$ 1,120,000
2014	$ 705,000	2020	$ 955,000	2024	$ 1,180,000
2015	$ 740,000	2021	$ 1,005,000	2025	$ 1,245,000
2016	$ 780,000	2022*	$ 1,060,000	2026	$ 1,315,000
2017	$ 820,000			2027	$ 1,390,000
2018*	$ 860,000			2028	$ 1,465,000
				2029	$ 1,545,000
				2030	$ 1,630,000
				2031	$ 1,720,000
				2032*	$ 1,765,000

* *Stated Maturity*

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

The Term Bonds may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

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

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

Optional Redemption

At the College's request, the Authority may elect to prepay on October 1, 2012 and on any day thereafter Bonds due on or after October 1, 2013. Redemption may be in whole or in part. All prepayments shall be at a price of par plus accrued interest.

Extraordinary Optional Redemption

The Bonds will also be subject to optional redemption at par in integral multiples of $5,000, as a whole or in part, plus accrued interest in certain cases of damage to or destruction or condemnation of the Project Facilities and upon a Determination of Taxability as provided in the Loan Agreement (see “THE BONDS -- Determination of Taxability” and “SUMMARY OF DOCUMENTS -- The Loan Agreement”).

Partial Redemption

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

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

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than 30 days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

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

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

USE OF PROCEEDS

Proceeds of the Bonds will be loaned to the College along with proceeds of the Series Five-N2 Bonds. Proceeds of the Bonds and the Series Five-N2 Bonds along with available College funds will be used to:

(1) construct, equip and furnish a joined Student Center and Learning Commons, including renovating the former St. Joseph Hall and the former Saint Catherine Library,
(2) renovate and upgrade Whitby Hall and Mendel Hall,
(3) relocate, equip and furnish the Food Consumer and Nutritional Sciences program space located in Fontbonne Hall,
(4) relocate, furnish and equip the Health and Wellness Center space located in Butler Center,
(5) fund a portion of the conversion of the steam plant from high pressure to low pressure, and
(6) pay certain issuance costs.

In addition to the foregoing, proceeds of the Bonds will be used to fund the Reserve Account and, along with any funds remaining with the Trustee for the Prior Bonds and available therefor, to defease and refund the Prior Bonds.

The Project

Opus Northwest, a member of the Opus Group, is the Construction Manager and Opus Architects and Engineers, another member of the Opus Group, is the architect for the new Student Center and Learning Commons portion of the Project. McGough Construction is the Construction Manager and Hammel, Green and Abrahamson, Inc. is the architect for the balance of the Project. The College has entered into guaranteed maximum price contracts with Opus Northwest and McGough Construction.

Construction of the Student Center and Learning Commons began in September 2001. The College expects to complete this portion of the Project by July 2004. Work on the Food Consumer and Nutritional Sciences space and the Health and Wellness Center space is complete. The upgrades to Whitby Hall and Mendel Hall are scheduled to begin July 2002 with a projected completion date of August 2005. The steam plant conversion began April 2002 with a projected completion date of October 2002.

Refunding of Prior Bonds

The Prior Bonds are outstanding in the principal amount of $3,735,000 and have a maturity date of October 1, 2010. The Prior Bonds are callable in full on any date beginning April 1, 2003 at par plus accrued interest to the redemption date.

At the Closing Date, a portion of the Bond proceeds will be deposited in the Escrow Fund created under the Escrow Agreement, together with balances in the Prior Bonds Reserve Account and other accounts held by the Prior Bonds Trustee and other available funds of the College. The Escrow Fund will be funded with cash and U.S. Treasury securities sufficient, along with earnings thereon, to provide for the payment of the interest and principal due on the Prior Bonds on October 1, 2002 and April 1, 2003 and the redemption of the remaining outstanding principal amount of the Prior Bonds at a price of par on April 1, 2003. In accordance with the Prior Bonds Indenture, the Prior Bonds will no longer be considered outstanding under the Indenture upon such deposit for payment, and the Prior Bonds will be payable solely from the funds in the Escrow Fund.

McGladrey & Pullen, LLP, Certified Public Accountants, will deliver an independent verification report stating that the cash and investments held in the Escrow Fund along with interest earned thereon will be sufficient to pay the interest on the Prior Bonds as due and to pay the redemption price of the Prior Bonds on their redemption date. The verification report will also confirm the correctness of the mathematical computations supporting Bond Counsel's conclusion that the Bonds are not “arbitrage bonds” as defined in Section 148 of the Code.

ESTIMATED SOURCES AND USES OF FUNDS

The Authority is also issuing the Series Five-N2 Bonds concurrently with the Bonds. The proceeds of both the Bonds and the Series Five-N2 Bonds will be used to finance the construction portions of the Project and to pay issuance costs. Proceeds of the Bonds will be used to fund the Reserve Account and to refund and redeem the Prior Bonds.

Estimated sources and uses of funds, allocated between the Bonds and the Series Five-N2 Bonds, are as follows:

<u>Sources of Funds</u>	
Series Five-N1 Bond Proceeds	$28,265,000
Series Five-N1 Accrued Interest	82,290
Series Five-N2 Bond Proceeds	24,625,000
Series Three-M1 Bonds Trustee-Held Funds	961,703
Investment earnings / College funds	638,811
Total Sources:	$54,572,804
<u>Uses of Funds</u>	
Student Center and Learning Commons	$40,674,910
Food Consumer and Nutritional Sciences program	1,380,000
Health and Wellness Center	288,000
Whitby Hall and Mendel Hall	4,718,000
Steam Plant conversion	700,000
Deposit to Series Five-N1 Bond and Interest Sinking Fund Account	82,290
Deposit to Escrow Fund [1]	3,914,257
Reserve Account [2]	1,907,319
Letter of Credit Fee [3]	23,609
Costs of Issuance [4]	546,954
Original Issue Discount [5]	337,465
Total Uses	$54,272,804

[1] *From Series Five-N1 Bond proceeds and Series Three-M1 Bonds Trustee-Held Funds*
[2] *From Series Five-N1 Bond proceeds*
[3] *From Series Five-N2 Bond proceeds*
[4] *Includes costs of issuance, Underwriters' discount and Letter of Credit legal fees*
[5] *From Series Five-N1*

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

SOURCE OF PAYMENT FOR THE BONDS

General

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

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

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

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

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

Negative Pledge Property

The College covenants in the Loan Agreement that, except for Permitted Encumbrances, it will not mortgage, grant a lien upon, pledge, grant a security interest in, make an assignment of its interest in, or permit the creation of any encumbrance (1) on the Student Center and Learning Commons for so long as Bonds are outstanding, and (2) on Butler Center until October 1, 2010.

In addition, the College covenants that it will maintain sufficient levels of (i) Unrestricted Liquid Funds (as defined below) and (ii) Funded Debt (as defined below), such that the ratio of Unrestricted Liquid Funds to Funded Debt is at least 35%. See “Financial Covenants,” subparagraph (b) below.

Financial Covenants

The College also covenants in the Loan Agreement that so long as the Bonds shall remain outstanding:

(a) The Revenue/Expenditure Test must be met in at least two of the Fiscal Years during each period of three consecutive Fiscal Years, commencing with the three Fiscal Years ended in 2003.

(b) On May 31, 2003 and at the end of each Fiscal Year thereafter, the Funded Debt Ratio will be no less than 35%. Within 120 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an authorized College representative showing the calculation of the Funded Debt Ratio as of the end of the Fiscal Year. If at the end of any Fiscal Year, the Funded Debt Ratio is below 35%, the College shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) additional Unrestricted Liquid Funds at least equal to the amount necessary to restore the Funded Debt Ratio to 35%, as promptly as possible, but in any event no later than 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the College for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

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

For purposes of this Section, the following terms shall have the following meanings:

“Adjusted Increase (Decrease) in Unrestricted Net Assets” means the Increase (Decrease) in Unrestricted Net Assets, as reported in the Statement of Activities section of the audited financial statements of the College; adjusted to (a) exclude depreciation and amortization expense and include (as a reduction to unrestricted net assets) the cost of current year equipment acquisitions which have been funded through operations and capitalized; (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment and not funded through operations, or the release from temporarily restricted net assets of capital campaign or other non-recurring gift contributions representing payment of all or a portion of multi-year pledges previously recorded as temporarily restricted revenue; (c) exclude extraordinary gains or losses; (d) exclude Total Return; (e) include the Endowment Spending Policy; and (f) exclude contributions representing collections of capital gifts pursuant to a capital campaign which are not includable in the College’s Annual Fund collections.

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

“Endowment Spending Policy” means an amount determined by applying the percentage then in effect as determined from time to time by the Board of Trustees as part of the College’s endowment spending policy, to a principal amount which is the sum of (i) all cash and cash equivalents, and (ii) unrestricted, temporarily and permanently restricted cash investments.

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

“Funded Debt Ratio” means for any particular period, the ratio (expressed as a percentage) determined by dividing Unrestricted Liquid Funds by the total outstanding principal balance of Funded Debt.

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

(i) If any portion of the Funded Debt is variable rate indebtedness, the rate of interest on the variable rate indebtedness for future Fiscal Years shall be computed at 120% of the average actual rate of interest on such debt for the most recent 24-month period; if variable rate indebtedness is proposed to be issued, the rate of interest shall be the greater of (A) the initial variable rate as estimated by an Independent Management Consultant or an investment banking firm selected by the College to underwrite the sale of such variable rate indebtedness, or (B) a rate calculated at 120% of the average of the most recent 24-month period published Bond Market Association Swap Index.

(ii) the amount of debt service with respect to “balloon” indebtedness shall be calculated on a level debt service basis (principal plus interest) over the period ending the Fiscal Year when the balloon is payable; as used herein, “balloon indebtedness means Funded Debt, 25% or more of the principal of which is due in any 12 month period;

(iii) the amount of debt service with respect to “put” indebtedness shall be calculated at the maximum amount of the principal or interest on such indebtedness which the College may be required to purchase or redeem in any Fiscal Year; provided that if there is a written commitment from a bank or other financial institution to refinance the amount of any indebtedness which the College may be required to redeem or purchase, the debt service with respect to such put indebtedness may, at the option of the College, be calculated on the basis of the repayment schedule contemplated by such written commitment, commencing the date such commitment will (unless renewed) expire; “put” indebtedness means Funded Debt (A) which the College may be required, at the option of the holder thereof, to prepay or purchase prior to the stated maturity date thereof, in whole or in part, but if in part, in an amount 25% or more of the original principal amount thereof and (B), if subject to variable rates, is then in an interest rate reset period of more than two years;

(iv) there shall not be taken into account any part of the Funded Debt of the College which has been refunded, refinanced or otherwise defeased under an arrangement whereby all future payments of such indebtedness will be met from moneys and investments held by an indenture trustee or escrow agent, provided that any such investments shall be direct obligations of or obligations fully guaranteed by the United States of America;

(v) if any part of such Funded Debt consists of crossover refunding debt, no part of the debt service with respect to such crossover refunding debt shall be taken into account prior to the crossover date, and after the crossover date, no part of the debt service of the refunded debt shall be taken into account;

(vi) any debt of any other Person guaranteed by the College *(“Guaranteed Debt”)* shall constitute Debt of the College; however, the following percentages of the Guaranteed Debt or the debt service thereon may be excluded for the purposes set forth herein, so long as the primary obligor with respect to the Guaranteed Debt maintains a debt service coverage ratio (calculated in the same manner as the Debt Service Coverage Ratio) with respect to all of its long term debt as follows:

COVERAGE RATIO OF PRIMARY OBLIGOR	PERCENTAGE OF GUARANTEED DEBT WHICH MAY BE EXCLUDED
2.00x or more	80%
At least 1.75x but less than 2.00x	75%
At least 1.50x but less than 1.75x	25%
Less than 1.25x	0%

provided that if the College has made any payments with respect to the Guaranteed Debt at any time, none of the Guaranteed Debt or debt service thereon shall be so excluded.

(vii) if any part of such Funded Debt is "nonrecourse" indebtedness or "subordinated" indebtedness, no part of the debt service with respect thereto shall be taken into account; "nonrecourse" indebtedness means indebtedness payable only from a limited fund and secured only by property purchased or acquired from the proceeds of such indebtedness; "subordinated" indebtedness means indebtedness the principal and interest on which are subordinated to payment of the Bonds by a written instrument of the holder, a copy of which is filed with the Trustee;

(viii) the amount of any reserve fund for any Funded Debt issued or proposed to be issued may be deducted from debt service for the Fiscal Year or Years in which such Funded Debt finally matures and for payment of which the reserve fund moneys may be used without creating a default.

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

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

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

"Unrestricted Liquid Funds" means the Total Unrestricted Net Assets of the College, adjusted to exclude Net Investment in Property, Plant and Equipment, as reported in the Balance Sheet section of the audited financial statements of the College.

For purposes of the foregoing, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by the College's auditors in the report of the College's financial statements.

ACCOUNTS

Summary

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

Construction Account

There shall be deposited initially into the Construction Account certain Bond proceeds, except as otherwise required to be deposited into the Escrow Fund, the Bond and Interest Sinking Fund Account and the Reserve Account. In addition to such Bond proceeds, the College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of Bond proceeds available therefor and to pay out of available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the Bond proceeds (principal less original issue discount). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Redemption Account, or the Bond and Interest Sinking Fund Account under certain conditions.

Bond and Interest Sinking Fund Account

Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. Deposits into the Bond and Interest Sinking Fund Account shall be made at least five Business Days prior to each April 1 and October 1 in amounts equal to the interest and principal, if any, due on the following April 1 or October 1.

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

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the amount of the Reserve Requirement that is irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time. All amounts paid by the College as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account will be deposited into the Reserve Account in order to maintain the Reserve Account in an amount not less than the Reserve Requirement.

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the College shall immediately restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the College for amounts so withdrawn. The Trustee shall value investments in the Reserve Account at market value not less frequently than as of the first day of the calendar month next preceding April 1, 2003 and semiannually thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the lesser of the Reserve Requirement, or the amount permitted for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days.

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

Redemption Account

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

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account, the Bond and Interest Sinking Fund Account, the Reserve Account and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, rated at least in the rating category of “AA” or “Aa”; revenue bond obligations of states and local governments insured by municipal bond insurance and rated “AAA” or “Aaa”; money market funds, mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, or state and local governments, or in repurchase agreements fully collateralized by such obligations; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation;

certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

GENERAL BOND RESERVE ACCOUNT

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

FUTURE FINANCING

The College regularly improves and expands its physical plant. The College does not anticipate financing any such projects with debt within the next twelve months.

THE AUTHORITY

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

Marianne T. Remedios has been the Executive Director of the Authority since May 1, 2000. Ms. Remedios was the partner in charge of bond counsel services to the Authority at Faegre & Benson LLP, Minneapolis, Minnesota from 1991 to 2000. She was an associate and partner at Faegre & Benson LLP for almost 20 years.

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $650 million. The Authority has had 128 issues (including refunded and retired issues) totaling $860,668,307, of which $488,990,517 is outstanding as of July 1, 2002. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

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

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

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

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

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

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

FINANCIAL ADVISOR

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

UNDERWRITING

The Bonds are being purchased by RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC (the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a purchase price of $27,716,960.75 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $210,574.25 and original issue discount of $337,465.00) plus accrued interest.

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

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

Wells Fargo Brokerage Services, LLC is a separate subsidiary of Wells Fargo and Company and is not a bank. It is a registered broker/dealer, a member of the National Association of Security Dealers, and a member of the Security Investors Protection Corporation. Wells Fargo Brokerage Services, LLC is an affiliate of banks owned by Wells Fargo and Company. No affiliate is responsible for the securities sold by Wells Fargo Brokerage Services, LLC. Unless so indicated, any investments recommended, offered or sold by Wells Fargo Brokerage Services, LLC are not insured by the Federal Deposit Insurance Corporation.

RATING

As noted on the cover page hereof, Moody's Investors Service has assigned a rating of Baa1 on the Bonds. The rating reflects only the view of such rating agency. Further information concerning the rating is available from Moody's. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

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

LEGALITY

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

Certain legal matters will be passed upon for the College by Briggs and Morgan, Professional Association, Saint Paul and Minneapolis, Minnesota; and for the Underwriters by Faegre & Benson LLP, Minneapolis, Minnesota. Michael Galvin, a partner with Briggs and Morgan, Professional Association, is also a member of the College’s Board of Trustees.

Although the Underwriter, the College and the Authority are represented in connection with the issuance and sale of the Bonds by Faegre & Benson LLP, Briggs and Morgan, Professional Association and Best & Flanagan LLP, respectively, Faegre & Benson LLP and Briggs and Morgan, Professional Association have previously acted as bond counsel for the Authority on other bond issues. In the future, any of these law firms may perform services for the Authority, the Underwriter, other Underwriters, or the College, and no limits are imposed as a result of the issuance of the Bonds on the ability of any of these law firms to act as bond counsel or represent any of these or other parties in any future transactions.

TAX EXEMPTION

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

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

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

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

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

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

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

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

The dollar amount of the initial offering price to the public of the Series Five-N1 Bonds with stated maturities in 2009, 2010, 2011, 2012, 2018, 2022 and 2032 (the “Discount Bonds”) is less than the principal amount of such maturities. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

It is possible under the applicable provisions governing state and local income taxation in states other than Minnesota that interest on Discount Bonds may be taxable in the year of accrual, and may be deemed to accrue earlier than under federal law.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

APPENDIX I

THE COLLEGE

The College of Saint Catherine is the largest Catholic college for women in the United States. The College is a four-year liberal arts college and, through a diversity of programs, offers the opportunity to complete baccalaureate, associate and master's degrees in a variety of health-care specialties, liberal arts and professional programs. Committed to meeting the educational needs of women of all ages, the College offers many of its bachelor's and master's degree programs in both traditional day and weekend formats. With campuses in Saint Paul and Minneapolis, the College has a total enrollment of 4,622.

The College's mission is to educate women to lead and influence. Founded by the Sisters of St. Joseph of Carondelet in 1905, the College integrates liberal arts and professional education with the Catholic traditions of intellectual inquiry and social teaching. Committed to excellence and opportunity, the College engages students from diverse backgrounds in a learning environment uniquely suited to women. The College prepares graduates to demonstrate ethical leadership grounded in social responsibility.

The College's Saint Paul campus comprises the traditional baccalaureate women's college and several certificate and graduate programs offered to both women and men. The Minneapolis campus provides educational opportunities in health-care and human-service fields to a diverse coeducational student body. Both campuses offer graduate degree programs for both women and men.

The College is an independent non-profit 501(c)(3) corporation organized under the laws of the State of Minnesota. The College is sponsored by the Sisters of St. Joseph of Carondelet, also a non-profit 501(c)(3) corporation. The Sisters of St. Joseph of Carondelet is a pontifical religious institute with headquarters in Saint Louis, Missouri. The Sisters of St. Joseph of Carondelet appoint the members of the College's Board of Trustees.

Governance

The College is governed by a Board of Trustees, currently composed of 35 elected members and three ex-officio members. The maximum number of trustees is 40. The President of the College, the Archbishop of Saint Paul and Minneapolis and the President of the Alumnae Association are ex officio members of the Board of Trustees, with all the rights, privileges, and responsibilities of other trustees. Trustees serve three year terms and may serve up to three consecutive terms. At least one-third of Board members must be members of the Sisters of St. Joseph of Carondelet ("CSJ").

Following is a list of the members of the Board of Trustees of the College and their business or professional affiliation, as of March 2002:

Trustee	Principal Activity
Maureen Hooley Bausch	Vice President of Business Development, Mall of America
William Britt	Vice President, Cargill Incorporated
Pamela Clark	President, St. Paul Academy
Mary Lou Dasburg	Attorney at Law

Lawrence J. McGough, Chairman of McGough Construction, a company with which the College has a construction contract for the Project financed by the Bonds, was a member of the Board of Trustees from 1991 to 2000. Mr. McGough was not a member of the Board of Trustees as of the time the College entered into the construction contract for the Project with McGough Construction. Mr. McGough was elected to a new term on the Board of Trustees in May 2002.

Administration

The principal officers of the College are as follows:

President

Andrea J. Lee, IHM, has been the College president since 1998. Sister Andrea holds a M.Ed. and a Ph.D. in educational administration from the Pennsylvania State University and received the Pennsylvania State University's Outstanding Alumna Award in 1989. She also holds a B.A. in Music and Elementary Education from Northeastern Illinois University and an A.A. in Italian from Villa Walsh College, Morristown, New Jersey. In 1990, she attended Harvard University's Institute for Educational Management. Sister Andrea's previous positions were at

Marygrove College as dean of continuing education and community services (1981-84), as executive vice president and chief operating officer (1984-1997), and as interim president (1998).

Vice President for Academic Affairs and Dean of Faculty

Mary Margaret Smith, Ph.D., was named Vice President for Academic Affairs in 1998. Smith holds an A.B. (bachelor of arts) degree from Lindenwood College, a master's degree in political science and a Ph.D. in policy analysis and administration from Saint Louis University. In 1997 Smith attended Harvard University's Institute for Educational Management. She has been honored with a fellowship from the American Council on Education, spending a year at Gettysburg College. Smith also has received the Achievement Distinction Award from the College of St. Francis and the Excellence in Teaching Award from St. Joseph's College. She is a mentor with the American Council on Education Fellows Program.

Vice President for Student Affairs

Colleen Hegranes, M.S.Ed., has been at the College since 1977. She holds a M.S.Ed. in Counseling and a Bachelor of Arts in English from Moorhead State University in Minnesota. She received the Moorhead State University Distinguished Alumna Award in 1988 and the Minnesota College Personnel Association Linda Schrempp Alberg Award for Outstanding Contribution to Minnesota Higher Education in 1997. Positions she has held at the College include Director of Housing, Dean of Students, Vice President for Enrollment Management and Vice President for Student Affairs.

Vice President for Finance and Business Operations

Mary DesRoches, M.A., M.P.A., has been with the College since 1999. She holds a Master of Public Administration from the Kennedy School of Government at Harvard University and a Masters of Arts from Saint Louis University. She has been the Director of Central Services for Catholic Charities of the Archdiocese of Saint Paul and Minneapolis, the Chief Operating Officer of the law firm of Leonard, Street and Deinard, Professional Association, the President of HEMAR Finance Corporation of America and the Associate Vice President for Finance and Business Operations of the University of Minnesota. She served three terms as the elected Comptroller-Treasurer of the City of Minneapolis. She served a three-year term as a public representative to the Municipal Securities Rulemaking Board.

Vice President for Development and External Relations

Patricia A. Hvidston, Vice President for Development and External Relations, holds a B.A. degree in Elementary Education from the College of Saint Catherine. After teaching in elementary schools in Saint Paul, Rochester and Chicago (1967-1976) she served as Director of Development for Derham Hall High School in Saint Paul (1976-1979). She was named as officer of First Trust Company of Saint Paul in 1979 and advanced in a number of positions until being named Senior Vice President for Personal Trust in 1990. She joined Firstar Trust Company of Minnesota in 1991 and was named President in 1995. She left the firm in 1996 to establish her own consulting firm. She has extensive experience on the boards of several not-for-profit organizations, including the Board of Trustees of the College of Saint Catherine and was named Vice President in 2000.

Facilities

The College has two campuses. The main campus is located in Saint Paul and the other campus is in Minneapolis. The College's physical facilities in Saint Paul consist of 18 buildings located on 110 acres. The Saint Paul campus has classrooms, office facilities, student residence halls and apartments, O'Shaughnessy Auditorium, and the Butler Sports and Fitness Center. The College has five residence halls with a capacity of 522 students and owns two apartment buildings with a total capacity of 228 students.

The Minneapolis campus consists of one acre with two multi-purpose buildings. The College has leased one building on the Minneapolis campus from Carondelet Life Care Corporation for a 30-year period that terminates on December 31, 2022.

As of May 31, 2001, the book value of all property and equipment, net of depreciation, was $26,357,720; buildings and contents have an insured value of $105,116,056.

Libraries

Three campus libraries serve student and faculty information needs: the College main library in Saint Paul (which will be renovated and made part of the Leaning Commons), the Performing Arts Library and the Minneapolis campus library. Together the collections include more than 260,000 books and 1,400 journal subscriptions. The College is a member of the Cooperating Libraries in Consortium, Inc. (“CLIC”), a Saint Paul-Minneapolis private college inter-library consortium, with access to more than one million volumes and 5,000 periodicals. The College also participates in MINITEX and Interlibrary Loan systems, which provide access to the holdings of the libraries statewide and nationally.

Academic Information

The College’s day program follows a two-semester approach with a fall semester from September through December and a winter semester from February through May. The month of January presents students with various opportunities, such as independent study or an internship, taking a course at another institution, or studying abroad. The College’s Weekend College offers women the opportunity to earn a degree by attending classes every other weekend, with three trimesters during the academic year: September-December, January-March, and April-June. Approximately 80 academic credit courses are offered each summer in two sessions, each five to six weeks long; the first summer session begins in late May and the second in early July.

The College awards Bachelor of Arts and Bachelor of Science degrees in the following major concentrations or programs of study:

- Accounting
- American Sign Language/Interpreting
- Art
- Biology
- Business Administration
- Chemical Dep. Counseling
- Chemistry
- Communication
- Communication: Interdepartmental Major
- Critical Studies in Race and Ethnicity
- Economics
- Education
- Elementary Education
- English
- Exercise & Sport Science
- Exercise Science
- Exercise Science/Nutrition
- Family Consumer and Nutritional Science
- Family Education
- Fashion and Apparel
- Foods and Nutrition
- French
- Health Information Management
- History
- Information Management
- Information Systems
- International Business and Economics
- International Relations
- Management Information Systems
- Mathematics
- Music
- Nursing
- Occupational Science
- Occupational Science/Pre-Occupational Therapy
- Philosophy
- Political Science
- Psychology
- Sales
- Social Studies
- Social Work
- Sociology
- Spanish
- Theater
- Theology

In addition to the Bachelor's major degrees described above, the College awards 41 Bachelors minor degrees.

The College awards Associate of Arts degrees in: Health Information Specialist; Liberal Arts and Sciences; Nursing; Occupational Therapy Assistant; Physical Therapy Assistant; Radiographer; Respiratory Care Practitioner; and Sonography.

The College awards Master of Arts degrees in: Education; Library and Information Science (degree granted by Dominican University); Nursing; Occupational Therapy; Organizational Leadership; Physical Therapy; Social Work (joint degree with the University of Saint Thomas); and Theology.

The College also confers certificates in 13 areas.

Faculty and Staff

The College's faculty-student ratio in the baccalaureate programs is approximately 1 to 10 and in associate degree programs approximately 1 to 6. The College's average class size is 18. There is no religious or denominational prerequisite or any participatory religious requirement for faculty or staff membership. The College subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

As of fall 2001, the College employed 443 faculty, including adjuncts. Total employees number approximately 866. The total payroll for the Fiscal Year ended May 31, 2001 was $27,051,879 (salaries and wages only).

The following table lists the average salary of the lay members of the full-time College faculty for the 2001/2002 academic year.

Title	Average Salary
Professor	$59,712
Associate Professor	48,756
Assistant Professor	41,870
Instructor	35,146

The following table lists the degrees and professional designations held by the full-time faculty members for the 2001/2002 academic year.

	Number
Doctorate, professional or other terminal degree	230
Bachelor of Arts or Science	11
Associate Degree	3
Total	244

Student Body

There is no religious or denominational prerequisite or any participating religious requirement for students of the College. The fall term undergraduate enrollment at the College for the 2001/2002 academic year is 3,600 with a full-time equivalent ("FTE") of 3,095, and the College's total enrollment is 4,622 with an FTE of 3952. Approximately 84% of the 2001/2002 undergraduate freshman class is from the State of Minnesota. The students are from 28 states and 28 countries.

Women comprise 97.5% of the total undergraduate student body. Associate degrees and some certificates are available to men. Graduate programs at the College have been coeducational since their inception. Women comprise 89% of the graduate student body.

Enrollments

The following table sets forth the enrollment at the College as of the fall term for the five most recent academic years.

	1997/98	1998/99	1999/00	2000/01	2001/02
Headcount					
Undergraduate	3,370	3,424	3,474	3,555	3,600
Graduate and Professional	659	775	898	932	1,022
Total	4,029	4,199	4,372	4,487	4,622
FTEs					
Undergraduate	2,800	2,919	2,972	3,051	3,095
Graduate and Professional	541	654	768	804	857
Total	3,341	3,573	3,740	3,855	3,952

Freshman Applications, Acceptances and Enrollments

	1997/98	1998/99	1999/00	2000/01	2001/02
Applications	456	547	657	575	706
Acceptances	406	482	569	470	584
Percent Accepted	89%	88%	87%	82%	83%
Fall Enrolled	197	242	254	245	272
Percent Enrolled to Accepted	49%	50%	45%	52%	47%
Mean ACT Scores	23	23	22	22	22

New Transfer Student Enrollment – Fall Semester – Undergraduate Program

1997/98	1998/99	1999/00	2000/01	2001/02
934	913	897	901	859

Geographic Distribution of Entering First-Year Students

For the fall of 2001, the geographic distribution of entering first-year students was as follows:

Minnesota	256
Wisconsin	13
Montana	3
Michigan	2
Other States	11
Other Countries	9
Total	294*

*Includes Weekend College first-term freshman

Student Retention based on incoming Fall first-time, full-time baccalaureate seeking students

Fall Semester	Percent of Students Returning 2nd Year	3rd Year	4th Year	Graduates after 4 years or returning for 5th year
1996	83.1	65.2	60.7	58.2
1997	81.2	68.7	64.1	59.7
1998	78.5	65.5	57.9	n/a
1999	79.6	65.9	n/a	n/a
2000	75.8	n/a	n/a	n/a
2001	n/a	n/a	n/a	n/a

The College has made a deliberate effort to increase its enrollment of "at-risk" students (for example, first generation college students and students with English as a second language). As a result, the retention rate of first year students has declined. The College has implemented programs to respond to the decline. The challenge is being further addressed through the College's strategic plan for strengthening key academic and student affairs programs.

Housing

Students may live either off campus or in a residence hall or apartment on the Saint Paul or the Minneapolis campus. As of fall 2001 the College has on the Saint Paul campus five student residences with a capacity of 522 and two apartment buildings with a capacity of 228, and on the Minneapolis campus one student residence with a capacity of 78. All of the student residences and apartments are fully occupied. Approximately 1/3 of the undergraduate day students are housed on campus.

Tuition

The College meets the cost of educational programs primarily through tuition and fees. The following table lists the tuition and mandatory fees charged full-time students in the College's major programs for the academic years listed:

	1997/98	1998/99	1999/00	2000/01	2001/02
Day Program (full-time) per academic year	$14,258	$14,834	$15,578	$16,442	$17,402
Weekend College (full-time per academic year	$ 7,080	$ 7,080	$ 7,368	$ 7,560	$ 7,920
Minneapolis Campus Programs per credit	$ 340	$ 350	$ 364	$ 375	$ 390
Graduate Programs per credit	$ 456	$ 460	$ 460	$ 475	$ 495

The following table lists total revenue derived from tuition and fees, before deducting College funded financial aid, for the Fiscal Years ended May 31, 1997 through 2001.

Year	Tuition and Fees
1997	$ 33,589,874
1998	34,267,055
1999	37,269,501
2000	39,339,559
2001	41,826,580

2001/2002 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Comprehensive Fees)

COMPREHENSIVE CHARGES FOR 2001-2002
AT MINNESOTA'S PRIVATE COLLEGES

COLLEGE/UNIVERSITY	Tuition and Required Fees	Room and Board	Comprehensive Charges*
Carleton College	$25,530	$5,250	$30,780
Macalester College	$22,608	$6,206	$28,814
St. Olaf College	$21,280	$4,600	$25,880
Minneapolis College of Art & Design	$20,490	$4,850	$25,340
Gustavus Adolphus College	$19,240	$4,900	$24,140
University of St. Thomas	$18,421	$5,623	$24,044
College of Saint Benedict	$18,315	$5,606	$23,921
Saint John's University	$18,325	$5,315	$23,640
Hamline University	$17,713	$5,569	$23,282
Augsburg College	$17,438	$5,540	$22,978
Bethel College	$16,825	$5,960	$22,785
College of St. Scholastica	$17,180	$5,198	$22,378
College of St. Catherine	**$17,402**	**$4,922**	**$22,324**
Concordia University (Saint Paul)	$15,786	$5,266	$21,052
Saint Mary's University of Minnesota	$15,175	$4,800	$19,975
Concordia College (Moorhead)	$14,725	$4,110	$18,835
Bethany Lutheran College	$11,392	$4,688	$16,080

* *These are "standard," fulltime, academic year charges for new entering students. Several colleges have differential tuition for upper-level students or other policies that result in some variation across class levels and students.*

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

Source: The Minnesota Private College Council

Financial Aid

Approximately 81% of the College's eligible undergraduate students currently receive some form of financial aid through grants, loans and work-study funds from federal, state, College or private sources. Some of the federal and state financial aid programs apply to tuition and fees, whereas others provide aid for living expenses such as transportation, housing (on or off campus) and personal expenses.

Awards of financial aid, excluding competitive scholarships, are granted on the basis of need up to the maximum allowed by the various programs and can be substituted for each other in the establishment of a student's financial aid package.

Pensions

The College has a defined benefit retirement plan covering substantially all of its full-time hourly employees. The funding policy is to make annual contributions of not less than the minimum required by applicable regulations. The plan assets consist of investments in various common trust funds managed by the plan's trustee.

Selected financial information for the defined benefit retirement plan for fiscal year 2001 is as follows:

Benefit obligation at May 31	$ 1,504,736
Fair value of plan assets at May 31	1,328,622
Funded status	18,607
Accrued benefit cost recognized in the balance sheet	$ (184,048)

The College also participates in a discretionary individual retirement plan administered by Teachers Insurance and Annuity Association ("TIAA"), College Retirement Equities Fund, which covers substantially all faculty and administrative personnel. Employees of the plan contributed 5% and the College contributes up to 8% of the employee's salary. Retirement plan expense was $1,046,819 for the year ended May 31, 2001.

Presentation of Financial Statements

Appendix VI sets forth the audited Financial Statements of the College with Independent Auditors' Report for the Fiscal Year ended May 31, 2001. The Financial Statements were prepared in accordance with generally accepted accounting principles (GAAP) and were audited by KPMG LLP, independent auditors, as indicated in their report which also appears in Appendix VI.

Statement of Financial Activity for Fiscal Years 1997 through 2001

The following table summarizes the College's statements of unrestricted activities for the Fiscal Years ended May 31, 1997 through 2001. For more complete information of the College for the Fiscal Year ended May 31, 2001, see Appendix VI of this Official Statement.

THE COLLEGE OF SAINT CATHERINE

Statement of Unrestricted Activities
For the years ended May 31,

	1997	1998	1999	2000	2001
Revenue:					
Tuition and instructional fees, net of internally funded student aid	$ 27,565,503	$ 27,750,712	$ 30,946,800	$ 32,056,982	$ 33,903,922
Grants	1,678,523	1,431,777	1,197,333	1,064,703	2,887,785
Contributions	2,512,403	2,536,806	3,327,994	8,445,858	3,180,614
Net change in deferred gifts	0	0	0	21,835	0
Auxiliary services	5,561,065	5,961,428	6,304,455	6,592,532	6,949,346
Investment income, net	1,648,071	1,468,251	1,832,448	2,276,549	3,471,631
Net gain (loss) on investments	3,806,865	4,177,035	167,097	(423,063)	(3,335,052)
Interest on student loans	42,602	35,640	31,394	29,442	25,966
Other	780,899	919,065	991,614	1,248,725	1,614,636
Net assets released from restrictions	20,143	777,686	1,093,985	(266,089)	10,005,635
Total revenues and net assets released from restrictions	43,616,074	45,058,400	45,893,120	51,047,474	58,704,483
Expenses:					
Instructional	17,020,054	15,432,984	16,858,582	18,606,455	20,407,634
Academic support					
Library	2,716,326	2,550,826	2,323,625	2,415,759	2,613,160
Other	1,490,874	1,401,067	1,431,082	2,249,471	2,472,722
Student services	5,887,149	6,376,026	6,780,440	7,221,330	7,299,478
Institutional support	7,981,587	7,837,804	9,096,625	8,322,105	9,055,028
Government funded grant aid to students	45,640	137,899	655,725	607,737	726,145
Auxiliary enterprises	5,709,399	5,938,299	6,275,195	6,794,965	7,621,600
Sponsored research	204,345	253,225	153,106	151,159	50,144
Public service	0	0	0	0	86,790
Total expenses	41,055,374	39,928,130	43,574,380	46,368,981	50,332,701
Changes in net assets	2,560,700	5,130,270	2,318,740	4,678,493	8,371,782
Net assets at beginning of year	41,708,443	43,961,394	49,091,664	51,410,404	56,088,897
Net asset restatement	(307,749)	0	0	0	0
Net assets at end of year	$ 43,961,394	$ 49,091,664	$ 51,410,404	$ 56,088,897	$ 64,460,679

Source: Audited financial statements of the College.

Contributions Receivable

The College actively solicits and receives gifts and bequests from a variety of donors and also receives various grants from private community and corporate foundations and from agencies of the federal government.

Major development programs, including efforts to raise capital funds and a variety of annual giving programs among alumnae, parents of students, businesses and friends of the College, have been maintained for a number of years.

The College's contributions receivable for the past two Fiscal Years are shown below. Unconditional promises are recognized at the estimated present value of the future cash flows net of allowances.

	2001	2000
In one year or less	$6,563,290	$11,053,158
Between one year and five years	6,004,157	10,029,736
Total face value of pledges outstanding	12,567,447	21,082,894
Discount	(383,412)	(922,483)
Contributions receivable, net	$12,184,035	$20,160,411

Capital Campaign

On November 18, 2001, the College publicly announced a five-year, $80 million fund raising campaign to support the strategic initiatives of the College. As of May 31, 2002 gifts and pledges totaling $50.975 million have been received, including a lead unrestricted gift of $20 million from the Sisters of St. Joseph of Carondelet.

Campaign gifts will be solicited primarily from alumnae of the College, current students, parents and other friends of the College, as well as from corporations and other business organizations, private foundations, religious organizations and other funding consortia. In most cases, the individuals and organizations have some level of prior relationship with the College.

Endowment and Endowment Spending Policy

The College uses the total return method of accounting for income from its investments of endowment funds. Under this method, a rate of return is established which is considered to be a prudent return on investment, consisting of both yield (dividend and interest) and realized and unrealized gains.

Endowment funds are managed primarily by outside fund managers selected by the College. The College retains an investment consultant who works with the College on selecting outside fund managers. The College currently has four fund managers managing its endowment funds. The College uses an asset allocation model, which currently allocates approximately 60% of the endowment to equity investments and 40% of the endowment to fixed rate income investments. Income earned and appreciation, both realized and unrealized, are measured to calculate a total return. The investment subcommittee of the Board's Finance Committee is charged with reviewing the allocation of endowment funds between equity investments and fixed rate income investments.

Because of the risk associated with its stated investment objective, the College's Board of Trustees has adopted a set of investment guidelines to which the investment subcommittee must adhere in order to minimize the investment risks. To this end, the investment guidelines mandate a diversified investment portfolio, and the investment subcommittee reviews and evaluates the investment objectives and performance at least quarterly.

The College's Endowment Spending Policy allows for a spending rate of up to 5.5 percent of the twelve-quarter moving average of the market value of certain cash and investments as of the end of the previous year. For fiscal year 2001 the effective payout percentage was 5.5percent and for fiscal years 2002 (actual) and 2003 (approved budget), the effective payout percentage was 5 percent. The College applies its Endowment Spending Policy to only a portion, rather than all, of its cash, cash equivalents, and unrestricted, temporarily restricted and permanently restricted cash and investments. See "Annual Debt Service by Fiscal Year and Coverage Statement" below. The Endowment Spending Policy is periodically reviewed and revised by the Board of Trustees.

Summary of Net Assets and Investments

The following two tables display a five-year history of the College's Net Assets and Investments, itemized as Unrestricted, Temporarily Restricted, and Permanently Restricted:

NET ASSETS

Fiscal Year Ended May 31	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2001	$ 64,460,679	$ 15,115,230	$ 19,908,861	$ 99,484,770
2000	$ 56,088,897	$ 21,504,324	$ 19,608,167	$ 97,201,388
1999	$ 51,410,404	$ 1,102,709	$ 17,503,923	$ 70,017,036
1998	$ 49,091,664	$ 2,111,422	$ 16,650,517	$ 67,853,603
1997	$ 44,269,143	$ 2,415,053	$ 15,576,587	$ 62,260,783

INVESTMENTS

Fiscal Year Ended May 31	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2002*	$ 42,605,217	$ 3,539,226	$ 21,033,403	$ 67,177,846
2001	$ 38,894,405	$ 3,490,594	$ 20,093,548	$ 62,478,547
2000	$ 29,519,663	$ 1,970,154	$ 19,715,536	$ 51,205,353
1999	$ 24,025,886	$ 1,595,947	$ 18,004,926	$ 43,626,759
1998	$ 24,523,609	$ 2,468,173	$ 17,159,460	$ 44,151,242
1997	$ 23,155,547	$ 2,774,704	$ 15,531,412	$ 41,461,663

* Fiscal Year 2002 numbers are unaudited.

Long-Term Debt

The only long-term debt of the College outstanding as of June 1, 2002 is the $5,725,000 (original amount) Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-M1, dated January 1, 1993 and the promissory note referred to in the next paragraph. The outstanding principal of the Series Three-M1 Bonds as of June 1, 2002 is $3,735,000. The outstanding principal balance of the Series Three-M1 Bonds will be fully refunded with a portion of the proceeds from the Series Five-N1 Bonds.

Upon the issuance of the Bonds, the only long term debt of the College will be the Bonds, the Series Five-N2 Bonds and a promissory note dated March 30, 2000, in the original principal amount of $316,000, bearing interest at 8.50%. The final payment on the promissory note is March 30, 2005. The promissory note was incurred to finance, and is secured by a mortgage on, a single family home located in the City of Saint Paul and used as the College President's residence.

Annual Debt Service by Fiscal Year and Coverage Statement

The following tables are intended to show the relationship of historic annual revenues of the College available for the payment of debt service to a pro forma statement of combined annual debt service on the Bonds and the Series Five-N2 Bonds after giving effect to the issuance of the Bonds and the Series Five-N2 Bonds based on actual interest rates with respect to the Bonds and assumed interest rates on the Series Five-N2 Bonds. The tables are not intended and should not be considered a projection or guarantee of future revenues, expenses, debt service or debt service coverage. The tables contain assumptions that may and do vary from actual operations of the College. There is no assurance that the future revenues, expenses, debt service and debt service coverage or the respective relationships thereof will correspond to the revenues, expenses and debt service or the respective relationships thereof shown by or reflected in the following tables.

The following table, captioned "Calculation of Net Income Available for Debt Service," details how Net Income Available for Debt Service was derived. It begins with the change in Unrestricted Net Assets from the Statement of Activities for the fiscal year ended May 31, 2001. A number of adjustments and assumptions are made to arrive at a figure showing Net Income Available for Debt Service. One assumption includes the application of the College's Endowment Spending Policy Rate to all of its cash, cash equivalents, and unrestricted, temporarily restricted and permanently restricted cash and investments. The College historically has applied its Endowment Spending Policy to only a portion of its cash and investments, and they may spend any or all of the remaining cash and investments on other needs of the College. For purposes of calculating Net Income Available for Debt Services, the College believes the assumption of applying its spending rate to all of its cash and investments is reasonable because (i) the assumption results in less Net Income Available for Debt Service than would be available under the College's actual Endowment Spending Policy, and (ii) the College understands that rating agencies perform similar calculations when rating obligations issued for institutions of higher education, including the College.

The second following table, captioned "Annual Debt Service by Fiscal Year and Pro Forma Coverage Statement," sets forth the actual debt service on the Bonds and the estimated debt service on the Series Five-N2 Bonds for each fiscal year during the term of the Bonds and the Series Five-N2 Bonds. Columns 4 and 6 show coverage of such annual debt service by Net Income Available for Debt Service for the year ended May 31, 2001. Although the College does not expect to make payments of principal on the Series Five-N2 Bonds until maturity, under the Loan Agreement the College may incur additional Funded Debt only if Maximum Annual Debt Service does not increase or if certain historical debt service coverage ratios are present. When calculating Maximum Annual Debt Service, the College is required to calculate any "balloon" indebtedness on a level debt service basis. The Series Five-N2 Bonds would be considered balloon indebtedness as defined therein. Column 4, then, presents debt service coverage assuming no amortization of the Series Five-N2 Bonds, and Column 6 presents debt service coverage assuming level amortization of the Series Five-N2 Bonds.

Calculation of Net Income Available for Debt Service

	Fiscal Year 2001
Change in Unrestricted Net Assets	8,371,782
Adjustments to Investments:	
Less: Investment Income, Net	(3,471,631)
Less: Net (Gains) Losses on Investments	3,335,052
Add: Investment Income Available for Operations[1]	3,500,779
Add: Estimated Net Investment Income on Additional Gifts[2]	750,000
Net Assets Released from Restrictions:	
Net Assets Released related to Capital Projects/Gifts[3]	(10,005,635)
Other Adjustments	
Add Back:	
Depreciation	1,427,171
Amortization	-
Interest Expense	248,611
Net Income Available for Debt Service	4,156,129

(1) Calculated as 5% of the total of cash, cash equivalents and investments of the College's Unrestricted, Temporarily Restricted, and Permanently Restricted assets.

(2) Reflects estimated 5% earnings on $10 million balance of a lead gift of $20 million given by the Sisters of St. Joseph of Carondelet. $5 million of the $10 million balance was received in July 2001 (FY 2002), with the balance expected in July 2002 (FY 2003). Also reflects 5% earnings on an additional $5 million of pledges in-hand, expected to be collected in FY 2003 and FY 2004.

(3) Adjusts Net Assets Released for non-cash items or non-recurring campaign collections.

The College of Saint Catherine
Annual Debt Service by Fiscal Year and Pro-Forma Coverage Statement

		Assumes Series Five-N2 pays level debt service including annual principal payments		Assumes Series Five-N2 pays interest only until final maturity	
1	**2**	**3**	**4**	**5**	**6**
Fiscal Year Ending May 31,	Net Income Available for Debt Service[(a)]	Pro Forma Debt Service on the Series Five-N1 (actual) and Five-N2 (estimated) Bonds[(b)]	Pro-Forma Coverage[(c)]	Pro Forma Debt Service on the Series Five-N1 (actual) and Five-N2 (estimated) Bonds[(d)]	Pro-Forma Coverage[(e)]
2003	4,156,129	1,636,135	2.54	1,636,135	2.54
2004	4,156,129	3,270,487	1.27	2,890,920	1.44
2005	4,156,129	3,265,263	1.27	2,884,013	1.44
2006	4,156,129	3,267,797	1.27	2,885,842	1.44
2007	4,156,129	3,266,625	1.27	2,889,729	1.44
2008	4,156,129	3,268,673	1.27	2,887,945	1.44
2009	4,156,129	3,268,267	1.27	2,884,438	1.44
2010	4,156,129	3,264,189	1.27	2,888,492	1.44
2011	4,156,129	3,266,515	1.27	2,889,802	1.44
2012	4,156,129	3,267,268	1.27	2,890,993	1.44
2013	4,156,129	3,266,108	1.27	2,885,733	1.44
2014	4,156,129	3,268,450	1.27	2,886,057	1.44
2015	4,156,129	3,265,055	1.27	2,886,682	1.44
2016	4,156,129	3,264,943	1.27	2,887,360	1.44
2017	4,156,129	3,267,998	1.27	2,886,403	1.44
2018	4,156,129	3,270,430	1.27	2,887,557	1.44
2019	4,156,129	3,263,559	1.27	2,885,557	1.44
2020	4,156,129	3,263,011	1.27	2,887,104	1.44
2021	4,156,129	3,269,158	1.27	2,885,321	1.44
2022	4,156,129	3,268,226	1.27	2,885,025	1.44
2023	4,156,129	3,267,016	1.27	2,885,819	1.44
2024	4,156,129	3,270,938	1.27	2,889,698	1.44
2025	4,156,129	3,261,891	1.27	2,884,928	1.44
2026	4,156,129	3,264,249	1.27	2,885,910	1.44
2027	4,156,129	3,265,168	1.27	2,887,110	1.44
2028	4,156,129	3,270,261	1.27	2,891,217	1.44
2029	4,156,129	3,267,497	1.27	2,886,531	1.44
2030	4,156,129	3,269,046	1.27	2,886,791	1.44
2031	4,156,129	3,268,096	1.27	2,886,463	1.44
2032	4,156,129	3,264,804	1.27	2,888,235	1.44
2033	4,156,129	1,362,760	3.05	24,947,622	0.17

(a) See Calculation of Net Income Available for Debt Service.

(b) Reflects fully amortizing debt service for Series Five-N2; the Series Five-N2 rate is estimated at 3.5%, net of estimated remarketing fees and letter of credit fees (average of comparable debt over the past 10 years) and the Series Five-N1 rates are the actual coupons, net of estimated debt service reserve fund earnings.

(c) Column 2 divided by Column 3.

(d) Reflects interest-only debt service for Series Five-N2 until the principal maturity date in fiscal year 2033; the Series Five-N2 rate is estimated at 3.5%, net of estimated remarketing fees and letter of credit fees, (average of comparable debt over the past 10 years) and the Series Five-N1 rates are the actual coupons, net of estimated debt service reserve fund earnings.

(e) Column 2 divided by Column 6

PROPOSED FORM OF LEGAL OPINION

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August 22, 2002

$28,265,000 Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Five-N1 (The College of Saint Catherine)

We have acted as Bond Counsel in connection with the issuance of the Bonds described above. We have examined the law and certified copies of the proceedings and other certificates of public officials furnished to us in connection with the issuance by the Minnesota Higher Education Facilities Authority (the “Authority”), of its $28,265,000 Revenue Bonds, Series Five-N1 (The College of Saint Catherine) (the “Bonds”). We have examined the law and such other certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations of the Authority and The College of Saint Catherine, a Minnesota nonprofit corporation (the “College”), contained in the Loan Agreement dated as of August 1, 2002 (the “Loan Agreement’) between the College and the Authority, the Indenture of Trust dated as of August 1, 2002 (the “Indenture”) between the Authority and Wells Fargo Bank Minnesota, National Association, in Minneapolis, Minnesota (the “Trustee”), the Bond Purchase Agreement among the Authority, the College and RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC, the Opinion of Briggs and Morgan, Professional Association, Saint Paul, Minnesota, of even date herewith, as counsel to the College, the certified proceedings and other certifications of public officials furnished to us, and certifications by officials of the College without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), it is our opinion that:

(a) The Authority is an agency of the State of Minnesota duly organized and existing under the laws of the State of Minnesota, with authority under Minnesota Statutes, Sections 136A.25 to 136A.42, as amended (the “Act”), to issue the Bonds, to loan the proceeds thereof to the College pursuant to the Loan Agreement and to execute and deliver the Indenture to secure the Bonds;

(b) the Loan Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and create valid and binding special obligations of the Authority, enforceable upon the Authority in accordance with their terms;

(c) the proceedings show lawful authority for the issuance of the Bonds under the Indenture and under the provisions of the Constitution and laws of the State of Minnesota now in force, including the Act;

(d) the Bonds have been duly and validly executed and delivered by the Authority and are valid and binding special obligations of the Authority, enforceable in accordance with their terms, secured by and entitled to the benefits provided by the Indenture; the Bonds are payable solely from the revenues and other sums irrevocably pledged to the payment of the Bonds and interest thereon under the Indenture;

(e) the Bonds are not a general obligation or indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority or charge against its general credit or taxing powers, but are payable solely from the revenues in accordance with the provisions of the Indenture; and

(f) as of their date of issuance, the Bonds are not arbitrage bonds; and interest on the Bonds is excluded from gross income for United States income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"); and is excluded to the same extent in computing taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, for the purpose of computing the federal alternative minimum tax imposed on corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in the first sentence of this paragraph is subject to the conditions that the Authority, the Trustee and the College comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be so included in federal gross income or Minnesota taxable net income retroactive to the date of issuance of the Bonds. The Authority, the Trustee and the College have covenanted to comply with such requirements. We express no opinion regarding other federal or state tax consequences arising with respect to ownership of the Bonds, including the receipt or accrual of interest thereon.

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

Dated at Minneapolis, Minnesota this 22nd day of August, 2002.

BEST & FLANAGAN LLP

ANNUAL REPORT INFORMATION

Annual Reporting

The Annual Report Date will be will be the date that is 270 days after each fiscal year end, commencing with the fiscal year ending May 31, 2002. The Annual Report will contain:

1. Audited financial statements for the most recent complete fiscal year.
2. The following financial and operating data contained in Appendix I to the Final Official Statement:
   a. Information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:
      - Facilities (Book Value and Insured Value)
      - Faculty and Staff
      - Student Body
      - Enrollments
      - Freshman Applications, Acceptances and Enrollments
      - New Transfer Student Enrollment – Fall Semester – Undergraduate Program
      - Student Retention based on Fall first-time, full-time baccalaureate seeking students
      - Housing
      - Tuition
      - Financial Aid
      - Capital Campaign
      - Contributions Receivable
      - Endowment Spending Policy

   b. An update of Calculation of Net Income Available for Debt Service.

Material Events to be Disclosed

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

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties (this is not applicable to the Bonds);
(v) Substitution of credit or liquidity providers, or their failure to perform (this is not applicable to the Bonds);
(vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
(vii) Modifications to rights of security holders;
(viii) The giving of notice to redeem any Bonds other than for a sinking fund redemption;
(ix) Defeasances;
(x) Release, substitution, or sale of property securing repayment of the securities (this is not applicable to the Bonds) and;
(xi) Rating changes.

DEFINITION OF CERTAIN TERMS

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

Additional Bonds: Any Additional Bonds issued by the Authority on behalf of the College pursuant to Section 2.09 of the Indenture, but Additional Bonds do not include the Series Five-N2 Bonds.

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

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

Authorized Institution Representative: The Vice President for Finance and Business Operations, the Controller or any other person at the time designated to act on behalf of the College by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the College by the Chair or the Secretary of its Board of Trustees or any Vice President of the College. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under the Indenture and described in Section 5.04 thereof.

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

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

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

Bond Resolution: The Series Resolution of the Authority adopted on July 17, 2002, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-N1 (The College of Saint Catherine) and any Additional Bonds.

Building Equipment: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the College and located on the Project Site acquired with funds other than the proceeds of the Bonds or the Prior Bonds.

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

College: The College of Saint Catherine, a Minnesota nonprofit corporation and 501(c)(3) organization, as owner and operator of the Institution, its successors and assigns.

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

Depository or DTC: The Depository Trust Company in New York, New York, its successors or assigns, or any other person who shall be a Holder of all Bonds of any series directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, College and Trustee to act as the Depository; provided any Depository shall be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

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

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

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

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

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

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

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank Minnesota, National Association, Minneapolis, Minnesota, as Trustee, dated as of August 1, 2002, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: The College of Saint Catherine, a Minnesota institution of higher education with campuses located in Saint Paul and Minneapolis, Minnesota, owned and operated by the College.

Interest Payment Date: April 1 and October 1 of each year, commencing April 1, 2003 and any other date on which the principal of and interest on the Bonds shall be payable.

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

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

Loan Agreement: The Loan Agreement between the Authority and the College relating to the Bonds, dated as of August 1, 2002, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the College to the Trustee pursuant to Section 4.02(a), (b), (c) and (f) of the Loan Agreement.

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

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

Prior Bonds: The Series Three-C M1 Bonds maturing on October 1, 2002 and April 1 and October 1 in the years 2003, 2004, 2005, 2006 and 2007 and on October 1, 2010 and currently outstanding in the principal amount of $3,735,000.

Prior Bond Documents: The Series Three-M1 Loan Agreement, Series Three-M1 Mortgage and Series Three-M1 Indenture, each dated as of January 1, 1993, under which the Series Three-M1 Bonds were issued and secured for the financing, in part, of the Prior Bonds Project.

Prior Bonds Project: The acquisition, construction and equipping of Butler Center, renovations to St. Joseph Hall, acquisition and installation of air conditioning in the Art Building and replacement windows in Mendel Hall, all on the College's Saint Paul campus and (ii) remodeling, furnishing and equipping of the Education Building and Old Main located on the College's Minneapolis campus.

Project: The Project consists of the following: (a) construction, equipping and furnishing of a joined Student Center and Learning Commons and related renovation of the former St. Joseph Hall and the former Saint Catherine Library (b) renovation of and upgrades to Whitby Hall and Mendel Hall, (c) relocation, equipping and furnishing of the Food Consumer and Nutritional Sciences program space located in Fontbonne Hall, (d) relocation, furnishing and equipping of the Health and Wellness Center space located in Butler Center, and (e) a portion of the conversion of the steam plant from high pressure to low pressure.

Project Buildings: The Student Center, the Learning Commons, the former St. Joseph Hall, the former Saint Catherine Library, Whitby Hall, Mendel Hall, Fontbonne Hall, Butler Center and the steam plan, each of which is to be renovated, refurbished, improved or constructed with the proceeds of the Bonds, including investment earnings, the Education Building, Old Main and any other building constructed or improved with the proceeds of the Prior Bonds, including investment earnings.

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

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

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

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

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

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

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

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

Reserve Requirement: (i) If no Additional Bonds are outstanding, the lesser of the maximum amount of principal of and interest on the Bonds that accrues and is payable in any remaining Bond Year or 10% of the proceeds (par value less original issue discount, if any) received from the issuance and sale of the Bonds or 125% of the average annual debt service of the Bonds or (ii) if Additional Bonds are outstanding, the sum of (A) the amount set forth in subsection (i) plus (B) the maximum amount of principal of and interest on Additional Bonds that accrues and is payable in any Bond Year or 10% of the proceeds (par value less original issue discount, if any) received from the issuance and sale of the Additional Bonds or 125% of the average annual debt service of the Additional Bonds.

Series Five-N2 Bonds: The Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-N2 (The College of Saint Catherine).

Series Three-M1 Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-M1 (The College of Saint Catherine), dated January 1, 1993, issued in the original principal amount of $5,725,000, the proceeds of which were loaned by the Authority to the College to finance the Prior Bonds Project.

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

Trustee, Registrar, Paying Agent: Wells Fargo Bank Minnesota, National Association, Minneapolis, Minnesota.

Underwriters: Collectively, RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC, as original purchasers of the Bonds.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The College represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than August 2005 subject only to "force majeure," as provided in the Loan Agreement. The College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds and an opinion of counsel to such effect is furnished. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds, including investment earnings in the Construction Account.

The College represents that it will cause the Prior Bonds to be redeemed on April 1, 2003.

Loan Repayments

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

(a) at least five (5) Business Days prior to each April 1 and October 1, commencing April 1, 2003, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on the next succeeding Interest Payment Date, or the amount payable as principal (whether at maturity or mandatory sinking fund redemption) on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account; and (ii) any credits permitted by Sections 5.01, 5.02, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

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

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

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

(e) into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate); and

(f) at least five (5) business days prior to each October 1, commencing October 1, 2013, into the Bond and Interest Sinking Fund Account, the amount, if any, as shall be necessary and sufficient to redeem on the next succeeding October 1, at par plus accrued interest, the amount of the Bonds specified in the Indenture.

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs, modifications and replacements as are necessary so that the Project and the Prior Bonds Project will remain a “project” under the Act and interest on the Bonds will be exempt from federal income taxation. The College may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities (i) so long as the tax-exempt status of the Bonds will not be affected thereby, (ii) such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture or the Act, (iii) the College shall remain fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made, and (iv) in the case of any lease to or occupancy by persons who are not students, employees or faculty, an opinion of Bond Counsel is provided to the Trustee to the effect that tax exemption of the interest on the Bonds is not adversely affected.

Title to Property and Liens

Except for Permitted Encumbrances, the College will not permit any liens to be established or to remain against the Project Facilities including any mechanics' liens for labor or materials furnished in connection with the acquisition and construction of the Project, or with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided the College may in good faith contest any liens filed or established against the Project Facilities and may permit the items so contested to remain undischarged and unsatisfied during the period of such contest unless the Authority or Trustee shall notify the College that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities will be subject to loss or forfeiture, in which event the College shall promptly pay all such items.

Taxes and Other Governmental Charges

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

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

Insurance

The College is required to maintain, or cause to be maintained, insurance, with certain deductible amounts, as follows:

(a) Insurance against loss and/or damage to the Project Buildings and contents and Project Equipment, including fire and extended coverage in an amount not less than insurable replacement value of the Project Buildings and Project Equipment or the principal amount of the outstanding Bonds or (if greater) 80% of the full insurable replacement value of the Project Buildings and Project Equipment, with a deductible amount of up to $500,000.

(b) Comprehensive general public liability insurance including blanket contractual liability and personal injury liability and automobile insurance in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $5,000,000 with a deductible amount of up to $500,000 and against liability for property damage in the minimum amount for each occurrence of $500,000.

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

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

The College is required to provide to the Trustee, on or before October 1 of each year, a Certificate of Insurance Compliance in the form attached to the Loan Agreement. Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the College at least 30 days before the cancellation or modification becomes effective.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $1,000,000, the College will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $1,000,000, the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

Condemnation

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

If the Bonds are to be redeemed, the available Net Proceeds in respect to any Project Facilities which the College elects not to repair, rebuild or restore shall be used for redemption or purchase of outstanding Bonds.

Removal or Release of Project Equipment and Building Equipment

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

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

(b) the College may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the College pays a sum equal to the then value of such Project Equipment, as determined by an independent engineer selected by the College, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of any item of equipment so removed was less than $25,000, such release without substitution and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an independent engineer upon such showing by the College as may be satisfactory to the Trustee; and

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

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or, in connection with (c) above, the depreciated book value of Building Equipment, to be substituted, removed or released equals or exceeds $25,000 the College will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal or release, as the case may be, of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

Indemnification

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

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

Existence and Accreditation of College

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

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

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued on behalf of or for the benefit of the College and all organizations under common management or control with the College (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000. Under the Loan Agreement, in no event will the College affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the College or such other resulting entity, and all organizations under common management or control with the College or such resulting entity (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code.

Institution to be Nonsectarian

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

Federal Income Tax Status

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

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest payable on the Bonds is includable in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, in whole or in part, on the next date for which due notice can be given or any date thereafter and the redemption price therefor shall be equal to par plus accrued interest (including additional interest from the Date of Taxability).

Other Covenants

The College further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of religion, race, color, creed or national origin in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Authority or the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; and to observe all applicable State of Minnesota laws and regulations, including those of the Authority and the Minnesota Higher Education Services Office, subject to the right of contest. The College agrees to indemnify the Authority from losses arising from certain representations made by the College regarding the absence of hazardous waste on the Project Facilities.

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

Covenants with Respect to the Prior Bonds Project

All covenants relating to the Prior Bonds Project contained in the Loan Agreement shall terminate on October 1, 2010.

Events of Default

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

(a) If the College shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account and Redemption Account on a Bond principal or Interest Payment Date are insufficient to pay when due principal of and interest on the Bonds, or (ii) such failure shall continue for five (5) Business Days after notice from the Trustee or the Authority to the College that such payment has not been made; or

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

(c) If the College shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement as defined in Section 5.02 of the Indenture, provided failure to comply with such requirement shall not become an Event of Default unless the College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or

(d) If the College shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the College by the Authority or the Trustee provided that failure to comply with Section 6.14(b) of the Loan Agreement shall not become an Event of Default unless the College fails to restore the deficiency within 180 days from the close of the Fiscal Year in which such deficiency was reported; or

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

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

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

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

Remedies on Default

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

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

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

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

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied first to advances and expenses, second to payment of the Bonds as provided in Section 7.04 of the Indenture and any excess to the College.

Amendments

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

THE INDENTURE

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

Granting Clauses

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

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

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

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

Accounts

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

Trustee's Right to Payment

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

Additional Bonds

In addition to the Bonds, the Indenture permits the issuance of one or more series of Additional Bonds by the Authority, acting at the request of the College, equally and ratably secured on a parity with the Bonds to provide funds for the following purposes: (i) completing the Project, (ii) refunding of all or any series or portion of series of then outstanding Bonds, (iii) improving or altering, repairing or replacing the Project Facilities, or (iv) other project or projects as authorized by the Act.

The issuance of Additional Bonds requires, among other things, evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds. Furthermore, to the extent required by the Authority, the College shall make additional deposits to the Reserve Account and execute supplements to the Loan Agreement and the Indenture. Additional Bonds may not be issued unless in the opinion of bond counsel the exclusion of interest on the outstanding Bonds from gross income of the holders for federal income tax purposes shall not be jeopardized.

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

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

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

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

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

Remedies

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

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

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

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the Reference Rate of Wells Fargo Bank Minnesota, National Association, Minneapolis, Minnesota, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of $10 million in event of merger, resignation or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the College, provided that the Authority may, but is not required to remove the Trustee with or without the request of the College if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the College shall:

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

(b) provide for the payment of principal of, premium, if any, and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all Bonds outstanding, or

(c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived; or (2) a written instrument executed by the College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority; or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds and, in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any Interest Payment Dates, or

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

When the Authority or the College shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided, or left with it if previously so deposited, cash or direct obligations of the United States of America sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the Holders thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

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

(a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;

(b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority;

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

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

Indenture or any supplemental indenture and which shall not impair the security of the same;

(e) to create a series of and authorize Additional Bonds; and

(f) to modify the Indenture as authorized by the Bondholders.

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all Bonds directly or indirectly affected (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture (except as provided in Section 2.09 of the Indenture), or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or amendment of the Loan Agreement as set forth in the Indenture.

Amendments to the Loan Agreement

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

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

Registration

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

FINANCIAL STATEMENTS (WITH INDEPENDENT AUDITOR'S REPORT THEREON) FOR THE FISCAL YEAR ENDED MAY 31, 2001

4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

To the Board of Trustees of
The College of St. Catherine:

We have audited the accompanying balance sheet of The College of St. Catherine (the College) as of May 31, 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the College's financial statements and, in our report dated October 9, 2000, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The College of St. Catherine as of May 31, 2001, the change in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

September 14, 2001

THE COLLEGE OF ST. CATHERINE

Balance Sheet

May 31, 2001
(with summarized comparative totals as of May 31, 2000)

	2001						2000
	Unrestricted						
Assets	General	Long-lived assets	Total	Temporarily restricted	Permanently restricted	Total	2000 Total
Cash and cash equivalents	$ 7,537,030	—	7,537,030	—	—	7,537,030	8,426,105
Receivables, net of allowance for doubtful accounts of $268,000 in 2001 and $375,000 in 2000	1,867,799	23,122	1,890,921	1,662	—	1,892,583	1,814,568
Bookstore inventories	425,513	—	425,513	—	—	425,513	370,837
Prepaid and deferred expenses	243,533	76,950	320,483	—	—	320,483	156,100
Deposits with bond trustee	—	964,772	964,772	—	—	964,772	986,125
Contributions receivable, net	—	—	—	12,171,448	12,587	12,184,035	20,160,411
Loans to students, net of allowance for doubtful accounts of $600,000 in 2001 and 2000	—	6,649,381	6,649,381	—	—	6,649,381	6,468,375
Investments	6,825,038	32,069,367	38,894,405	3,490,594	20,093,548	62,478,547	51,205,353
Property, plant, and equipment, net	—	26,357,720	26,357,720	—	—	26,357,720	26,218,459
Total assets	$ 16,898,913	66,141,312	83,040,225	15,663,704	20,106,135	118,810,064	115,806,333
Liabilities and Net Assets							
Accounts payable	$ 1,791,905	—	1,791,905	—	—	1,791,905	1,555,722
Accrued expenses	4,628,439	39,396	4,667,835	—	—	4,667,835	3,767,226
Deferred revenue and deposits	1,674,778	27,896	1,702,674	—	—	1,702,674	2,074,746
Split-interest agreements	—	—	—	548,474	197,274	745,748	733,610
Bonds payable	—	4,070,000	4,070,000	—	—	4,070,000	4,385,000
Notes payable	—	308,708	308,708	—	—	308,708	315,016
U.S. government grants refundable	—	6,038,424	6,038,424	—	—	6,038,424	5,773,625
Total liabilities	8,095,122	10,484,424	18,579,546	548,474	197,274	19,325,294	18,604,945
Net assets:							
Undesignated	8,803,791	—	8,803,791	—	—	8,803,791	6,359,428
Invested in plant	—	22,287,720	22,287,720	—	—	22,287,720	21,833,459
Designated for student loans	—	1,297,201	1,297,201	—	—	1,297,201	1,234,964
Designated for debt service and plant	—	16,723,106	16,723,106	—	—	16,723,106	8,192,326
Temporarily restricted	—	—	—	15,115,230	—	15,115,230	21,504,324
Endowments:							
Principal	—	2,453,211	2,453,211	—	19,908,861	22,362,072	21,992,971
Accumulated earnings	—	12,895,650	12,895,650	—	—	12,895,650	16,083,916
Total endowment	—	15,348,861	15,348,861	—	19,908,861	35,257,722	38,076,887
Total net assets	8,803,791	55,656,888	64,460,679	15,115,230	19,908,861	99,484,770	97,201,388
Total liabilities and net assets	$ 16,898,913	66,141,312	83,040,225	15,663,704	20,106,135	118,810,064	115,806,333

See accompanying notes to financial statements.

THE COLLEGE OF ST. CATHERINE

Statement of Activities

For the year ended May 31, 2001
(with summarized comparative totals for the year ended May 31, 2000)

	2001						
	Unrestricted						
	General	Long-lived assets	Total	Temporarily restricted	Permanently restricted	Total	2000 Total
Revenue:							
Tuition and instructional fees, net of internally funded student aid of $7,922,658 in 2001 and $7,282,577 in 2000	$ 33,903,922	—	33,903,922	—	—	33,903,922	32,056,982
Grants	2,887,785	—	2,887,785	—	—	2,887,785	1,064,703
Contributions	3,112,055	68,559	3,180,614	3,725,628	621,176	7,527,418	29,940,388
Net change in deferred gifts	—	—	—	25,826	(474,025)	(448,199)	559,109
Auxiliary services	6,949,346	—	6,949,346	—	—	6,949,346	6,592,532
Investment income, net	2,025,286	1,446,345	3,471,631	(134,913)	14,184	3,350,902	2,295,995
Net gain (loss) on investments	—	(3,335,052)	(3,335,052)	—	139,359	(3,195,693)	(252,698)
Interest on student loans	—	25,966	25,966	—	—	25,966	29,442
Other	1,258,154	356,482	1,614,636	—	—	1,614,636	1,266,880
Net assets released from restrictions		10,005,635	10,005,635	(10,005,635)	—	—	—
Total revenue	50,136,548	8,567,935	58,704,483	(6,389,094)	300,694	52,616,083	73,553,333
Expenses:							
Instructional	20,130,865	276,769	20,407,634	—	—	20,407,634	18,606,455
Academic support:				—	—		
Library	2,512,808	100,352	2,613,160	—	—	2,613,160	2,415,759
Other	2,409,052	63,670	2,472,722	—	—	2,472,722	2,249,471
Student services	6,789,929	509,549	7,299,478	—	—	7,299,478	7,221,330
Institutional support	8,967,858	87,170	9,055,028	—	—	9,055,028	8,322,105
Government funded grant aid to students	726,145	—	726,145	—	—	726,145	607,737
Auxiliary enterprises	7,307,428	314,172	7,621,600	—	—	7,621,600	6,794,965
Sponsored research	50,144	—	50,144	—	—	50,144	151,159
Public service	86,790	—	86,790	—	—	86,790	—
Total expenses	48,981,019	1,351,682	50,332,701	—	—	50,332,701	46,368,981
Transfers:							
Other allocations	(529,892)	529,892	—	—	—	—	—
Allocation for debt payments and special programs	1,818,726	(1,818,726)	—	—	—	—	—
Total	1,288,834	(1,288,834)	—	—	—	—	—
Changes in net assets	2,444,363	5,927,419	8,371,782	(6,389,094)	300,694	2,283,382	27,184,352
Net assets at beginning of year	6,359,428	49,729,469	56,088,897	21,504,324	19,608,167	97,201,388	70,017,036
Net assets at end of year	$ 8,803,791	55,656,888	64,460,679	15,115,230	19,908,861	99,484,770	97,201,388

See accompanying notes to financial statements.

THE COLLEGE OF ST. CATHERINE

Statement of Cash Flows

For the year ended May 31, 2001
(with comparative information for the year ended May 31, 2000)

	2001	2000
Cash flows from operating activities:		
Change in net assets	$ 2,283,382	27,184,352
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,427,171	1,336,867
Allowance for doubtful accounts and loans	(107,000)	(5,000)
Net loss on investment	3,195,693	252,698
Private gifts for long-term investments	(1,787,312)	(1,422,615)
Adjustment of actuarial liability for split-interest agreements	123,591	(250,596)
Change in assets and liabilities:		
Receivables	28,985	197,151
Bookstore inventories	(54,676)	(18,922)
Prepaids and deferred expenses	(164,383)	294,295
Loans to students	(181,006)	(70,787)
Contributions receivable	7,976,376	(20,065,496)
Accounts payable and accrued expenses	1,136,792	280,006
Deferred revenue and deposits	(372,072)	704,976
Net cash provided by operating activities	13,505,541	8,416,929
Cash flows from investing activities:		
Purchase of investments	(78,741,244)	(76,887,729)
Proceeds from sale of investments	64,272,357	69,056,437
Purchase of equipment	(1,566,432)	(690,383)
Net cash used in investing activities	(16,035,319)	(8,521,675)
Cash flows from financing activities:		
Change in deposits with bond trustee	21,353	18,742
Proceeds from private gifts for long-term investment		
For endowment	774,719	1,415,582
For property, plant, and equipment	1,012,593	7,033
Payment on note payable	(6,308)	315,016
Payments on bonds payable	(315,000)	(340,000)
Payments on gift annuities	(111,453)	(104,950)
U.S. government grants repayable	264,799	(192,084)
Net cash provided by financing activities	1,640,703	1,119,339
Net (decrease) increase in cash and cash equivalents	(889,075)	1,014,593
Cash and cash equivalents at beginning of year	8,426,105	7,411,512
Cash and cash equivalents at end of year	$ 7,537,030	8,426,105
Supplemental cash flow information		
Cash paid during the year for interest	$ 248,611	265,059
Significant noncash financing transactions – Equipment purchases included in accounts payable	201,972	18,490

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

The College of St. Catherine (the College) is a Catholic college with campuses in St. Paul and Minneapolis. The College offers certificate programs and associate and baccalaureate degrees to women through both a traditional day school and a Weekend College program. The College also offers graduate programs open to both men and women. Degree programs are offered in the liberal arts and professional studies. The College was founded in 1905 and is sponsored by the Sisters of St. Joseph of Carondelet, Province of St. Paul (the Province).

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The College maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund.

For financial reporting purposes, resources are classified into net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

- Unrestricted – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.
- Temporarily restricted – Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all, or part, of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Temporarily restricted net assets for which donor-imposed restrictions are met in subsequent reporting periods are reclassified to unrestricted net assets and reported as net assets released from restrictions. Net assets that have no donor-stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as unrestricted support.

(Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

(c) ***Cash and Cash Equivalents***

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The carrying amount approximates the fair value because of the short maturity of those investments. Cash and cash equivalents designated for long-term investment purposes are included as investments.

(d) ***Bookstore Inventories***

Inventories consisting of books, clothing, and other bookstore merchandise held for resale are carried at the lower of cost (first-in, first-out) or market.

(e) ***Student Loans***

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to government for student loans could not be made because the notes receivable are not salable and can only be assigned to the U.S. government or its designees. The fair value of receivables from students under the College's loan programs approximates carrying value.

(f) ***Investments***

Investments are carried at fair value, based upon quoted market prices. Changes in quoted market value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are determined using the average cost method and are recorded on a trade-date basis.

(g) ***Property, Plant, and Equipment***

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Buildings are estimated to have 50-year lives. All other assets are depreciated over lives ranging from 4 to 20 years.

(Continued)

(h) Tuition and Instructional Fees

Tuition and instructional fees is presented net of internally funded aid, which consists of gifts, Supplemental Educational Opportunity Grants (SEOG), and endowment income used for scholarships of $1,586,105 and institutionally funded aid of $6,336,553 in 2001.

(i) Split-interest Agreements

The split-interest agreements include charitable remainder trusts and charitable gift annuities. The College recognizes the contribution from charitable trusts when the trust is established and recognizes the contribution from the charitable annuity gifts when the agreement is executed. The contribution amount when the College is the trustee is the difference between the fair value of assets received and the present value of the future cash flows expected to be paid to the designated beneficiaries. The contribution amount when the College is not the trustee is the present value of expected future cash flows from the trust. The significant assumptions used to estimate the present value of the future cash flows include a discount rate of 6% based on the underlying risk of the related trust investments and the 2000 mortality tables.

(j) Concentration of Credit Risk

At May 31, 2001, the College has cash and cash equivalents totaling approximately $7,400,000 concentrated in one financial institution.

(k) Income Taxes

The College has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income.

(l) Use of Estimates

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

(m) Prior-year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended May 31, 2000, from which the summarized information was derived.

(Continued)

(2) Investments

The fair value of investments as of May 31, 2001, is as follows:

	Fair value
Common and preferred stocks	$ 37,009,584
U.S. government and governmental agency obligations	166,944
Corporate bonds	16,311,138
Cash and short-term investments	6,086,752
Other	2,904,129
Total	$ 62,478,547

The College uses the total return method of accounting for income from its investments of endowment funds. Under this method, a rate of return is established which is considered to be a prudent return on investments, consisting of both yield (dividends and interest) and realized and unrealized gains. For the year ended May 31, 2001, the spending rate was up to 5.5% of the 36-month moving average market value of endowment fund investments.

Investment expenses, including custodial and management fees, totaled $64,860 for the year ended May 31, 2001.

In addition, included in investments is $916,664 of temporarily restricted and $509,064 of permanently restricted split-interest agreements primarily comprised of annuities and charitable remainder trusts. Also included in investments are permanently restricted trusts totaling $2,445,331 at May 31, 2001, whose assets are held by a third party.

(3) Property, Plant, and Equipment

Property, plant, and equipment consists of the following at May 31, 2001:

Land	$ 1,399,691
Building and improvements	37,861,926
Furniture and equipment	13,366,242
Construction in progress	494,128
	53,121,987
Accumulated depreciation	(26,764,267)
	$ 26,357,720

(Continued)

(4) Contributions Receivable

Contributions receivable is summarized as follows at May 31, 2001:

Less than one year	$ 6,563,290
One year to five years	6,004,157
	12,567,447
Discount	(383,412)
Contributions receivable, net	$ 12,184,035

(5) Bonds Payable

Bonds payable within the plant funds at May 31, 2001 consists of the following:

Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, 1993, Series Three – M1 (The College of St. Catherine), bearing interest at rates ranging from 2.8% to 6.0% (5.2% at May 31, 2001), requiring annual payments of principal increasing from $315,000 in 2001 to $1,545,000 in 2011, collateralized by a sports facility and a pledge of tuition and fees.	$ 4,070,000

The Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, 1993, Series Three – M1 require that the College maintain a debt service average ratio based on net income available for debt service to be at least 1.1 to 1 for each fiscal year, and that liquid fund balances, as defined by the debt agreement, not be less than 25% of outstanding debt, as defined. In addition, interest and principal payments are required to be deposited to a bond and interest sinking fund as they become due.

Maturities of bonds payable (excluding amounts held in reserve funds) for each of the next five years and thereafter are as follows:

2002	$ 335,000
2003	345,000
2004	365,000
2005	395,000
2006	415,000
Thereafter	2,215,000
	$ 4,070,000

(Continued)

(6) Temporarily and Permanently Restricted Net Assets

The net asset balances consist of the following at May 31, 2001:

Temporarily restricted:	
Restricted for programs	$ 4,004,439
Restricted due to time	9,700,132
Split-interest agreements	1,410,659
	$ 15,115,230
Permanently restricted:	
Permanent endowment	$ 17,148,402
Externally managed endowments	2,445,331
Split-interest agreements	311,790
Gifts designated for student loans	3,338
	$ 19,908,861

(7) Functional Expenses

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

Program services	$ 41,270,652
Supporting activities:	
Management and general	7,672,050
Fundraising	1,389,999
	$ 50,332,701

(8) Commitments and Contingencies

(a) Retirement Plans

The College has a defined benefit retirement plan covering substantially all of its full-time hourly employees. The funding policy is to make annual contributions of not less than the minimum required by applicable regulations. The plan assets consist of investments in various common trust funds managed by the Plan's trustee.

(Continued)

Components of net periodic cost for fiscal year 2001 are presented below:

Benefit obligation at May 31	$ 1,504,736
Fair value of plan assets at May 31	1,328,622
Funded status	18,607
Accrued benefit cost recognized in the balance sheet	$ (184,048)

Assumptions used in the actuarial determination of the above amounts for the year ended May 31, 2001 are as follows:

Discount rate	7.75%
Expected return on plan assets	9.00%
Rate of compensation increase	5.00%
Net periodic benefit (income) cost	$ 23,506
Benefits paid to participants	124,136

The College also participates in a discretionary individual retirement plan administered by Teachers Insurance and Annuity Association, College Retirement Equities Fund which covers substantially all faculty and administrative personnel. Employees of the plan contributed 5%, and the College contributes up to 8% of the employee's salary. Retirement plan expense was $1,046,819 for the year ended May 31, 2001.

On January 1, 1997, the College adopted an Employee Health Benefits Plan (the Plan) to provide comprehensive health benefits for covered employees and their covered dependents, as defined in the Plan agreement. This plan is self-insured and, as such, the College pays the benefits as claims for benefits and associated expenses are incurred subject to stop-loss limits of $100,000 per claimant and $1,060,000 annually. The employees are required to contribute to the cost of coverage under the Plan.

(Continued)

(b) Operating Leases

The College is committed under various operating leases for the rental of certain equipment. Annual rental payments totaled $465,074 for the year ended May 31, 2001. Future minimum lease payments under noncancellable operating leases are:

Year ending May 31	
2002	$ 355,539
2003	298,511
2004	108,826
2005	93,474
2006	93,474
Thereafter	186,948
Total	$ 1,136,772

(9) Related Party Transactions

The College has entered into an agreement for leasing the Old Main building on the Minneapolis campus from the Province (through Carondelet Lifecare Corporation). The lease agreement is for 30 years at an annual cost of $1.

The College received contributions from the Province totaling $42,908 and $20,356,763 for the years ended May 31, 2001 and 2000. At May 31, 2001, the present value of the fiscal year 2000 $20,000,000 gift is $9,700,132. The remaining gift is to be paid in two installments of $5,000,000 and $5,000,000 in July 2001 and July 2002, respectively. The discount rate used to calculate the net present value is approximately 6.3%.

The College made payments of $537,499 for the year ended May 31, 2001 for services performed by individual Sisters for the College.

The College provides funding for the College of St. Catherine Alumnae Association (the Association). In return, the Association works with the College's fundraisers to plan and promote alumnae events, publish a quarterly magazine, and help maintain accurate alumnae files used in the annual fund drive. Funding for the Association totaled $286,000 for the year ended May 31, 2001.

THE COLLEGE OF
ST. CATHERINE