**OFFICIAL STATEMENT DATED AUGUST 4, 2005**

**NEW ISSUE** **Rating: Moody's A2**

*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 net taxable income of individuals, estates and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals and corporations. 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.")*

# $39,300,000
# Minnesota Higher Education Facilities Authority
# Revenue Bonds, Series Six-G
# (St. John's University)

**(DTC Book Entry Only)**

**Dated Date: August 1, 2005** **Interest Due: April 1 and October 1, commencing October 1, 2005**

The Bonds are to mature annually on October 1 as follows:

| Year | Amount | Rate | Yield | CUSIP 60416H: | Year | Amount | Rate | Yield | CUSIP 60416H: |
|---|---|---|---|---|---|---|---|---|---|
| 2005 | $ 1,810,000 | 3.00% | 2.79% | FB 5 | 2012 | $ 1,765,000 | 5.00% | 3.84% | FJ 8 |
| 2006 | $ 1,360,000 | 4.00% | 3.07% | FC 3 | 2013 | $ 1,855,000 | 5.00% | 3.93% | FK 5 |
| 2007 | $ 1,420,000 | 3.50% | 3.15% | FD 1 | 2014 | $ 940,000 | 4.00% | 4.01% | FL 3 |
| 2008 | $ 470,000 | 3.50% | 3.34% | FE 9 | 2014 | $ 1,000,000 | 5.00% | 4.01% | FT 6 |
| 2008 | $ 1,000,000 | 5.00% | 3.34% | FQ 2 | 2015 | $ 500,000 | 4.00% | 4.09% | FM 1 |
| 2009 | $ 535,000 | 3.75% | 3.49% | FF 6 | 2015 | $ 1,525,000 | 5.00% | 4.09% | FU 3 |
| 2009 | $ 1,000,000 | 5.00% | 3.49% | FR 0 | 2016 | $ 2,130,000 | 4.00% | 4.19% | FV 1 |
| 2010 | $ 300,000 | 3.75% | 3.60% | FG 4 | 2017 | $ 2,215,000 | 4.25% | 4.25% | FW 9 |
| 2010 | $ 1,305,000 | 4.25% | 3.60% | FS 8 | 2022 | $ 1,000,000 | 4.50% | 4.52% | FX 7 |
| 2011 | $ 1,675,000 | 5.00% | 3.73% | FH 2 | | | | | |

$11,775,000 5.00% Term Bonds due October 1, 2022 Yield 4.32% CUSIP 60416H FN 9
$3,720,000 4.50% Term Bonds due October 1, 2026 Yield 4.593% CUSIP 60416H FP 4

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), the Bonds are subject to redemption on October 1, 2015 or thereafter at par in whole or in part prior to maturity, as described herein. The Bonds also 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 Term Bonds maturing October 1 in the years 2022 and 2026 are subject to mandatory redemption in installments as described herein.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of 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, National Association, Minneapolis, Minnesota, will act as Trustee.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the Order of St. Benedict (the "Corporation"), as owner and operator of St. John's University (the "University"), pursuant to a Loan Agreement between the Authority and the Corporation, or out of other amounts pledged pursuant to the Indenture as described herein. The Loan Repayments will be a general obligation of the Corporation.

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter named below subject to the opinion as to validity and tax exemption of the Bonds by McGrann Shea Anderson Carnival Straughn & Lamb Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the Corporation by Gray Plant Mooty Mooty & Bennett, P.A., Minneapolis, Minnesota; and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter at DTC on or about August 18, 2005.

---

## RBC Dain Rauscher Inc.

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

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

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

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

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

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

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

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

## MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

| | |
|---|---|
| David D. Rowland, Chair | Senior Vice President, St. Paul Travelers Companies, Inc., Eden Prairie, Minnesota |
| Michael D. Ranum, Vice Chair | Chief Financial and Administrative Officer, Hazelden Foundation, Circle Pines, Minnesota |
| Mary F. Ives, Secretary | Real Estate Business Owner, Grand Rapids, Minnesota |
| Gary D. Benson | Vice President, Kraus-Anderson Construction Company, Midwest Division, New Brighton, Minnesota |
| Dr. Kathryn Balstad Brewer | Retired Banker and Educator, 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 Office of Higher Education, Saint Paul, Minnesota |
| Carla Nelson | Former State Representative, Rochester, Minnesota |
| Christopher A. Nelson | Attorney, St. Paul Travelers Companies, Eagan, Minnesota |
| Raymond VinZant, Jr. | Director of Community Outreach, Kelly for Mayor Committee, Saint Paul, Minnesota |

Marianne T. Remedios, Executive Director

Financial Advisor
Springsted Incorporated

## TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

# OFFICIAL STATEMENT

## $39,300,000
## MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
## REVENUE BONDS, SERIES SIX-G
## (St. John's University)

## (BOOK ENTRY ONLY)

## INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the Order of St. Benedict, a Minnesota nonprofit corporation (the "Corporation"), as owner and operator of St. John's University, an institution of higher education located in Collegeville, Minnesota (the "Institution" or the "University") in connection with the issuance of the Authority's $39,300,000 Revenue Bonds, Series Six-G (St. John's University) (the "Bonds," the "Series Six-G Bonds" or the "Issue").

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, 2005 between the Authority and Wells Fargo Bank, 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 between the Corporation and the Authority relating to the Bonds, the Corporation will covenant as a general obligation of the Corporation to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Bonds will be loaned to the Corporation by the Authority and will be used to:

1. Advance refund the outstanding principal amount of the Authority's Series Four-L Bonds (the "Refunded Four-L Bonds"),
2. Advance refund the outstanding principal amount of the Authority's Series Five-I Bonds (the "Refunded Five-I Bonds"), and
3. Pay issuance costs.

The Refunded Four-L Bonds and the Refunded Five-I Bonds are collectively referred to as the "Refunded Bonds." The principal amount of the Refunded Series Four-L Bonds is $24,740,000 and the principal amount of the Refunded Five-I Bonds is $13,305,000. See "USE OF PROCEEDS" herein for a more detailed description of the refunding.

The Bonds are secured by a pledge of the Loan Repayments, which are a general obligation of the Corporation. Under the Loan Agreement, the Corporation will agree to provide the funds necessary to make timely payment of the Loan Repayments. See “SOURCE OF PAYMENT FOR THE BONDS” 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 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, premium, if any, and interest on the Bonds.**

### Risk of Insufficient Collateral

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

### Adequacy of Revenues

Payment of principal and interest on the Bonds is intended to be made from the Corporation's Loan Repayments. The Corporation'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 Corporation and may change in the future to an extent that cannot be presently determined.

### Liens and Mortgages

Certain debt of the Corporation is secured by mortgage liens on the property financed. The aggregate amount of debt secured by mortgage liens as of June 30, 2005 was $3,947,723. Certain other indebtedness of the Corporation is secured by liens on revenues. (See “THE CORPORATION AND THE UNIVERSITY – The Corporation – Long-Term Debt of the Corporation” herein). Such liens will take priority as to the secured assets over the claims of the Bondholders in the event of a default.

## Competition

Competition among institutions of higher education is intense nationally and within the upper Midwest region from which the University 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 University could be adversely affected. In addition, competitive pressures could result in tuition reductions or the inability to raise tuition, which could adversely affect the change in the University's unrestricted net assets.

## Reliance on Tuition

The adequacy of the Corporation's revenues will largely depend on the amount of future tuition revenue the University receives. Such revenue in turn will depend primarily on the University'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 University 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 University.

## Financial Aid

Approximately 92% of the University's students currently receive some federal, state or University financial aid covering some portion of tuition and fees or living expenses. No assurance can be given that federal, state or University financial aid will continue to be funded at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the Corporation's revenues. State financial shortfalls may result in reductions to state aid funding for colleges, including the University. See Appendix I, "THE CORPORATION AND THE UNIVERSITY – The University – Financial Aid" herein.

## Damage or Destruction

Although the Corporation will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the Corporation 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.

## Limited Obligation

No entity or person other than the Corporation 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 Corporation 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 Corporation under the Loan Agreement 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.

### Derivative Products

The Corporation may enter into interest rate swaps or other similar arrangements in the future. Under certain market conditions, termination of an interest rate swap agreement prior to its expiration may require the Corporation to pay a termination fee to the counterparty to the agreement and such payment could be material to the Corporation.

### Permitted Restructurings

The Loan Agreement permits the Corporation to engage in certain asset sales and purchases and merger transactions. In addition, the Loan Agreement permits the Corporation to spin off the Institution and other assets (and related liabilities) into a new entity which would assume the Corporation's obligations under the Loan Agreement. If the new entity meets certain financial tests (including the 50% Funded Debt Ratio and the 120% coverage of Net Income Available for Debt Service over Maximum Annual Debt Service) the Corporation may be released from its obligations under the Loan Agreement. See Appendix V, "Summary of Documents – Loan Agreement," herein.

### Other Possible Risk Factors

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

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

## CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the Corporation 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 Corporation 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 Corporation at the time the Bonds are delivered, a copy of which is available from the Corporation 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 Corporation has reserved its right to discontinue providing information required by the Continuing Disclosure Agreement or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the Corporation determines that such modification is required by the Rule. The Corporation 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 Corporation to comply with the Undertaking will not constitute an event of default on the Bonds (although holders may have other remedies at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the Corporation pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

Any filing under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

## THE BONDS

### General

The Bonds will be dated August 1, 2005. The Bonds will mature annually each October 1, commencing October 1, 2005, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing October 1, 2005.

### Book Entry Only System

The Depository Trust Company

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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or redeemed, through its Direct Participant, to the nominee holding the Bonds, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct Participant's interest in the Bonds, on DTC's records, to the nominee holding the Bonds. The requirement for physical delivery of Bonds in connection with a purchase or redemption will be deemed satisfied when the ownership rights in the Bonds are transferred by the Direct Participants on DTC's records and followed by a book-entry credit of purchased or redeemed Bonds to the nominee holding the Bonds.

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

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. The Authority, the Corporation and the Underwriter do not take any responsibility for the accuracy thereof.

(The Balance of This Page Has Been Intentionally Left Blank)

## Prior Redemption

Mandatory Redemption

The Bonds maturing on October 1, 2022 with an interest rate of 5.00%, and the Bonds maturing on October 1, 2026 (the “Term Bonds”) shall be called for redemption on October 1 in the years and 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 Bonds Due October 1, 2022 | | Term Bonds Due October 1, 2026 | |
|---|---|---|---|
| Year | Amount | Year | Amount |
| 2018 | $ 2,310,000 | 2023 | $ 865,000 |
| 2019 | $ 2,425,000 | 2024 | $ 910,000 |
| 2020 | $ 2,550,000 | 2025 | $ 950,000 |
| 2021 | $ 2,675,000 | 2026* | $ 995,000 |
| 2022* | $ 1,815,000 | | |

* *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 Corporation, 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 Corporation's direction, on October 1, 2015 and on any day thereafter the Authority may elect to redeem Bonds maturing on or after October 1, 2016. Redemption may be in whole or in part. All optional redemptions 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 certain Project Facilities and upon a Determination of Taxability as provided in the Loan Agreement (see “THE BONDS – Determination of Taxability” herein and “SUMMARY OF DOCUMENTS – The Loan Agreement” in Appendix V).

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 fewer 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 Corporation 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

### The Plan of Finance

Bond proceeds and funds available from accounts held in trust by the Trustee for the Refunded Bonds, will be used to:

1. Advance refund the outstanding principal amount of the Authority’s Series Four-L Bonds (the “Refunded Four-L Bonds”),
2. Advance refund the outstanding principal amount of the Authority’s Series Five-I Bonds (the “Refunded Five-I Bonds”), and

3. Pay issuance costs.

The Refunded Bonds are outstanding in the following amounts:

| | |
|---|---|
| Refunded Series Four-L Bonds | $ 24,740,000 |
| Refunded Series Five-I Bonds | 13,305,000 |
| Total: | $ 38,045,000 |

The Series Four-L Bonds have a final maturity date of October 1, 2022 and are callable in full on any date beginning October 1, 2007 at a price of par plus interest accrued to the redemption date. The Series Five-I Bonds have a final maturity date of October 1, 2026 and are callable in full on any date beginning October 1, 2011 at a price of par plus interest accrued to the redemption date. Bond proceeds and other available moneys will fund separate escrow accounts for each series of Refunded Bonds in amounts sufficient to pay all principal and interest as they come due on the Refunded Bonds, including paying all outstanding principal in full on the first available call date. See “USE OF PROCEEDS – Escrow Agreement.”

The Series Four-L Bonds were issued to finance the construction of a science building, a fieldhouse, and residence facilities and the renovation of the existing science center, certain residence facilities, and other buildings and facilities on the University’s campus. The Series Five-I Bonds were issued to finance the construction of two residence facilities and to renovate and improve other buildings on the University’s campus.

**Escrow Agreement**

At the Issue Date, a portion of the Bond proceeds and other available funds will be deposited into two escrow accounts, one for the Refunded Four-L Bonds and one for the Refunded Five-I Bonds, created under the Escrow Agreement among the Corporation, the Authority and Wells Fargo Bank, National Association, as Escrow Agent. The escrow accounts will be funded with cash and U.S. Treasury securities sufficient, along with earnings thereon, to pay the outstanding principal amount of the Refunded Bonds prior to maturity, plus interest that accrues on the Refunded Bonds until the Refunded Bonds are called for redemption on their respective redemption dates (on or about October 1, 2007 for the Refunded Series Four-L Bonds and on or about October 1, 2011 for the Refunded Series Five-I Bonds).

McGladrey & Pullen, LLP, Certified Public Accountants, will deliver an independent verification report stating that the cash and investments held pursuant to the Escrow Agreement along with interest earned thereon will be sufficient to pay the principal of, premium on (as applicable), and interest on the Refunded Bonds as described above and to pay the redemption price of the Refunded Bonds on their respective redemption dates. 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.

## SOURCES AND USES OF FUNDS

| | |
|---|---|
| **Sources** | |
| Bond Proceeds | $ 39,300,000 |
| Accrued Interest | 84,561 |
| Transfers from Series Four-L accounts | 2,176,619 |
| Transfers from Series Five-I accounts | 1,037,777 |
| Reoffering premium | 1,307,696 |
| Total Sources: | $ 43,906,653 |
| **Uses** | |
| Refunding deposit – Series Four-L | $ 25,854,726 |
| Refunding deposit – Series Five-I | 14,210,904 |
| Bond and Interest Sinking Fund Account | 84,561 |
| Debt Service Reserve | 3,118,150 |
| Prior Project Uses | 99,712 |
| Costs of issuance, including Underwriter Discount | 538,600 |
| Total Uses: | $ 43,906,653 |

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

## SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS

### General

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the Corporation 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 at Bond Closing.

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

The Corporation 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 Corporation 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 "GENERAL BOND RESERVE ACCOUNT").

**Financial Covenants**

The Corporation will also covenant 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 preceding three complete Fiscal Years.

b. On June 30, 2006 and at the end of each Fiscal Year thereafter, the Funded Debt Ratio will be no less than 50%. Within 120 days after the end of each Fiscal Year, the Corporation shall furnish to the Trustee a certificate of an Authorized Institution 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 50% the Corporation 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 50% 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 Corporation 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 Corporation 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 Corporation 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 Net Income Available for Debt Service for the most recent complete Fiscal Year for which audited financial statements are available was at least 120% of Maximum Annual Debt Service of (A) then Outstanding Funded Debt, and (B) Funded Debt thereafter proposed to be incurred. The Corporation may take into account as part of Net Income Available for Debt Service estimated net revenues from funded projects, estimated net tuition increases, and estimated net savings from financed equipment or facilities, as more fully provided in the Loan Agreement. See Appendix V, "SUMMARY OF DOCUMENTS – Loan Agreement – Financial Covenants" herein.

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

"Adjusted Increase (Decrease) in Unrestricted Net Assets" means the Increase (decrease) in Unrestricted Net Assets from Operating Activities, as reported in the Statement of Activities section of the audited financial statements of the Corporation, adjusted to: (a) exclude depreciation and amortization expense; and (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment.

"Funded Debt" means (i) indebtedness for borrowed money having a maturity date of more than one year from the date of incurrence or assumption thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including such obligations and indebtedness having a maturity date of one year or less if the maturity date may be extended beyond one year at the option of the Corporation, and (ii) capital leases including lease rental obligations having a term of more than one year from the date of incurrence or assumption thereof by the Corporation 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 paragraph (c) above, means the largest total amount of principal and interest on Funded Debt payable by the Corporation in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding and subject to adjustments in accordance with Section 6.14 of the Loan Agreement.

“Net Income Available for Debt Service” means the 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.

“Unrestricted Liquid Funds” means the Total Unrestricted Net Assets of the Corporation adjusted to exclude Net Investment in Property, Plant and Equipment, as reported in the Balance Sheet section of the audited financial statements of the Corporation. Excluded from Unrestricted Liquid Funds are non-cash changes in the value of financial products, including interest rate swap agreements.

For purposes of (a), (b) and (c) above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by the Corporation's auditors in the report of the Corporation's financial statements for the Fiscal Year ended June 30, 2005.

## ACCOUNTS

### Summary

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Refunding Account, a Bond and Interest Sinking Fund Account, a Reserve Account, a Costs of Issuance Account and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Refunding Account, the Reserve Account, and the Costs of Issuance Account, and an amount equal to accrued interest will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the Corporation as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account and 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.

### Refunding Account

There shall be deposited initially into the Refunding Account certain Bond proceeds which shall be in an amount sufficient, along with available moneys from the Refunded Bonds Trustee and earnings on such amounts, to pay the principal and interest as it comes due on the Refunded Bonds and the redemption price of the Refunded Bonds on their respective redemption dates, as described herein. The monies deposited to this account shall immediately be transferred to the escrow accounts created under the Escrow Agreement to be invested and disbursed according to the terms of the Escrow Agreement. See “USE OF PROCEEDS – Escrow Agreement.”

**Bond and Interest Sinking Fund Account**

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the Corporation. Deposits into the Bond and Interest Sinking Fund Account shall be made at least five Business Days prior to each Interest Payment Date in an amount sufficient, together with other amounts on deposit in such account, to pay interest and principal, if any, coming due on such Interest Payment Date.

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

**Reserve Account**

There shall be initially deposited into the Reserve Account the Reserve Requirement for the Bonds. The Reserve Account is irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time. All amounts paid by the Corporation 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 Corporation shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the Corporation for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than as of March 1, 2006 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 amount of the Reserve Requirement, or more than the amount (if less than the Reserve Requirement) allowed for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within 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 Corporation or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

## Costs of Issuance Account

There shall be deposited into the Costs of Issuance Account the amount specified in the Indenture to be applied to the costs, fees and expenses incurred in connection with the issuance of the Bonds. The Trustee shall disburse funds from this account upon presentation to Trustee of an invoice approved by the Authorized Institution Representative or the Authorized Authority Representative. If funds remain in the Costs of Issuance Account after a period of six months the funds shall be transferred to the Bond and Interest Sinking Fund Account.

## Redemption Account

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

Amounts on deposit to the credit of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account; second, to create and maintain the Reserve Requirement in the Reserve Account; and, third, for the redemption of outstanding Bonds at the request or direction of the Corporation and 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 Corporation 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 Bond and Interest Sinking Fund Account, the Reserve Account, the Costs of Issuance 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, state and local governments or in repurchase agreements collateralized by United States government obligations and certain of its agencies; constant dollar value money market funds that invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements collateralized by United States government obligations and certain of its agencies and which are rated in the highest rating category by a national rating agency; 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. The Indenture sets forth further restrictions as to type and maturity of investments.

Monies deposited in the Refunding Account will not be invested, but will be transferred to the escrow account created under the Escrow Agreement and subject to the investment requirements contained in the Escrow Agreement. See “USE OF PROCEEDS – Escrow Agreement.”

## GENERAL BOND RESERVE ACCOUNT

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. In general, the General Bond Reserve Account secures certain bonds of the Authority for which a deposit is made into the General Bond Reserve Account in compliance with the General Bond Resolution. In connection with the Bonds, the Authority will not require that the Corporation 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.**

## 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 2000.

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $800 million. The Authority has had 150 issues (including refunded and retired issues) totaling over $1 billion, of which approximately $653 million is outstanding as of June 1, 2005. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

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

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

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

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

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

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

## FINANCIAL ADVISOR

The Authority has retained Springsted Incorporated, Public Sector Advisors, of Saint Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon Corporation 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. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $40,244,171.40 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $363,525.00 and adjusted for net original issue premium of $1,307,696.40) plus accrued interest with respect to the Bonds.

The Underwriter intends 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 Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices.

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

## RATING

As noted on the cover page hereof, Moody's Investors Service has assigned a long-term rating of "A2" to the Bonds. This rating reflects only the view of such rating agency. Further information concerning such rating is available from Moody's.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. 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 Corporation are not aware of any pending or overtly threatened in writing litigation which would affect the validity of or the tax-exempt nature of the interest on the Bonds or materially affect the ability of the Corporation 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 McGrann Shea Anderson Carnival Straughn & Lamb Chartered, 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 Corporation by Gray Plant Mooty Mooty & Bennett, P.A., Minneapolis, Minnesota; and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota.

## TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) 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 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 of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and the Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the Corporation, 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.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings: interest on the Bonds is not includable in gross income for federal income tax purposes or in the taxable net 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 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.**

## NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income, for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

[THIS PAGE INTENTIONALLY LEFT BLANK]

# THE CORPORATION AND THE UNIVERSITY

## The Corporation

The Order of St. Benedict (the "Corporation") is a Minnesota nonprofit corporation located in Collegeville, Minnesota. The Corporation has four operating divisions: St. John's Abbey, St. John's Preparatory School, The Liturgical Press and the University. The four divisions are located on one site, consisting of a total of approximately 2,450 acres.

The Abbot of St. John's Abbey is the President of the Corporation. The Corporation's other officers are the Secretary and the Treasurer who are appointed by the President. The Board of Directors of the Corporation is comprised of the Abbot and ten members of the Corporation, five of whom are elected by the members and five of whom are appointed by the Abbot. The membership of the Corporation is limited to the members of St. John's Abbey who hold permanent status through final vows. The members of St. John's Abbey and the members of the Corporation are identical.

## Relationship of the Corporation and the University

To provide for the governance and management of the University, the Corporation has established the governance statutes of the University. The governance statutes, as amended, reserve to the Corporation certain powers concerning the University. Principal among these are the reservations concerning encumbrance or disposition of the assets of the University and the power to amend or revoke the statutes.

The governance statutes establish a self-perpetuating Board of Regents to exercise governance of the University and a President to serve as the chief executive officer of the University. The Board of Regents' responsibility includes assistance in fundraising and prudent management of the University's resources as designated by the Corporation, which retains the power to authorize or modify operating and capital budgets prepared by the President of the University and approved by the Board of Regents.

To enable the University to plan and carry out its approved mission, the Corporation provides for a supplemental schedule of University accounts within the Corporation's audit and designates certain funds as University reserves and endowment.

In order to assure adequate representation of the Corporation in University governance, the officers of the Corporation are ex-officio members of the Board of Regents and the Executive Committee of the Board of Regents. In addition, the Abbot serves as the Chancellor of the University with power to nominate the President of the University for election by the Board. The members of St. John's Abbey also elect eight of their members to the Board of Regents. It is understood that the President of the University may be called on to report to the Corporation concerning the University.

By these procedures the Corporation retains ultimate control of the University while delegating its governance and management to the Board of Regents and the President of the University.

**Long-Term Debt of the Corporation**

The Corporation's long-term debt outstanding as of July 1, 2005 is as follows:

1) Department of Education (HUD) Auxiliary Facilities Construction and Refunding Bonds, Series B, dated November 1, 1966, secured by a mortgage on Bernard, Patrick and Boniface Halls, as well as the net revenue derived from these facilities and the Dining Hall, payable over a 50-year period, in annual installments ranging from $20,000 to $80,000 with interest at 3% until final maturity on November 1, 2016. $825,000 is outstanding.

2) Department of Housing and Urban Development (HUD) mortgage, dated September 24, 1979, secured by certain real estate and equipment in the Solid Waste Boiler portion of the Power House, as well as the assignment of rents and income from the secured facility, only after default on the note by the Corporation. The mortgage is due in semiannual installments of $32,819 including principal and interest at 3% payable over 38 years commencing in 1981 and continuing through May 1, 2019. $755,289 is outstanding.

3) Department of Housing and Urban Development (HUD) mortgage, dated August 26, 1982, secured by Seton Apartments (Earth Sheltered) and a first lien on the net revenue derived from the secured facility. The mortgage is due in semiannual installments payable over 38 years of $29,847 including principal and interest at 3% commencing in 1985 and continuing through August of 2022. $808,117 is outstanding.

4) Department of Education loan in the amount of $1,440,000 dated September 28, 1989 payable in semiannual payments over 30 years of $49,276.82 including principal and interest at 5.50%, commencing May 1, 1990 and continuing through November 1, 2019. The loan is for the renovation of Engel Hall and is secured by a mortgage on Engel Hall and a lien on tuition revenues, in an amount necessary to pay annual debt service. $975,984 is outstanding.

5) $29,850,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-L, dated July 1, 1997; interest rates range from 3.9% to 5.4%; final maturity is due October 1, 2022; $24,740,000 is outstanding. The full faith and credit of the Corporation and a reserve fund secure the bonds. The Corporation will refund the Series Four-L Bonds with proceeds of the Bonds.

6) $3,000,000 Stearns County, Minnesota Revenue Bonds, Series 1999, Order of St. Benedict (St. John's Preparatory School), dated July 1, 1999; interest rates range from 3.9% to 5.6%; final maturity is due October 1, 2024; $2,660,000 is outstanding. The full faith and credit of the Corporation and a reserve fund secure the bonds.

7) $14,270,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-I, dated February 1, 2001, interest rates range from 3.625% to 5.25%, final maturity is due October 1, 2026; $13,305,000 is outstanding. The full faith and credit of the Corporation and a reserve fund secure the bonds. The Corporation will refund the Series Five-I Bonds with proceeds of the Bonds.

8) Unsecured notes payable to various individuals and organizations, due on demand with interest rates ranging from 4% to 6% per annum. $128,701 is outstanding.

9) $700,000 mortgage payable to an individual secured by the Philippi real estate purchased with proceeds of the loan. The mortgage is due in annual principal installments of $58,333 plus interest commencing July 2004 and continuing through July 2015. Interest is the prime rate in existence as of each July 1, is reset annually, and shall not exceed 8.00%. $583,333 is outstanding.

The Corporation's outstanding debt, excluding the Series Four-L Bonds and the Series Five-I Bonds the Corporation will refund with Bond proceeds, totals $6,736,424. The Corporation's total long-term debt will increase by the principal amount of the Bonds upon issuance.

### Annual Debt Service

The following table shows the Corporation's annual debt service based on the actual debt service on the Bonds and the Corporation's actual outstanding debt, excluding debt being refunded by the Bonds. Any additional Corporation indebtedness will increase the Corporation's debt service requirements in the future.

**Annual Debt Service by Fiscal Year**

| Fiscal Year (1) | Debt Service on the Bonds (a) (2) | Outstanding Long-term Debt Service (b) (3) | Combined Long-term Debt Service (c) (4) |
|---|---|---|---|
| 2006 | $2,976,658 | $ 629,986 | $3,606,644 |
| 2007 | 3,069,213 | 624,836 | 3,694,049 |
| 2008 | 3,077,163 | 619,367 | 3,696,530 |
| 2009 | 3,069,088 | 618,493 | 3,687,581 |
| 2010 | 3,065,831 | 612,204 | 3,678,035 |
| 2011 | 3,067,444 | 605,590 | 3,673,034 |
| 2012 | 3,062,213 | 603,567 | 3,665,779 |
| 2013 | 3,066,213 | 596,129 | 3,662,341 |
| 2014 | 3,065,713 | 593,296 | 3,659,009 |
| 2015 | 3,060,538 | 589,928 | 3,650,466 |
| 2016 | 3,053,613 | 585,986 | 3,639,599 |
| 2017 | 3,067,888 | 522,577 | 3,590,464 |
| 2018 | 3,063,219 | 443,677 | 3,506,895 |
| 2019 | 3,053,400 | 459,734 | 3,513,134 |
| 2020 | 3,050,025 | 326,850 | 3,376,875 |
| 2021 | 3,050,650 | 278,413 | 3,329,063 |
| 2022 | 3,045,025 | 278,613 | 3,323,638 |
| 2023 | 3,050,275 | 248,407 | 3,298,682 |
| 2024 | 1,012,938 | 217,640 | 1,230,578 |
| 2025 | 1,018,000 | 221,020 | 1,239,020 |
| 2026 | 1,016,150 | 0 | 1,016,150 |
| 2027 | 1,017,388 | 0 | 1,017,388 |
| | $59,078,640 | $9,676,314 | $68,754,953 |

(a) Debt service on the Bonds is based on the actual principal amount of the Bonds and the rates at which the Bonds were sold on July 28, 2005. The true interest cost on the Bonds is 4.404%.
(b) Actual debt service remaining on the Corporation's outstanding fixed rate bonds, not including the Refunded Bonds, and estimated debt service remaining on the Corporation's variable rate issue using an estimated rate of 8.00% (the maximum rate permitted on those bonds).
(c) Column (2) plus column (3).

The following table shows the amount available to the Corporation for debt service for the Fiscal Years ended June 30, 2003 and 2004:

Fiscal Years 2003 and 2004 Amount Available for Debt Service

| | | 2003 | 2004 |
|---|---|---|---|
| Change in Net Assets from Operating Activities (Unrestricted) | | $1,079,567 | $2,631,713 |
| Plus: | Depreciation and Amortization | 4,469,122 | 4,519,025 |
| | Interest expense | 2,387,908 | 2,391,087 |
| | Amount available for debt service | $7,936,597 | $9,541,825 |
| | Coverage | 2.15 | 2.58 |

**The University**

St. John's University (the "University"), located in Collegeville, Minnesota, was founded in 1857 by the Order of St. Benedict. It is one of the oldest institutions of higher learning in the Midwest. The University is a separate unincorporated operating division of the Corporation.

The University offers four-year undergraduate degrees in the College of Arts and Sciences and graduate degrees in the School of Theology. Enrollment in the College of Arts and Sciences is limited to men; however, the School of Theology admits both men and women.

Although the University continues to enroll only undergraduate men, it also educates undergraduate women through its cooperation with the College of St. Benedict, a four-year undergraduate college for women, which is four miles from the University. The Corporation does not own or control the College of St. Benedict, but the two schools cooperate in virtually all aspects of college life. They share a common academic calendar, maintain a single registrar's and admissions office and operate a combined library system and joint academic and administrative computing services. Requirements for most major programs are the same for students from both colleges. Students may generally attend classes on either campus.

The University is accredited by the North Central Association of Colleges and Secondary Schools as well as by appropriate professional organizations. The University is also registered with the Minnesota Higher Education Services Office in accordance with Minnesota Statutes.

The University admits qualified students without regard to race, color, age, religion or veteran status in accordance with the requirements of federal and State law.

**St. John's University Board of Regents**

| | |
|---|---|
| John Agee | President & Chief Executive Officer, KaPo'E Hana, LLC, Washington, DC |
| Richard Albares | Vice Chair – Faculty Assembly, Saint John's University, Collegeville, Minnesota |
| Br. Dennis Beach, OSB | Assistant Professor of Philosophy, St. John's University, Collegeville, Minnesota |
| Jacqueline Breher | Volunteer, Mendota Heights, Minnesota |

| | |
|---|---|
| Chris Coborn '81 | President, Coborn's Incorporated, Saint Cloud, Minnesota |
| Iris Cornelius | Clinical/Consulting Psychologist, Cornelius & Associate, Saint Paul, Minnesota |
| Joseph Feders, OSB '99 | Associate Pastor, Holy Name Church, Wayzata, Minnesota |
| Cody Fischer '07 | Student Regent, Saint John's University, Collegeville, Minnesota |
| Br. Paul Fitt, OSB | Project Leader Admissions and Student Records, Saint John's University, Collegeville, Minnesota |
| Mark Flynn '78 | Founder/Managing Partner, Trilogy Capital Partners, Menlo Park, California |
| Canning Fok '74 | Group Managing Director, Hutchison Whampoa Limited, Hong Kong |
| Jim Frey '78 | President, Wabash Capital Management, Incorporated, Minneapolis, Minnesota |
| Bob Gavin '62 | Former President of Macalester College, Marine On Saint Croix, Minnesota |
| Steven Halverson '76 | President & Chief Executive Officer, The Haskell Company, Jacksonville, Florida |
| Linda Hoeschler | National Consultant, American Composers Forum, Saint Paul, Minnesota |
| Eric Hollas, OSB | Senior Associate for Arts and Cultural Affairs, Saint John's University, Collegeville, Minnesota |
| John Hooley '74 | Executive Vice President & President & COO, Retail Food Companies, SUPERVALU, Minneapolis, Minnesota |
| Ann Huntrods | Attorney, Briggs and Morgan, Minneapolis, Minnesota |
| John Klassen, OSB '71 | Abbot - Saint John's Abbey, Chancellor - Saint John's University, Collegeville, Minnesota |
| William Kling '64 | President, Minnesota Public Radio, Saint Paul, Minnesota |
| Bob Koopmann, OSB | Professor – Piano, Saint John's University, Collegeville, Minnesota |
| Dale Launderville, OSB '73 | Associate Professor of Theology, Saint John's University, Collegeville, Minnesota |

| | |
|---|---|
| Benedict Leuthner, OSB '82 | Corporate Treasurer, Order of Saint Benedict, Collegeville, Minnesota |
| Diane Liemandt-Reimann | Chair, Liemandt Foundation of the Catholic Foundation, Tonka Bay, Minnesota |
| Pat Maxwell '66 | Vice President & General Counsel, Magnum Tire Corporation, Minneapolis, Minnesota |
| Michael McCarthy '73 | Chairman, McCarthy Group, Incorporated, Omaha, Nebraska |
| Jack McKeon | President, ConAgra Foods Venture Development Group, Edina, Minnesota |
| Joe Mucha '66 | Vice President - Human Resources, General Mills, Minneapolis, Minnesota |
| Doug Mullin, OSB | Associate Professor of Education, Saint John's University, Collegeville, Minnesota |
| Richard Nigon '70 | Director - Corporate Equity Finance, Miller, Johnson, Steichen and Kinnard, Wayzata, Minnesota |
| Kathleen Norris | Writer/Author, Honolulu, Hawaii |
| Richard Oliver, OSB | Abbey Web Manager, Saint John's University, Collegeville, Minnesota |
| Dean Phillips | President/Chief Executive Officer, Phillips Distilling Company, Minneapolis, Minnesota |
| Robin Pierzina, OSB '75 | Corporate Secretary - Order of Saint Benedict, Editor - Liturgical Press, Collegeville, Minnesota |
| John Pohlad '87 | Managing Director and President, Marquette Asset Management, Minneapolis, Minnesota |
| Bonnie Reim | Volunteer, White Bear Lake, Minnesota |
| Dietrich Reinhart, OSB '71 | President, Saint John's University, Collegeville, Minnesota |
| Dan Riley '84 | Vice President Analysis, Measurement and Assurance, Target Corporation, Bloomington, Minnesota |
| Don Schumacher '65 | Executive Vice President, Cretex Companies, Incorporated, Elk River, Minnesota |
| Jim Sexton '81 | President, Sexton Benefit Resources, Incorporated, Hinsdale, Illinois |
| Steve Slaggie '61 | Corporate Secretary/Shareholder Relations, Officer, Fastenal Company, Winona, Minnesota |

| | |
|---|---|
| Michael Wethington '79 | Managing Partner, SynetVentures, Minneapolis, Minnesota |
| Dan Whalen '70 | President, Whalen Family Foundation, Oakland, California |
| Frank Wilderson | Wilderson and Associates, Incorporated, Minneapolis, Minnesota |

**President of the University**

Brother Dietrich Reinhart, OSB, has been the President of St. John's University since July 1991 and has been associated with the University and St. John's Abbey since his Monastic profession in 1972. He received his B.A. degree from the University in 1971 and was awarded a Ph.D. in History from Brown University in 1984.

During his tenure at the University, Brother Dietrich has held numerous positions including Associate Professor of History, Dean of the College of Arts and Sciences, and Acting Vice President for Academic Affairs.

Brother Dietrich currently serves on the boards of the Hill Museum & Manuscript Library, the Institute for Ecumenical and Cultural Research, St. John's School of Theology, the Minnesota Private College Council (MPCC), Association of Benedictine Colleges and Universities (ABCU), Association of Catholic Colleges and Universities (ACCU), and Bremer Bank.

**Corporate Treasurer**

Brother Benedict Leuthner, OSB has been Corporate Treasurer of the Order of St. Benedict since January 1997, and has been associated with St. John's University and St. John's Abbey since his Monastic profession in 1987. He received a B.A. degree from St. John's University in 1982 and was awarded a Masters of Business Administration in Non-profit Management from Case Western Reserve University in Cleveland in 1994.

As Corporate Treasurer, Brother Benedict serves on the governing boards for St. John's University and St. John's Preparatory School, Board of Directors (Senior Council) for St. John's Abbey and The Liturgical Press, and the President's Council for the American-Cassinesse Congregation.

**Vice President for Finance and Administration**

Carole T. Coleman has been VP for Finance and Administration since July 1, 2003. She previously served higher education in business functions for twenty years, most recently as Chief Financial Officer and Executive Vice President. She holds a BS in Business Administration and received a Masters in Business Administration from Wheeling Jesuit University in 1990.

As VP for Finance and Administration, Ms. Coleman is responsible to the President of the University, and serves as his chief advisor on all matters pertaining to the financial and business affairs of the University.

## University Facilities

There are twelve academic buildings and thirty-one student residence facilities on the University campus. Eight of the academic buildings are on the National Register of Historic Places. The oldest building, the Quadrangle, was originally built in 1868.

The Abbey/University Church, Alcuin Library, the Peter Engel Science Center and several residence halls were designed by Marcel Breuer, internationally known Bauhaus architect. A new $8 million, 48,000 square foot Science Center opened in August 1998. A $7 million athletic renewal project in 1997 included renovation of the football stadium and Warner Palastra, and an outdoor track and all-purpose field house. Improvements include a 6,200 square foot health and fitness center, and athletic training area; and a 300-foot by 210-foot field house, featuring a championship 200-meter, six-lane track and five tennis courts.

## Academic Information

The University confers the Bachelor of Arts degree to undergraduates completing all departmental and University requirements. The School of Theology currently offers the Master of Arts degree in theology, pastoral ministry, liturgical studies and liturgical music and the Master of Divinity degree.

The University follows the early semester academic calendar of two semesters each consisting of 72 class days and 4 days of final examinations. A normal course load is considered four, 4-credit classes per semester.

The libraries at St. John's University and the College of St. Benedict serve the combined student body with a joint staff and coordinated programs and services. Joint holdings of the two libraries are over 607,000 volumes, 2,114 active paper periodical subscriptions and over 10,500 electronic periodical titles 278,035 government documents and 118,293 microforms. The online catalog, PALS, of the joint libraries allows students to search the collections of both facilities, as well as 125 other libraries in Minnesota and many libraries in both North and South Dakota. In addition, through the MnLINK Gateway patrons have access to the University of Minnesota, its coordinate campuses, and most public library systems in the state.

## Student Enrollment

The University's total historic enrollment for undergraduate and graduate students for the past five years and the estimated enrollment for fiscal year 2005/06 is as follows:

| Fiscal Year | Head Count | FTE |
|---|---|---|
| Actual: | | |
| 2000/01 | 2,020 | 1,950 |
| 2001/02 | 2,039 | 1,972 |
| 2002/03 | 2,043 | 1,980 |
| 2003/04 | 2,067 | 1,996 |
| 2004/05 | 2,015 | 1,952 |
| Estimated: | | |
| 2005/06 | 1,988 | 1,925 |

Of the 455 persons enrolled in the 2005 freshman class, 373 or 82% are Minnesota residents.

**Freshman Applications, Acceptances and Enrollments**

| | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 |
|---|---|---|---|---|---|
| Applications | 1,189 | 1,115 | 1,101 | 1,049 | 1,160 |
| Acceptances | 1,005 | 950 | 957 | 932 | 1,001 |
| Percent Accepted | 85% | 85% | 87% | 89% | 86% |
| Enrolled | 522 | 502 | 468 | 490 | 512 |
| Percent Enrolled to Accepted | 52% | 53% | 49% | 53% | 51% |
| Mean ACT Score | 25 | 25 | 25 | 25 | 25 |
| Mean SAT Verbal/ Math Scores* | 570/607 | 589/609 | 579/624 | 579/624 | 579/612 |

* *All scores recentered.*

As of July 8, 2005, the University has received 1,165 freshman applications for the fall 2005 term, compared to 1,155 received by the same date in 2004. Approximately 87% of the 2005 applicants have been accepted for enrollment.

**Student Retention**

The University reports the following student retention percentages, based on tracking incoming freshmen through to graduation.

| | | Percent of Students Returning | | | | Percent of Graduates | |
|---|---|---|---|---|---|---|---|
| Fall Semester | New Freshmen | 2nd Year | 3rd Year | 4th Year | 5th Year | 4 Years | By 5th Year |
| 1996 | 426 | 90.1% | 85.7% | 82.4% | 6.8% | 69.0% | 77.0% |
| 1997 | 450 | 90.9 | 87.8 | 84.2 | 5.8 | 73.0 | 82.0 |
| 1998 | 427 | 92.3 | 85.7 | 82.7 | 4.7 | 74.0 | 81.0 |
| 1999 | 475 | 89.7 | 83.8 | 79.8 | 8.4 | 71.0 | 77.0 |
| 2000 | 522 | 91.6 | 86.0 | 83.9 | 2.3 | 78.0 | |
| 2001 | 502 | 89.4 | 81.3 | 78.3 | | | |
| 2002 | 468 | 89.7 | 84.2 | | | | |
| 2003 | 490 | 91.0 | | | | | |

**Tuition and Fees**

The University meets the costs of its educational programs primarily through tuition and fees. The following table lists the tuition, room and board fees for the past five years, charged to a full-time, incoming freshman.

| | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 |
|---|---|---|---|---|---|
| Tuition | $16,995 | $18,015 | $18,916 | $20,335 | $21,758 |
| Room* | 2,473 | 2,900 | 3,060 | 3,210 | 3,358 |
| Board | 2,656 | 2,722 | 2,817 | 2,915 | 3,018 |
| Activity Fee | 150 | 160 | 160 | 180 | 200 |
| Technology Fee | 96 | 150 | 150 | 170 | 190 |
| Total | $$22,370 | $23,947 | $25,103 | $26,810 | $28,524 |

* *Amounts represented above are average room charges; actual amounts may be more or less depending on the residence.*

Special fees may be charged for specific courses such as science labs, arts fees or music lessons.

**2005-2006 Undergraduate Rate Comparison of Minnesota Private Colleges (ranked by Comprehensive Charges)**

| College/University | Tuition and Required Fees | Room and Board | Comprehensive Charges* |
|---|---|---|---|
| Carleton College | $32,649 | $7,818 | $40,467 |
| Macalester College | $28,642 | $7,858 | $36,500 |
| St. Olaf College | $26,500 | $6,300 | $32,800 |
| Minneapolis College of Art & Design | $25,040 | $5,970 | $31,010 |
| Gustavus Adolphus College | $24,865 | $6,055 | $30,920 |
| University of St. Thomas | $23,294 | $7,086 | $30,380 |
| College of Saint Benedict | $23,454 | $6,637 | $30,091 |
| Hamline University | $23,375 | $6,712 | $30,087 |
| **Saint John's University** | **$23,474** | **$6,275** | **$29,749** |
| College of St. Catherine | $22,714 | $6,120 | $28,834 |
| College of St. Scholastica | $22,240 | $6,216 | $28,456 |
| Augsburg College | $21,953 | $6,341 | $28,294 |
| Bethel University | $21,300 | $6,800 | $28,100 |
| Concordia University (St. Paul) | $21,312 | $6,464 | $27,776 |
| Saint Mary's University of Minnesota | $19,129 | $5,740 | $24,869 |
| Concordia College (Moorhead) | $19,520 | $4,990 | $24,510 |
| Bethany Lutheran College | $15,716 | $4,982 | $20,698 |
| Average | $23,246 | $6,374 | $29,620 |

* *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.*

*Source for the table and note above:Minnesota Private College Council.*

(The Balance of This Page Has Been Intentionally Left Blank)

## Financial Aid

Approximately 92% of the student body annually receives some form of financial aid. The following table is a five-year summary of financial assistance received from both University and non-University sources.

| | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 |
|---|---|---|---|---|---|
| Loans: | | | | | |
| Perkins | $ 415,300 | $ 488,724 | $ 560,127 | $ 718,620 | $ 607,435 |
| Stafford/Private | 4,279,453 | 4,839,734 | 5,252,977 | 5,873,235 | 6,178,378 |
| PLUS | 826,788 | 1,032,126 | 986,146 | 1,469,068 | 1,998,066 |
| SELF (State of Minnesota) | 2,056,719 | 2,026,907 | 1,921,605 | 2,185,546 | 1,998,107 |
| Total Loans | $ 7,578,260 | $ 8,387,491 | $ 8,720,855 | $ 10,246,469 | $10,781,986 |
| Student Employment (All Sources) | $ 2,356,931 | $ 2,595,097 | $ 2,351,969 | $ 2,565,667 | $ 2,493,173 |
| Gift Aid: | | | | | |
| Federal/State | $ 2,719,361 | $ 2,708,939 | $ 2,850,927 | $ 2,755,844 | $ 2,609,569 |
| University | 9,873,825 | 10,897,432 | 11,819,591 | 13,214,681 | 14,338,962 |
| Total Gift Aid | $12,593,186 | $ 13,606,371 | $ 14,670,518 | $ 15,970,525 | $ 16,948,531 |
| Total Financial Aid | $22,528,377 | $24,588,959 | $25,743,342 | $28,782,661 | $30,223,690 |

## Faculty

The student-faculty ratio is approximately 14 to 1. Approximately 10% of the faculty are members of the Order of St. Benedict or other religious orders. There are no religious or denominational prerequisites or any participatory religious requirements for faculty membership. The University subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

For the 2004/05 Fiscal Year, the University has 144 full-time and 24 part-time faculty. The number and average salary by rank for full-time faculty during the 2004/05 Fiscal Year were:

| Rank | Number | Average Salary |
|---|---|---|
| Professor | 49 | $74,837 |
| Associate Professor | 46 | 56,726 |
| Assistant Professor | 33 | 47,566 |
| Instructor/Lecturer | 8 | 44,299 |

Sixty percent of the full-time faculty are tenured.

## Pension Plan

The Order of St. Benedict has a defined contribution pension plan covering substantially all of its full-time lay employees. The Corporation contributes 9% of the covered employees' salaries and the employees contribute 2%. Total pension contributions for the Corporation for the years ended June 30, 2004 and 2003 were $1,834,144 and $1,741,076, respectively.

### Corporation Investments

The Corporation has adopted Investment guidelines that describe the investment program and provide a framework for the ongoing management of assets and facilitation of an annual review of investment program guidelines. Within these guidelines investment goals and objectives are identified; asset allocation strategy recorded; and approved classes of types of investments where assets can be invested identified. These guidelines also record risk tolerance, include social investment guidelines, and spending and rebalancing policies. Funds of the Corporation are currently invested approximately 71% in equity securities, 1% in short-term investments, 24.9% in debt securities, and 3.1% in other investments.

### Capital Campaign

The Corporation's current campaign, *One Generation to the Next*, is in the quiet phase and is on schedule to meet its $150 million goal. The campaign focuses on endowment growth to support scholarships and approximately 15% of the campaign is for capital needs. Public announcement of the campaign is scheduled for fall, 2005. The campaign is scheduled to conclude on June 30, 2009.

### Endowment Funds

The following table lists the fund balances for the Order of St. Benedict endowment and other available funds for the Fiscal Years ended June 30, 2000 through 2004.

| Fiscal Year Ended June 30 | Permanently Restricted Net Assets | Temporarily Restricted Net Assets | Unrestricted Net Assets | Totals |
|---|---|---|---|---|
| 2000 | $34,023,227 | $ 7,730,951 | $128,791,357 | $170,545,535 |
| 2001 | $35,243,058 | $ 8,860,279 | $124,754,666 | $168,858,003 |
| 2002 | $37,352,624 | $ 8,035,086 | $110,913,676 | $156,301,386 |
| 2003 | $39,349,797 | $ 9,248,423 | $103,550,181 | $152,148,401 |
| 2004 | $41,420,364 | $14,714,647 | $118,393,210 | $174,528,221 |

The estimated, unaudited, comparable number for the Fiscal Year ended June 30, 2005 for the Corporation's total endowment and other available funds is $188,000,000.

### Financial Statements

Appendix VI sets forth the financial statements of the Corporation for the fiscal years ended June 30, 2004 and 2003, audited by Larson, Allen, Weishair & Co., LLP, Minneapolis, Minnesota and prepared in accordance with generally accepted accounting principles (GAAP). The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

### Statement of Activities (Unrestricted Portion Only) for Fiscal Years 2000 through 2004

The following tables set forth the statement of activities (unrestricted portion only) prepared in accordance with GAAP for the fiscal years 2000 through 2004 from the Corporation's audited financial statements. The Corporation changed its audited statement presentation in fiscal year 2003. Consequently fiscal years 2000 through 2002 are shown in the prior presentation format and fiscal years 2003 and 2004 are shown in the current presentation format. The Corporation has four operating divisions, consisting of St. John's Abbey, St. John's University, St. John's

Preparatory School, and The Liturgical Press. Statements of activities follow for the Corporation (the first two following tables) and for the University alone (the second two following tables). For more complete financial information of the Corporation for the Fiscal Years ended June 30, 2004 and 2003, see Appendix VI of this Official Statement.

(The Balance of This Page Has Been Intentionally Left Blank)

**ORDER OF ST. BENEDICT, INC.**
**STATEMENT OF UNRESTRICTED ACTIVITIES**
**YEARS ENDED JUNE 30,**

| | 2000 | 2001 | 2002 |
|---|---|---|---|
| REVENUES, GAINS AND OTHER SUPPORT | | | |
| Tuition and fees | $ 32,422,135 | $ 35,173,674 | $ 37,679,695 |
| Less: Scholarships and grants | (9,425,032) | (10,922,990) | (11,994,208) |
| Net tuition and fees | 22,997,103 | 24,250,684 | 25,685,487 |
| Government grants | 885,923 | 1,027,199 | 919,118 |
| Individual earnings | 4,505,596 | 4,519,340 | 4,636,931 |
| Private gifts and grants | 4,478,917 | 5,020,790 | 5,089,912 |
| Other investment income | 934,711 | 1,186,957 | 1,068,204 |
| Endowment income | 2,702,958 | 2,720,097 | 2,865,252 |
| Net realized gains (losses) on investments | 5,069,578 | 669,255 | 351,150 |
| Net unrealized gains (losses) on investments | 1,926,980 | (4,387,876) | (11,171,303) |
| Other sources | 1,974,705 | 2,241,293 | 2,435,807 |
| Net sales - Liturgical Press | 9,523,086 | 10,220,360 | 10,850,078 |
| Sales and services of auxiliary enterprises | 16,337,757 | 17,440,144 | 17,023,067 |
| Adjustment of actuarial liability | (1,238,644) | (741,557) | (332,514) |
| | 70,098,670 | 64,166,686 | 59,421,189 |
| Net assets released from restrictions | 5,545,701 | 3,825,091 | 2,578,362 |
| Total Revenues, Gains and Other Support | 75,644,371 | 67,991,777 | 61,999,551 |
| EXPENSES | | | |
| Program expenses | | | |
| Instruction | 16,296,662 | 17,230,724 | 18,824,506 |
| Academic support | 7,119,981 | 7,631,600 | 8,064,101 |
| Student services | 4,927,798 | 5,210,104 | 5,789,046 |
| Auxiliary enterprises | 12,629,836 | 13,684,652 | 12,759,064 |
| Abbey | 6,495,238 | 6,869,491 | 9,212,914 |
| Liturgical Press | 9,432,587 | 9,743,929 | 10,371,729 |
| Support expenses | | | |
| Institutional support | 8,125,652 | 8,423,016 | 9,203,770 |
| Other | | | |
| Sponsored programs | 1,239,706 | 1,358,738 | 1,327,654 |
| Total Expenses | 66,267,460 | 70,152,254 | 75,552,784 |
| Increase (Decrease) in Net Assets | 9,376,911 | (2,160,477) | (13,553,233) |
| NET ASSETS – Beginning of Year | 198,148,338 | 207,885,380 | 205,615,297 |
| Reclassification of Net Assets | - | (109,606) | (36,869) |
| ADJUSTED NET ASSETS | 198,148,338 | 207,775,774 | 205,578,428 |
| NET ASSETS – END OF YEAR BEFORE CHANGE IN ACCOUNTING PRINCIPLE | $ 207,525,249 | $ 205,615,297 | $ 192,025,195 |
| CHANGE IN ACCOUNTING PRINCIPLE | 360,131 | - | - |
| NET ASSETS – END OF YEAR AFTER CHANGE IN ACCOUNTING PRINCIPLE | $ 207,885,380 | $ 205,615,297 | $ 192,025,195 |

Source: audited financial statements of the Corporation

**ORDER OF ST. BENEDICT, INC.**
**STATEMENT OF UNRESTRICTED ACTIVITIES**
**YEARS ENDED JUNE 30,**

| | 2003 | 2004 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| OPERATING REVENUES | | |
| Tuition and fees | $ 39,994,997 | $ 43,334,795 |
| Less: scholarships and grants | (13,172,646) | (14,423,207) |
| Net tuition and fees | 26,822,351 | 28,911,588 |
| Government grants | 648,330 | 871,574 |
| Individual earnings | 4,480,910 | 4,459,888 |
| Private gifts and grants | 4,366,649 | 4,393,314 |
| Other investment income | 802,621 | 988,497 |
| Investment income allocated for operations (draw) | 8,817,611 | 8,097,438 |
| Other sources | 2,149,286 | 2,345,785 |
| Net sales - Liturgical Press | 9,633,726 | 9,473,524 |
| Sales and services of auxiliary enterprises | 16,672,218 | 16,635,723 |
| | 74,393,702 | 76,177,331 |
| Net assets released from restrictions | 2,974,990 | 2,756,772 |
| Total Operating Revenues, Gains and Other Support | 77,368,692 | 78,934,103 |
| OPERATING EXPENSES | | |
| Program expenses | | |
| Instruction | 20,228,902 | 21,207,901 |
| Academic support | 8,445,183 | 8,252,676 |
| Student services | 6,239,716 | 6,626,119 |
| Auxiliary enterprises | 12,785,149 | 13,234,513 |
| Abbey | 7,688,302 | 6,135,756 |
| Liturgical Press | 9,861,191 | 9,894,921 |
| Support expenses | | |
| Institutional support | 9,822,325 | 9,746,570 |
| Other | | |
| Sponsored programs | 1,218,357 | 1,203,934 |
| Total Operating Expenses | 76,289,125 | 76,302,390 |
| Increase (Decrease) in Net Assets from Operating Activities | 1,079,567 | 2,631,713 |
| NONOPERATING ACTIVITIES | | |
| Long-term investment activities | | |
| Endowment income | 3,870,945 | 2,692,143 |
| Net realized gains (losses) on investments | (11,347,609) | 6,421,527 |
| Net unrealized gains (losses) on investments | 7,321,466 | 7,704,815 |
| Total long-term investment income | (155,198) | 16,818,485 |
| Less: Investment return allocated for operations (draw) | (8,817,611) | (8,097,438) |
| | (8,972,809) | 8,721,047 |
| Government grants | | |
| Federal grants | - | - |
| Private gifts and grants | - | - |
| Contributions | - | - |
| Loss on contributions | - | - |
| Annuity and unitrust net gifts | 76,255 | 305,030 |
| Wastewater capital revenue | 1,100,000 | 579,000 |
| Adjustment of actuarial liability | (1,104,940) | (846,229) |
| Reclassification of Net Assets | - | (5,097) |
| | 71,315 | 32,704 |
| Net assets released from restrictions | 1,771,236 | 8,225,504 |
| | 1,842,551 | 8,258,208 |
| Increase (Decrease) in Net Assets from Nonoperating Activities | (7,130,258) | 16,979,255 |
| Increase (Decrease) in Net Assets | (6,050,691) | 19,610,968 |
| Net Assets - Beginning of Year | 192,025,195 | 185,974,504 |
| NET ASSETS - END OF YEAR | $ 185,974,504 | $ 205,585,472 |

Source: audited financial statements of the Corporation

**ST. JOHN'S UNIVERSITY**
**STATEMENT OF UNRESTRICTED ACTIVITIES**
**YEARS ENDED JUNE 30,**

| | 2000 | 2001 | 2002 |
|---|---|---|---|
| REVENUES, GAINS AND OTHER SUPPORT | | | |
| Tuition and fees | $ 30,580,348 | $ 33,078,777 | $ 35,282,040 |
| Less: Scholarships and grants | (9,158,097) | (10,520,369) | (11,584,669) |
| Net tuition and fees | 21,422,251 | 22,558,408 | 23,697,371 |
| Government grants | | | |
| Federal grants | 614,449 | 632,033 | 634,381 |
| State grants | 271,474 | 395,166 | 284,737 |
| Private gifts and grants | 3,492,241 | 3,794,225 | 4,181,153 |
| Other investment income | 507,058 | 761,712 | 611,260 |
| Endowment income | 1,420,018 | 1,302,147 | 1,672,392 |
| Net realized gains (losses) on investments | 3,692,049 | 1,517,859 | (1,283,546) |
| Net unrealized gains (losses) on investments | 4,354,722 | (5,465,829) | (7,357,148) |
| Other sources | 1,475,815 | 1,798,666 | 1,918,123 |
| Sales and services of auxiliary enterprises | | | |
| Residence halls | 3,820,344 | 4,132,223 | 4,682,334 |
| Food services | 3,918,794 | 5,686,606 | 6,096,015 |
| Other auxiliaries | 6,698,410 | 5,542,623 | 3,776,877 |
| Adjustment of actuarial liability | (1,003,129) | (677,699) | (192,811) |
| | 50,684,496 | 41,978,140 | 38,721,138 |
| Net assets released from restrictions | 5,352,270 | 3,270,765 | 2,560,458 |
| Total Revenues, Gains and Other Support | 56,036,766 | 45,248,905 | 41,281,596 |
| EXPENSES | | | |
| Program expenses | | | |
| Instruction | 14,800,902 | 15,498,218 | 16,996,421 |
| Academic support | 6,369,555 | 6,924,612 | 7,340,863 |
| Student services | 4,899,162 | 5,185,137 | 5,754,722 |
| Auxiliary enterprises | | | |
| Residence halls | 2,626,988 | 2,757,294 | 3,152,957 |
| Food service | 3,272,998 | 4,954,850 | 5,191,629 |
| Other auxiliaries | 5,902,746 | 4,918,224 | 3,245,570 |
| Support expenses | | | |
| Institutional support | 6,718,982 | 6,876,267 | 7,657,217 |
| Other | | | |
| Sponsored programs | 1,239,706 | 1,358,738 | 1,327,654 |
| Total Expenses | 45,831,039 | 48,473,340 | 50,667,033 |
| Increase (Decrease) in Net Assets | 10,205,727 | (3,224,435) | (9,385,437) |
| NET ASSETS – Beginning of Year | 138,344,481 | 148,803,477 | 145,482,635 |
| Reclassification of Net Assets | (106,862) | (96,407) | (40,570) |
| ADJUSTED NET ASSETS | 138,237,619 | 148,707,070 | 145,442,065 |
| NET ASSETS – END OF YEAR BEFORE CHANGE IN ACCOUNTING PRINCIPLE | $ 148,443,346 | $ 145,482,635 | $ 136,056,628 |
| CHANGE IN ACCOUNTING PRINCIPLE | 360,131 | - | - |
| NET ASSETS – END OF YEAR AFTER CHANGE IN ACCOUNTING PRINCIPLE | $ 148,803,477 | $ 145,482,635 | $ 136,056,628 |

Source: audited financial statements of the Corporation

**ST. JOHN'S UNIVERSITY**
**STATEMENT OF UNRESTRICTED ACTIVITIES**
**YEARS ENDED JUNE 30,**

| | 2003 | 2004 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| OPERATING REVENUES | | |
| Tuition and fees | $ 37,487,373 | $ 40,742,389 |
| Less: Funded scholarships and grants - restricted | (2,161,112) | (2,004,894) |
| Less: Funded scholarships and grants - unrestricted | (1,002,245) | (825,236) |
| Less: Unfunded scholarships and grants | (9,529,809) | (11,180,248) |
| Net tuition and fees | 24,794,207 | 26,732,011 |
| Government grants | | |
| Federal grants | 648,330 | 660,059 |
| State grants | - | 211,515 |
| Private gifts and grants | 3,242,869 | 3,386,779 |
| Other investment income | 382,687 | 302,631 |
| Investment income allocated for operations (draw) | 6,565,498 | 5,841,237 |
| Other sources | 1,640,574 | 1,776,765 |
| Sales and services of auxiliary enterprises | | |
| Residence halls | 4,755,769 | 4,845,528 |
| Food services | 5,762,442 | 5,711,935 |
| Other auxiliaries | 3,831,837 | 3,825,198 |
| | 51,624,213 | 53,293,658 |
| Net assets released from restrictions | 2,758,516 | 2,643,373 |
| Total Operating Revenues, Gains and Other Support | 54,382,729 | 55,937,031 |
| OPERATING EXPENSES | | |
| Program expenses | | |
| Instruction | 18,313,242 | 19,284,667 |
| Academic support | 7,699,653 | 7,430,604 |
| Student services | 6,210,058 | 6,598,761 |
| Auxiliary enterprises | | |
| Residence halls | 3,632,290 | 3,930,416 |
| Food service | 4,745,659 | 4,874,947 |
| Other auxiliaries | 3,188,265 | 3,214,214 |
| Support expenses | | |
| Institutional support | 8,222,946 | 8,208,557 |
| Other | | |
| Sponsored programs | 1,218,357 | 1,203,934 |
| Total Operating Expenses | 53,230,470 | 54,746,100 |
| Increase (Decrease) in Net Assets from Operating Activities | 1,152,259 | 1,190,931 |
| NONOPERATING ACTIVITIES | | |
| Long-term investment activities | | |
| Endowment income | 2,701,218 | 1,542,094 |
| Net realized gains (losses) on investments | (9,220,361) | 5,202,380 |
| Net unrealized gains (losses) on investments | 6,033,915 | 4,893,963 |
| Total long-term investment income | (485,228) | 11,638,437 |
| Less: Investment return allocated for operations (draw) | (6,565,498) | (5,841,237) |
| | (7,050,726) | 5,797,200 |
| Government grants | | |
| Federal grants | - | - |
| Private gifts and grants | - | - |
| Contributions | - | - |
| Loss on contributions | - | - |
| Annuity and unitrust net gifts | 41,974 | 265,629 |
| Adjustment of actuarial liability | (837,195) | (692,965) |
| Reclassification of Net Assets | - | (5,097) |
| | (795,221) | (432,433) |
| Net assets released from restrictions | 1,636,913 | 5,793,999 |
| | 841,692 | 5,361,566 |
| Increase (Decrease) in Net Assets from Nonoperating Activities | (6,209,034) | 11,158,766 |
| Increase (Decrease) in Net Assets | (5,056,775) | 12,349,697 |
| Net Assets - Beginning of Year | 136,056,628 | 130,999,853 |
| NET ASSETS - END OF YEAR | $ 130,999,853 | $ 143,349,550 |

Source: audited financial statements of the Corporation

[THIS PAGE INTENTIONALLY LEFT BLANK]

## PROPOSED FORM OF LEGAL OPINION

**McGrann Shea Anderson Carnival Straughn & Lamb, Chartered**

**ATTORNEYS AT LAW**

U.S. BANCORP CENTER
800 NICOLLET MALL
SUITE 2600
**MINNEAPOLIS, MINNESOTA**
55402-7035

TELEPHONE (612) 338-2525
FACSIMILE (612) 339-2386

WILLIAM R. MCGRANN
ANDREW J. SHEA
DAVID S. ANDERSON
DOUGLAS M. CARNIVAL
ROBERT O. STRAUGHN
PETER L. COOPER
KATHLEEN M. LAMB
JOHN R. SCHULZ
COREY J. AYLING
HENRY M. HELGEN III
RANDOLPH W. MORRIS
SCOTT B. CROSSMAN
CARLA J. PEDERSEN
PAMELA HODGES NISSEN
KATHLEEN MICHAELA BRENNAN
JOSEPH T. BAGNOLI

GREGORY P. GATTI
JENNIFER A. JAMESON
TIMOTHY J. FOSTER
AMY L. COURT
ROGER J. STELLJES
AMANDA R. CEFALU
SEAN O. SKRYPEK
ALBERT E. LI
DOUGLAS M. JAKWAY
CARL S. WOSMEK

$39,300,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Six-G
(St. John's University)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book-entry) Revenue Bonds, Series Six-G (St. John's University), in the aggregate principal amount of $39,300,000 (the "Bonds"), dated August 1, 2005, more fully described in and issued pursuant to the Indenture (defined below).

The Bonds are issued for the purpose of funding a loan from the Authority to the Order of St. Benedict (the "Corporation"), a Minnesota nonprofit corporation as owner and operator of St. John's University, an institution of higher education (the "Institution") located in Collegeville, Minnesota, in order to refinance educational facilities owned and operated by the Corporation and located on the campus of the Institution in Collegeville, Minnesota. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the Corporation and the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee") each dated as of August 1, 2005, one or more opinions of Gray, Plant, Mooty, Mooty & Bennett, P.A., as counsel to the Corporation, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the Corporation without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Gray, Plant, Mooty, Mooty, & Bennett, P.A., as to the Loan Agreement having been duly authorized and executed and being binding upon the Corporation and as to the corporate organization, tax-exempt status and unrelated trade or business activities, good standing, and powers of the Corporation. As to title to the Project Site (as defined in the Loan Agreement and Indenture), we have relied on information contained in owner and encumbrances reports, title insurance policies or commitments or title opinions, provided to us by the Corporation or by counsel engaged by it, and have not undertaken any examination of the records of the Corporation or original title records or abstracts of title.

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

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

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

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

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

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in net taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"), or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership or disposition of the Bonds.

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

Dated at Minneapolis, Minnesota, August __, 2005.

McGrann Shea Anderson Carnival
Straughn & Lamb, Chartered

## ANNUAL REPORT INFORMATION

The Annual Report Date will be 270 days after each fiscal year end, commencing with the fiscal year ended June 30, 2005. 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:

      - Long-term debt of the Corporation
      - Annual Debt Service
      - Student Enrollment
      - Freshman Applications, Acceptances and Enrollments
      - Student Retention
      - Tuition and Fees
      - Financial Aid
      - Faculty
      - Pension Plan
      - Corporation Investments
      - Capital Campaign
      - Endowment Funds

   b. An update of calculation of Amount Available for Debt Service under “Annual Debt Service”.

[THIS PAGE INTENTIONALLY LEFT BLANK]

## DEFINITION OF CERTAIN TERMS

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

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

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

*Authorized Authority Representative*: The person at the time designated to act on behalf of the Authority by written certificate furnished to the Corporation 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*: means the person at the time designated to act on behalf of the Corporation by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the Corporation by the President or the Secretary of its Board of Directors or by the President or a Vice President of the Institution. Such certificate may designate an alternate or alternates and in that case, the certificate shall set forth the specimen signatures of such alternate(s).

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

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

*Board of Directors:* The Board of Directors of the Corporation, and includes any Executive Committee or other committee authorized to act for such board.

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

*Bond Purchase Agreement*: The Bond Purchase Agreement dated July 28, 2005 among the Underwriter, the Authority and the Corporation.

*Bond Resolution*: The Series Resolution of the Authority, adopted on July 20, 2005, authorizing the Series Six-G Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

*Bond Year*: With respect to the Series Six-G Bonds, (a) the period from the Issue Date to the close of business on October 1, 2005 and (b) each succeeding 12-month period ending at the close of business on October 1 of each year in which the outstanding Series Six-G Bonds, if paid at their stated maturity dates, will be outstanding.

*Bonds*: The Series Six-G Bonds.

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

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

*Building Equipment*: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the Corporation and located on the Project Site acquired with funds other than the proceeds of the Bonds, the Prior Bonds and the bonds refunded by 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 Minnesota are not open for business.

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

*Depository 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 directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, the Corporation and the 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 on the Bonds is includable in the gross income of the recipient under Section 103 of the Internal Revenue Code, related sections and regulations thereunder, as 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.

*Escrow Accounts:* The Series Four-L Escrow Account and the Series Five-I Escrow Account established under the Escrow Agreement.

*Escrow Agent:* Wells Fargo Bank, National Association in its capacity as escrow agent under the Escrow Agreement.

*Escrow Agreement*: The Escrow Agreement among the Corporation, the Authority and the Escrow Agent, dated as of August 1, 2005, relating to the redemption of the Prior Bonds.

*Event of Default*: An Event of Default described in the Indenture or Loan Agreement and summarized in this Official Statement in the sections entitled “SUMMARY OF DOCUMENTS –THE

INDENTURE – Events of Default" and "SUMMARY OF DOCUMENTS – THE LOAN AGREEMENT – Events of Default."

*Financial Journal*: The Bond Buyer, Finance and Commerce 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 Corporation's fiscal year, and shall initially mean the 12-month period commencing on July 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, the terms shall mean the Beneficial Owner.

*Indenture*: The Trust Indenture between the Authority and Wells Fargo Bank Minnesota, National Association, as Trustee, to be dated as of August 1, 2005, under which the Bonds are authorized to be issued, and including any indenture supplemental hereto.

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

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

*Institution*: St. John's University, a Minnesota institution of higher education located in Collegeville, Minnesota, owned and operated by the Corporation.

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

*Issue Date*: The date on which the Series Six-G Bonds are delivered to the original purchaser thereof upon original issuance.

*Loan Agreement*: The Loan Agreement between the Authority and the Corporation to be dated as of August 1, 2005, as from time to time amended or supplemented.

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

*Negative Pledge Property*: The Stadium, Fieldhouse, Gymnasium and the Science Center generally described under "Prior Projects" in the Loan Agreement and legally described as part of the Project Sites in the Loan Agreement.

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

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

*Permitted Encumbrances*: Means, 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 Corporation, (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement, and (v) liens granted by the Corporation to secure Funded Debt allowed under Section 6.14(c) of the Loan Agreement except as applied to Negative Pledge Property.

*Prior Bonds:* The Authority's $29,850,000 Revenue Bonds, Series Four-L (St. John's University), of which $24,740,000 are currently Outstanding and the Authority's $14,270,000 Revenue Bonds, Series Five-I (St. John's University), of which $13,305,000 are currently Outstanding.

*Prior Projects*: The use of the proceeds of the Prior Bonds to provide funds loaned to the Corporation to (i) refund the Series Two-W Bonds; (ii) refund the Series Three-H Bonds; and (iii) provide financing (a) for the renovation of the existing stadium, including new track (the "Stadium"), (b) construction and furnishing and equipping of three duplexes, (c) the construction, furnishing and equipping of a fieldhouse, including new track and tennis courts (the "Fieldhouse"), (d) renovation of existing gymnasium, including new fitness center, additional locker rooms and new training room (the "Gymnasium"), (e) the construction, furnishing and equipping of a biological sciences building, (f) renovation of Benet Hall, (g) roofing of the Housekeeping Building, Warner Palaestra Gymnasium, Thomas Hall, Greg House, Bernard Hall, Boniface Hall and Patrick Hall, (h) partial renovation of Luke Hall and Wimmer Hall, (i) renovation of existing science center relating to labs and classrooms (the "Science Center"), (j) various improvements relating to replacement surface parking and utilities, (k) construction of St. Maur and St. Placid Houses, (l) renovation of the first floor of Main Quadrangle, (m) completion of the third and fourth floors of Sexton Commons, (n) reroofing of the Great Hall, and (o) the renovation of the lower level of St. Mary's Hall.

*Project*: The Project consists of the following: (i) refund the outstanding principal of and pay premium and interest on the Prior Bonds; (ii) fund a debt service reserve; and (iii) pay certain issuance costs.

*Project Buildings*: Any buildings constructed or improved with proceeds of the Prior Bonds or any bonds refunded by the Prior Bonds, including investment earnings.

*Project Equipment*: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Prior Bonds or any bonds refunded by the Prior 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 located, legally described on Exhibit A to the Loan Agreement. The Project Site is located on the campus of St. John's University, Collegeville, Minnesota.

*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 on the market at prices not exceeding the redemption price on the next available date for redemption. 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 Corporation or the Authority fails to provide for payment of any rebate.

*Refunding Account:* The account established under the Indenture for the deposit of certain Bond proceeds to be used to refund the Prior Bonds.

*Reserve Account*: The Reserve Account established under the Indenture, into which on the Issue Date will be placed Bond proceeds and other funds 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 therefor and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the Corporation or the Authority fails to provide for payment of any rebate.

*Reserve Requirement*: The least of (i) the maximum amount of principal of and interest on the Bonds payable in any remaining Bond Year, or (ii) 10% of the proceeds (par value less original issue discount, if any) received from the issuance and sale of the Bonds, or (iii) 125% of the average annual debt service of the Bonds.

*Series Five-I Bonds:* The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-I (St. John's University), dated February 1, 2001, issued in the original principal amount of $14,270,000.

*Series Four-L Bonds:* The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-L (St. John's University), dated July 1, 1997, issued in the original principal amount of $29,850,000.

*Series Six-G Bonds*: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-G (St. John's University).

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

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

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

*Underwriter:* RBC Dain Rauscher Inc. as the original purchaser of the Series Six-G 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 "DEFINITION OF CERTAIN TERMS," Appendix IV, contained herein.

### Redemption of Prior Bonds

The Corporation represents that it will cause the Series Four-L Bonds to be redeemed on or about October 1, 2007 and the Series Five-I Bonds on or about October 1, 2011.

### Loan Repayments

Under the Loan Agreement, the Corporation 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 Corporation covenants to pay for the account of the Authority the following amounts:

(a) at least five (5) Business Days prior to each April 1 and October 1, commencing October 1, 2005, the Corporation shall deposit into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least five (5) Business Days prior to each October 1, commencing on October 1, 2005, a sum equal to the amount payable as principal (whether at maturity or sinking fund redemption) of the Bonds on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.01, 5.02, 5.03 or 5.04 of the Indenture (relating to purchase and cancellation of term bonds and the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

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

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

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

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

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

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

**Maintenance of Project Facilities**

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

**Operating Expenses and Liens**

The Corporation will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities; provided that the Corporation may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or Trustee shall notify the Corporation that, in the opinion of Independent counsel, by nonpayment of any such items the Project Facilities or any part thereof will be subject to loss or forfeiture, in which event the Corporation shall promptly pay and cause to be satisfied and discharged all such unpaid items.

**Taxes and Other Governmental Charges**

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

The Corporation may, at its expense, in good faith contest any such taxes, assessments, license fees and other governmental charges and, in the event of any such contest, may permit the taxes, assessments, license fees  or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the Corporation 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 Corporation is required to maintain, or cause to be maintained, insurance as follows:

(a) Insurance against loss and/or damage to the Project Facilities, the Project Equipment and contents, including fire and extended coverage in an amount not less than the lessor of (i) the full insurable replacement value of the Project Buildings and Project Equipment or (ii) 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 not more than $500,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $500,000.

(c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the Corporation, provided that the Corporation may be self-insured with respect to all or a part of its liability for workers' compensation.

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

Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the Corporation and the Trustee at least thirty days before the cancellation or modification becomes effective. The Corporation is required to furnish to the Trustee annually a certificate of insurance compliance.

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

The Bonds may be redeemed in whole if (i) all or part of the Project Facilities are damaged or destroyed to such extent that they cannot be reasonably restored within six months or (ii) normal use and operation of such Project Facilities are interrupted for a six month period or (iii) the cost of restoration exceeds the available Net Proceeds by an amount described in the Loan Agreement. The Bonds may be redeemed in part if (i) if the Corporation determines the Project Facilities destroyed are not needed in its operations and (ii) the Corporation has elected not to restore the Project Facilities, as the case may be. If the Corporation elects to redeem the Bonds in part, the available Net Proceeds shall be used for redemption or purchase of the pro rata portion of the principal amount of outstanding Bonds. For this purpose, "pro rata portion" shall mean five percent (5%) of the principal amount of Outstanding Bonds in the case of the stadium; twelve (12%) of the principal amount of Outstanding Bonds in the case of the fieldhouse; four percent (4%) of the principal amount of Outstanding Bonds in the case of Warner Palaestra Gymnasium; twenty-three percent (23%) of the principal amount of Outstanding Bonds in the case of the biological science center; ten percent (10%) of the principal amount of Outstanding Bonds in the case of the science center; five percent (5%) of the principal amount of Outstanding Bonds in the case of Benet Hall; nine percent (9%) of the principal amount of Outstanding Bonds in the case of St. Maur and St. Placid Houses; and ten percent (10%) of the principal amount of Outstanding Bonds in the case of Main Quadrangle. If the available Net Proceeds are insufficient to redeem the pro rata portion of outstanding Bonds, the Corporation shall pay such deficiency. Any Net Proceeds not needed for redemption or purchase of the pro rata portion of the principal amount of Outstanding Bonds shall be returned to the Corporation unless there is a Default as defined 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 any part of the Project Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, the Corporation shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

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

**Removal of Project Equipment and Building Equipment**

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

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

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

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

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

**Indemnification**

The Corporation 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 Corporation 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 Corporation in connection with the sale of the Bonds.

**Corporation to Maintain its Existence and Accreditation**

The Corporation agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and maintain the Institution as an institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies and that it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee institution, as the case may be, is other than the Corporation, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the Corporation in the Loan Agreement, and be either a state Corporation or college or a nonprofit corporation operating or authorized to operate an Institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the institution be nonsectarian; and (b) the Corporation 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.

**Divestiture of Institution**

The Corporation may incorporate the Institution as a new entity which is considered to be exempt under Section 501(c)(3) of the Internal Revenue Code, transfer the assets and liabilities of the Corporation constituting and relating to the Institution to the new entity, and assign its interest herein to the new entity (which may include a ground lease of the land upon which the Institution’s buildings and related facilities are located so long as the initial term of any such ground lease does not end prior to the date which is at least ten years after the final maturity of the Bonds) and thereafter be released from further liability hereunder, subject to the following conditions: (a) the new entity shall assume in writing all of the obligations of the Corporation, and shall be an entity operating or authorized to operate an institution of higher education under the laws of Minnesota, (b) the Corporation shall furnish to the Trustee a certificate by an independent certified public accountant or firm of Independent certified public accountants demonstrating that: (i) based on the two most recent Fiscal Years of the Corporation for which audited financial statements are available, and based on the supplementary information thereto which reflects the financial statements of the Institution, the Institution for each of such Fiscal Years maintained a ratio of “Net Income Available for Debt Service” to “Maximum Annual Debt Service” of at least 120%, and (ii) based on the balance sheet of the new entity at the time immediately following transfer of assets and assumption of liabilities of the Corporation constituting and relating to the Institution to the new entity, the new entity has a “Funded Debt Ratio” of no less than 50%.

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

The Corporation has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt nonhospital bonds issued on behalf of or for the benefit of the Corporation and all organizations under common management or control with the Corporation (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000, excluding nonhospital bonds issued on or after August 5, 1997 to finance expenditures incurred after August 5, 1997. Under the Loan Agreement, in no event will the Corporation 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 Corporation or such other resulting entity, and all organizations under common management or control with the Corporation or such resulting entity, within the meaning of Section 145 of the Internal Revenue Code.

**Federal Income Tax Status**

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

**Institution to be Nonsectarian**

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

**Determination of Taxability**

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

**Financial Covenants**

The Corporation covenants and agrees, so long as the Bonds shall remain outstanding, to comply with the financial covenants described under the heading “SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS – Financial Covenants” in this Official

Statement. In the case of Funded Debt, if Funded Debt is incurred or proposed to be incurred to finance (i) student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for the most recent complete Fiscal Year, 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; (ii) other Corporation facilities and if the Board of Directors has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, there shall be added to Net Income Available for Debt Service for the most recent complete Fiscal Year the amount of increase net of increased operating expenses; and (iii) equipment or facilities that will produce savings in operating costs to the Corporation, there shall be added to the amount of Net Income Available for Debt Service for the most recent complete 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.

**Other Covenants**

The Corporation 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 or operation of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Authority or Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority, the Department of Education and the Minnesota Higher Education Services Office, subject to the right of contest. The Corporation agrees to indemnify the Authority from losses arising from certain representations made by the Corporation regarding the absence of hazardous waste on the Project Facilities.

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

**Negative Pledge**

The Corporation covenants that, except for Permitted Encumbrances and except as otherwise permitted by the Loan Agreement, 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 on the Negative Pledge Property.

**Events of Default**

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

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

(b) If the Corporation 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 Corporation shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement, provided failure to comply with such requirement shall not become an Event of Default unless the Corporation 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 Corporation by the Authority or the Trustee; or

(d) If the Corporation 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 Corporation by the Authority or the Trustee; or

(e) If the Corporation 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 Corporation; or

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

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

The term “force majeure” as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Corporation. 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 days after notice and if the Corporation 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 Corporation shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The Corporation agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the Corporation from carrying out its agreements.

**Remedies on Default**

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

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

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

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

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

**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 Balance of This Page Has Been Intentionally Left Blank)

## THE INDENTURE

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

### Granting Clauses

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

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

(2) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be created and maintained under the Indenture (but excluding all moneys and investments in the Refunding Account), and (ii) 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

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

### Covenants of the Authority

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

**Events of Default**

The following are Events of Default under the Indenture:

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

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

(c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the Corporation (giving the Corporation 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 Corporation, as that term is defined in the Loan Agreement, shall occur and be continuing.

**Remedies**

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

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

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

**Concerning the Trustee**

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

**Concerning the Bondholders**

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

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

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

**Defeasance**

If the Authority and the Corporation shall:

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

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

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

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

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

**Supplemental Indentures**

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

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

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

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

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

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

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

**Amendments to the Loan Agreement**

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

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

**Registration**

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

## THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions of the Continuing Disclosure Agreement. This summary does not purport to be complete and reference is made to the full text of the Continuing Disclosure Agreement for a complete recital of its terms. See also "CONTINUING DISCLOSURE" in this Official Statement.

The Corporation has undertaken the responsibility for continuing disclosure to bondholders as described below, and the Authority shall have no liability to the holders of the Bonds or any other person with respect to continuing disclosure.

The Corporation has covenanted for the benefit of holders of the Bonds to provide certain financial information and operating data by not later than 270 days following the end of the Corporation's fiscal year commencing with fiscal year ending June 30, 2005, and to provide notices of the occurrence of certain enumerated events, if material.

The Continuing Disclosure Agreement will be executed and delivered by the Corporation and the Trustee for the benefit of the holders of the Bonds in order to enable the Underwriter to reasonably determine an "undertaking" has been entered into sufficient to assure compliance with the ongoing disclosure requirements of SEC Rule 15c2-12(b)(5).

### Definitions

"Annual Report" means, with respect to the Reporting Party, a document or set of documents which contains (or includes by reference as provided in the Continuing Disclosure Agreement) financial and operating data with respect to the Reporting Party described in Exhibit "A" of the Continuing Disclosure Agreement. See Appendix III, "INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE – Annual Reporting."

"Annual Report Date" means, with respect to each Annual Report, the date so designated in Exhibit "A."

"Commission" means the Securities and Exchange Commission.

"Disclosure Representative" means, with respect to the Reporting Party, the person identified in Section 10 of the Continuing Disclosure Agreement as the recipient of notices to be sent thereunder or such other person as the Reporting Party shall designate by written notice to the Trustee.

"Listed Events" shall mean any of the events listed below under "Reporting of Listed Events" below.

"MSRB" means the Municipal Securities Rulemaking Board.

"National Repository" shall mean, as of the date of determination, any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean RBC Dain Rauscher Incorporated.

“Reporting Party” shall mean, subject to release as provided in “Termination” below, the Corporation; together with any successors or assigns as provided in the Continuing Disclosure Agreement.

“Repository” shall mean each National Repository and each State Repository, if any.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934.

“State Repository” shall mean any public or private repository or entity designated by the State of Minnesota as a state repository for the purpose of the Rule. As of the date of the Continuing Disclosure Agreement there is no State Repository.

**Provisions of Annual Report**

On or before the Annual Report Date, the Reporting Party shall cause the Annual Report to be delivered to the Authority, the Trustee and each Repository. To the extent included in an Annual Report, the financial statements shall be audited and prepared in accordance with generally accepted accounting principles. Each Annual Report may incorporate any information on file with each Repository or the Commission, instead of setting forth the information in the annual report. Concurrently with the delivery of the Annual Report to the Trustee, there shall be delivered a written certificate from the Reporting Party stating whether or not the Annual Report has been provided to each Repository.

If the Trustee has not received an Annual Report by January 1 of each year, commencing with January 1, 2006, together with the certification by the Reporting Party described above, the Trustee shall promptly notify the Disclosure Representative of the failure to receive the Annual Report and the certification.

**Reporting of Listed Events**

The Trustee shall promptly notify the Reporting Party of any of the following occurrences (each, a “Listed Event”) of which it has actual knowledge; and no later than three Business Days after receiving actual notice of the occurrence of a Listed Event, the Reporting Party shall notify the Trustee in writing of the Listed Event:

- (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.

Promptly, but no later than five Business Days, after either (i) the Reporting Party has received notice from the Trustee of a Listed Event or (ii) the Reporting Party is required to give notice of a Listed Event to the Trustee, the Reporting Party shall give notice of the occurrence of the Listed Event, if material, to each National Repository or the MSRB, and to the State Repository, if any.

The Trustee shall promptly give notice to each National Repository or the MSRB, and to the State Repository, if any, of a failure of the Reporting Party to provide the Annual Report on or before the Annual Report Date.

**Termination of Reporting Obligation**

The Reporting Party's obligations under the Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

**Amendment**

Notwithstanding any other provision of the Continuing Disclosure Agreement, the Reporting Party and the Trustee may amend any provision of the Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Reporting Party so long as, in the judgment of the Trustee, its burdens or liabilities are not increased thereby), subject to the following conditions:

(a) the amendment is in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Reporting Party or type of business conducted;

(b) the Continuing Disclosure Agreement, after giving effect to the amendments, would have complied with the requirements of the Rule as of the date of the Official Statement, after taking into account any subsequent amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the Trustee either determines, in its discretion, that the amendment does not materially impair the interest of the Holders of the Bonds or obtains the consent of Holders of at least 51% in aggregate principal amount of the Bonds then outstanding.

In addition, any Annual Report containing amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information.

**Additional Information**

Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the Reporting Party from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement.

[THIS PAGE INTENTIONALLY LEFT BLANK]

# ORDER OF ST. BENEDICT
# FINANCIAL STATEMENTS AND
# INDEPENDENT AUDITOR'S REPORT

## JUNE 30, 2004 AND 2003

[THIS PAGE INTENTIONALLY LEFT BLANK]

## INDEPENDENT AUDITORS' REPORT

Rt. Rev. John B. Klassen, O.S.B., Abbot
Order of St. Benedict, Inc.
Collegeville, Minnesota

We have audited the accompanying balance sheets of the Order of St. Benedict, Inc. as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Order's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Order of St. Benedict, Inc. as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Larson, Allen, Weishair & Co LLP

**LARSON, ALLEN, WEISHAIR & CO., LLP**

Minneapolis, Minnesota
September 24, 2004

# ORDER OF ST. BENEDICT, INC.
# BALANCE SHEETS
# JUNE 30, 2004 AND 2003

| ASSETS | 2004 | 2003 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 6,717,212 | $ 6,007,622 |
| Accounts receivable: | | |
| Student receivables, net of allowance for doubtful accounts of $1,478,000 in 2004 and $1,460,000 in 2003 | 622,932 | 631,875 |
| Contributions receivable (Note 3) | 3,781,225 | 2,055,445 |
| Other, net of allowance for doubtful accounts of $17,400 in 2004 and $25,500 in 2003 | 2,351,843 | 3,674,035 |
| Interest receivable | 831,814 | 1,040,171 |
| Inventories, net of allowance for obsolescence of $368,200 in 2004 and 2003 | 5,805,273 | 5,872,386 |
| Prepaid expenses | 2,483,495 | 2,514,443 |
| Total Current Assets | 22,593,794 | 21,795,977 |
| **LONG-TERM RECEIVABLES AND OTHER NON-CURRENT ASSETS** | | |
| Student loans receivable, net of allowance for doubtful accounts of $0 in 2004 and 2003 | 2,926,272 | 2,826,380 |
| Contributions receivable (Note 3) | 9,448,543 | 6,144,484 |
| Notes receivable | 704,697 | - |
| Unitrusts receivable | 154,072 | 171,492 |
| Deferred debt acquisition costs | 845,367 | 889,395 |
| Total Long-term Receivables and Other Non-current Assets | 14,078,951 | 10,031,751 |
| **LONG-TERM INVESTMENTS (Note 4)** | | |
| Investments | 171,097,831 | 152,397,108 |
| Investments - Fujimi, Japan | 4,430,076 | 3,623,344 |
| Assets held in charitable remainder unitrusts | 10,856,472 | 8,985,330 |
| Total Long-term Investments | 186,384,379 | 165,005,782 |
| **PROPERTY, PLANT AND EQUIPMENT** | | |
| Land and improvements | 7,073,742 | 5,053,567 |
| Buildings | 124,615,018 | 123,306,142 |
| Furniture and equipment | 25,436,825 | 24,285,189 |
| Library books | 9,915,693 | 9,586,827 |
| Bible project books | 3,288,876 | 2,541,924 |
| HMML microfilm and library books | 4,072,662 | 4,041,127 |
| Prepaid construction | 3,013,124 | 1,672,587 |
| Total | 177,415,940 | 170,487,363 |
| Less: Accumulated Depreciation | 47,690,080 | 44,428,278 |
| Total Property, Plant and Equipment | 129,725,860 | 126,059,085 |
| **TOTAL ASSETS** | $ 352,782,984 | $ 322,892,595 |

*See accompanying Notes to Financial Statements.*

| LIABILITIES AND NET ASSETS | 2004 | 2003 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 3,096,619 | $ 4,374,956 |
| Accrued payroll and benefits | 4,787,260 | 3,859,302 |
| Other liabilities | 2,534,204 | 2,413,240 |
| Deferred revenue | 1,356,886 | 1,249,091 |
| Funds held for others | 1,009,733 | 1,095,182 |
| Funds held for others - Fujimi, Japan | 4,430,076 | 3,623,344 |
| Royalties payable | 675,983 | 674,187 |
| Due to Little Rock | 15,956 | 66,854 |
| Current portion of annuities and unitrusts payable | 1,291,873 | 1,030,763 |
| Current portion of notes, bonds and mortgages payable (Note 6) | 1,468,122 | 1,350,261 |
| Total Current Liabilities | 20,666,712 | 19,737,180 |
| **LONG-TERM LIABILITIES** | | |
| Government grant repayable - Federal Perkins loan program | 2,926,272 | 2,983,286 |
| Notes, bonds and mortgages payable, net of current portion (Note 6) | 44,829,113 | 45,592,807 |
| Annuities and unitrusts payable, net of current portion | 10,296,153 | 9,495,246 |
| Other long-term liabilities | 207,673 | 182,783 |
| Total Long-term Liabilities | 58,259,211 | 58,254,122 |
| Total Liabilities | 78,925,923 | 77,991,302 |
| **NET ASSETS** | | |
| Unrestricted: | | |
| Available for operations | 9,354,386 | 8,391,641 |
| Board designated | 108,022,237 | 93,813,854 |
| Contractual limitations - debt service | 1,016,587 | 1,344,686 |
| Investment in property, plant and equipment | 82,867,713 | 78,852,663 |
| Annuities | 4,324,549 | 3,571,660 |
| Total Unrestricted Net Assets | 205,585,472 | 185,974,504 |
| Temporarily Restricted: | | |
| Unitrusts, life insurance and deposits | 1,487,948 | 1,574,677 |
| Term endowment | 111,794 | 104,256 |
| Unexpended gifts | 14,602,853 | 9,144,167 |
| Contributions receivable | 3,773,039 | 4,087,564 |
| Total Temporarily Restricted Net Assets | 19,975,634 | 14,910,664 |
| Permanently Restricted: | | |
| Unitrusts | 1,153,921 | 1,109,688 |
| Endowment | 41,420,364 | 39,349,797 |
| Contributions receivable | 5,721,670 | 3,556,640 |
| Total Permanently Restricted Net Assets | 48,295,955 | 44,016,125 |
| Total Net Assets | 273,857,061 | 244,901,293 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 352,782,984 | $ 322,892,595 |

# ORDER OF ST. BENEDICT, INC.
# STATEMENT OF ACTIVITIES
# YEAR ENDED JUNE 30, 2004
# WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2003

| | 2004 UNRESTRICTED | 2004 TEMPORARILY RESTRICTED | 2004 PERMANENTLY RESTRICTED | 2004 TOTAL | 2003 TOTAL |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| **OPERATING REVENUES** | | | | | |
| Tuition and fees | $ 43,334,795 | $ - | $ - | $ 43,334,795 | $ 39,994,997 |
| Less: scholarships and grants | (14,423,207) | - | - | (14,423,207) | (13,172,646) |
| Net tuition and fees | 28,911,588 | - | - | 28,911,588 | 26,822,351 |
| Government grants | 871,574 | 38,149 | - | 909,723 | 682,478 |
| Individual earnings | 4,459,888 | - | - | 4,459,888 | 4,480,910 |
| Private gifts and grants | 4,393,314 | 3,635,904 | - | 8,029,218 | 8,268,687 |
| Other investment income | 988,497 | 167,388 | - | 1,155,885 | 981,855 |
| Investment return allocated for operations (draw) | 8,097,438 | - | - | 8,097,438 | 8,817,611 |
| Other sources | 2,345,785 | - | - | 2,345,785 | 2,149,286 |
| Net sales - Liturgical Press | 9,473,524 | - | - | 9,473,524 | 9,633,726 |
| Sales and services of auxiliary enterprises | 16,635,723 | - | - | 16,635,723 | 16,672,218 |
| | 76,177,331 | 3,841,441 | - | 80,018,772 | 78,509,122 |
| Net assets released from restrictions (Note 2) | 2,756,772 | (2,756,772) | - | - | - |
| Total Operating Revenues, Gains and Other Support | 78,934,103 | 1,084,669 | - | 80,018,772 | 78,509,122 |
| **OPERATING EXPENSES** | | | | | |
| Program expenses: | | | | | |
| Instruction | 21,207,901 | - | - | 21,207,901 | 20,228,902 |
| Academic support | 8,252,676 | - | - | 8,252,676 | 8,445,183 |
| Student services | 6,626,119 | - | - | 6,626,119 | 6,239,716 |
| Auxiliary enterprises | 13,234,513 | - | - | 13,234,513 | 12,785,149 |
| Abbey | 6,135,756 | - | - | 6,135,756 | 7,688,302 |
| Liturgical Press | 9,894,921 | - | - | 9,894,921 | 9,861,191 |
| Support expenses: | | | | | |
| Institutional support | 9,746,570 | - | - | 9,746,570 | 9,822,325 |
| Other: | | | | | |
| Sponsored programs | 1,203,934 | - | - | 1,203,934 | 1,218,357 |
| Total Operating Expenses | 76,302,390 | - | - | 76,302,390 | 76,289,125 |
| **Increase (Decrease) in Net Assets from Operating Activities** | 2,631,713 | 1,084,669 | - | 3,716,382 | 2,219,997 |
| **NONOPERATING ACTIVITIES** | | | | | |
| Long-term investment activities | | | | | |
| Endowment income | 2,692,143 | 1,011,020 | 13,155 | 3,716,318 | 4,442,006 |
| Net realized gains (losses) on investments | 6,421,527 | 2,927,927 | 44,377 | 9,393,831 | (13,214,193) |
| Net unrealized gains (losses) on investments | 7,704,815 | 3,022,844 | 41,746 | 10,769,405 | 8,584,998 |
| Total long-term investment income | 16,818,485 | 6,961,791 | 99,278 | 23,879,554 | (187,189) |
| Less: Investment return allocated for operations (draw) | (8,097,438) | - | - | (8,097,438) | (8,817,611) |
| | 8,721,047 | 6,961,791 | 99,278 | 15,782,116 | (9,004,800) |
| Government grants: | | | | | |
| Federal grants | - | 202,475 | - | 202,475 | 153,444 |
| Private gifts and grants | - | 2,327,117 | 1,903,464 | 4,230,581 | 2,982,311 |
| Contributions | - | 3,519,809 | 2,165,030 | 5,684,839 | 5,705,729 |
| Loss on contributions | - | (655,000) | - | (655,000) | - |
| Annuity and unitrust net gifts | 305,030 | - | - | 305,030 | 278,221 |
| Wastewater capital revenue | 579,000 | - | - | 579,000 | 1,100,000 |
| Adjustment of actuarial liability | (846,229) | (87,659) | 44,233 | (889,655) | (1,141,852) |
| Reclassification of Net Assets | (5,097) | (62,728) | 67,825 | - | - |
| | 32,704 | 5,244,014 | 4,180,552 | 9,457,270 | 9,077,853 |
| Net assets released from restrictions | 8,225,504 | (8,225,504) | - | - | - |
| | 8,258,208 | (2,981,490) | 4,180,552 | 9,457,270 | 9,077,853 |
| Increase (Decrease) in Net Assets from Nonoperating Activities | 16,979,255 | 3,980,301 | 4,279,830 | 25,239,386 | 73,053 |
| Increase (Decrease) in Net Assets | 19,610,968 | 5,064,970 | 4,279,830 | 28,955,768 | 2,293,050 |
| Net Assets - Beginning of Year | 185,974,504 | 14,910,664 | 44,016,125 | 244,901,293 | 242,608,243 |
| **NET ASSETS - END OF YEAR** | $ 205,585,472 | $ 19,975,634 | $ 48,295,955 | $ 273,857,061 | $ 244,901,293 |

*See accompanying Notes to Financial Statements.*

# ORDER OF ST. BENEDICT, INC.
# STATEMENT OF ACTIVITIES
# YEAR ENDED JUNE 30, 2003

| | UNRESTRICTED | TEMPORARILY RESTRICTED | PERMANENTLY RESTRICTED | TOTAL |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| **OPERATING REVENUES** | | | | |
| Tuition and fees | $ 39,994,997 | $ - | $ - | $ 39,994,997 |
| Less: scholarships and grants | (13,172,646) | - | - | (13,172,646) |
| Net tuition and fees | 26,822,351 | - | - | 26,822,351 |
| Government grants | 648,330 | 34,148 | - | 682,478 |
| Individual earnings | 4,480,910 | - | - | 4,480,910 |
| Private gifts and grants | 4,366,649 | 3,902,038 | - | 8,268,687 |
| Other investment income | 802,621 | 179,234 | - | 981,855 |
| Investment return allocated for operations (draw) | 8,817,611 | - | - | 8,817,611 |
| Other sources | 2,149,286 | - | - | 2,149,286 |
| Net sales - Liturgical Press | 9,633,726 | - | - | 9,633,726 |
| Sales and services of auxiliary enterprises | 16,672,218 | - | - | 16,672,218 |
| | 74,393,702 | 4,115,420 | - | 78,509,122 |
| Net assets released from restrictions (Note 2) | 2,974,990 | (2,974,990) | - | - |
| Total Revenues, Gains and Other Support | 77,368,692 | 1,140,430 | - | 78,509,122 |
| **OPERATING EXPENSES** | | | | |
| Program expenses: | | | | |
| Instruction | 20,228,902 | - | - | 20,228,902 |
| Academic support | 8,445,183 | - | - | 8,445,183 |
| Student services | 6,239,716 | - | - | 6,239,716 |
| Auxiliary enterprises | 12,785,149 | - | - | 12,785,149 |
| Abbey | 7,688,302 | - | - | 7,688,302 |
| Liturgical Press | 9,861,191 | - | - | 9,861,191 |
| Support expenses: | | | | |
| Institutional support | 9,822,325 | - | - | 9,822,325 |
| Other: | | | | |
| Sponsored programs | 1,218,357 | - | - | 1,218,357 |
| Total Operating Expenses | 76,289,125 | - | - | 76,289,125 |
| **Increase (Decrease) in Net Assets from Operating Activities** | 1,079,567 | 1,140,430 | - | 2,219,997 |
| Endowment income | 3,870,945 | 589,173 | (18,112) | 4,442,006 |
| Net realized gains (losses) on investments | (11,347,609) | (1,866,584) | - | (13,214,193) |
| Net unrealized gains (losses) on investments | 7,321,466 | 1,263,532 | - | 8,584,998 |
| Total long-term investment income | (155,198) | (13,879) | (18,112) | (187,189) |
| Less: Investment return allocated for operations (draw) | (8,817,611) | - | - | (8,817,611) |
| | (8,972,809) | (13,879) | (18,112) | (9,004,800) |
| Government grants: | | | | |
| Federal grants | - | 153,444 | - | 153,444 |
| Private gifts and grants | - | 1,016,417 | 1,965,894 | 2,982,311 |
| Contributions | - | 2,986,175 | 2,719,554 | 5,705,729 |
| Loss on contributions | - | - | - | - |
| Annuity and unitrust net gifts | 76,255 | 201,966 | - | 278,221 |
| Wastewater capital revenue | 1,100,000 | - | - | 1,100,000 |
| Adjustment of actuarial liability | (1,104,940) | 5,603 | (42,515) | (1,141,852) |
| Reclassification of Net Assets | - | (49,392) | 49,392 | - |
| | 71,315 | 4,314,213 | 4,692,325 | 9,077,853 |
| Net assets released from restrictions | 1,771,236 | (1,771,236) | - | - |
| | 1,842,551 | 2,542,977 | 4,692,325 | 9,077,853 |
| Increase (Decrease) in Net Assets from Nonoperating Activities | (7,130,258) | 2,529,098 | 4,674,213 | 73,053 |
| Increase (Decrease) in Net Assets | (6,050,691) | 3,669,528 | 4,674,213 | 2,293,050 |
| Net Assets - Beginning of Year | 192,025,195 | 11,241,136 | 39,341,912 | 242,608,243 |
| **NET ASSETS - END OF YEAR** | $ 185,974,504 | $ 14,910,664 | $ 44,016,125 | $ 244,901,293 |

*See accompanying Notes to Financial Statements.*

# ORDER OF ST. BENEDICT, INC.
# STATEMENTS OF CASH FLOWS
# YEARS ENDED JUNE 30, 2004 AND 2003

| | 2004 | 2003 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ 28,955,768 | $ 2,293,050 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,519,025 | 4,469,122 |
| Adjustment of actuarial liability | 889,655 | 1,141,852 |
| (Gain) loss on equipment | (42,878) | - |
| Realized (gains) losses on investments | (9,393,831) | 13,214,193 |
| Unrealized (gains) losses on investments | (10,769,405) | (8,584,998) |
| Contributions and income restricted for long-term investment | (6,620,515) | (6,199,406) |
| Change in total contributions receivable | (1,850,504) | (5,169,263) |
| Change in current assets: | | |
| Student receivables | (90,949) | (50,728) |
| Other receivables | (1,631,366) | (1,068,800) |
| Inventories | 67,113 | 149,711 |
| Prepaid expenses | 30,948 | (89,043) |
| Change in current liabilities: | | |
| Accounts payable | (1,278,337) | 393,644 |
| Accrued payroll liabilities | 927,958 | 390,772 |
| Other liabilities | 96,752 | 29,698 |
| Deferred revenue | 107,795 | (31,209) |
| Funds held for others | (85,449) | (72,620) |
| Net Cash Provided (Used) by Operating Activities | 3,831,780 | 815,975 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (8,216,394) | (7,603,458) |
| Proceeds from sale of equipment | 117,500 | - |
| Collections on notes receivable | 485,303 | - |
| Proceeds from sales and maturities of investments | 76,910,598 | 100,242,430 |
| Purchases of investments | (78,509,227) | (101,397,602) |
| Net Cash Provided (Used) by Investing Activities | (9,212,220) | (8,758,630) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Contributions and income restricted for long-term investment | 6,620,515 | 6,199,406 |
| Proceeds from issuance of long-term debt | 700,000 | - |
| Payments of principal on long-term debt | (1,345,833) | (1,333,989) |
| Drawn bond funds | - | 1,806,237 |
| (Decrease) Increase in government grants repayable - Federal Perkins loan program | (57,014) | (16,952) |
| Annuity and unitrust payments | (1,090,154) | (1,179,130) |
| Change in annuity and unitrust liability | 1,262,516 | (500,496) |
| Net Cash Provided (Used) by Financing Activities | 6,090,030 | 4,975,076 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 709,590 | (2,967,579) |
| Cash and Cash Equivalents - Beginning of Year | 6,007,622 | 8,975,201 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 6,717,212 | $ 6,007,622 |

*See accompanying Notes to Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

The Order of St. Benedict, Inc. (Order) is a monastic institution of the Benedictine Order of the Roman Catholic Church located in Collegeville, Minnesota. Founded in 1856, the Order currently has four operating divisions:

#### Saint John's Abbey

This includes the health, education, living expenses, and charities of the members of Saint John's Abbey, together with activities of the monks not reported in one of the other divisions. Corporate functions such as Physical Plant, Power Plant, Garage, etc. are managed within this division.

#### St. John's University

Two schools make up St. John's University: the College of Arts and Sciences and the graduate School of Theology. The College, an all-male institution, operates in coordination with the College of St. Benedict, an all-female college; sharing academic programs, facilities and staff. The coeducational School of Theology educates and provides student development programs for priesthood candidates, candidates for other ministries, and persons interested in theological studies. The Hill Monastic Manuscript Library, the Hill Institute, St. John's Bible, and Artist in Residence are part of the University programming. The Hill Institute began operations in the year ending June 30, 2004.

#### St. John's Preparatory School

St. John's Preparatory School is coeducational, providing a college prep academic curriculum, extra-curricular activities and student development programming for both day and residential students. Male residents reside on the St. John's campus; female residents reside on the College of St. Benedict campus.

#### The Liturgical Press

The Liturgical Press publishes under three imprints: *The Liturgical Press* for liturgical works of the Catholic Church, literature to support the church's liturgy and bible study; *Glazier* for theological works and textbooks; and *Pueblo* for popular books on spirituality, theology and liturgy. Products include periodicals, books, audio/video, and educational programming.

### Measure of Operations

In its statements of activity, the Order includes in its definition of operations, all revenues and expenses that are an integral part of its programs and supporting activities. Non-operating activity consists primarily of investment income, including net realized and unrealized gains and losses, earned in excess of the Order's aggregate authorized spending amount, change in value of split-interest agreements, and contributions to temporarily and permanently restricted net assets.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of Presentation**

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Order and changes therein are classified and reported as follows:

Unrestricted - Those resources over which the Board of Directors has discretionary control. The Board designated amounts represent those amounts which the Board has set aside for a particular purpose.

Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Order or passage of time.

Permanently Restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the Order. The donors of these resources permit the Order to use all or part of the income earned, including capital appreciation, or related investment income for unrestricted or temporarily restricted purposes.

**Accrual Basis**

The financial statements of the Order have been prepared on the accrual basis of accounting.

**Estimates and Assumptions**

Management uses estimates and assumptions in preparing the financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from those estimates that were used.

**Financial Instruments**

The carrying amounts of cash and cash equivalents, accounts and current contributions and unitrusts receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these financial instruments. The carrying values of investments and assets held in charitable remainder unitrusts are based upon values provided by an external investment manager or quoted market values. In the limited cases where such values are not available, historical cost is used as an estimate of market value.

A reasonable estimate of the fair value of the receivables from students under government loan programs and the government grants repayable 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.

A reasonable estimate of the fair value of the contributions and other receivables could not be made because the contribution and other receivables are not salable.

The long-term debt is valued based on the borrowing rates currently available to the Order for long-term borrowing with similar terms and average maturities.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial Instruments (Continued)

A reasonable estimate of the fair value of the annuities and unitrusts payable could not be made because the annuities and unitrusts are not salable.

A reasonable estimate of the fair value of the other long-term liabilities could not be made because the other long-term liabilities are not salable.

The estimated fair values of the Order's long term financial instruments at June 30, are as follows:

| | 2004 | | 2003 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Student Loans Receivable | $ 2,926,272 | $ - | $ 2,826,380 | $ - |
| Contributions Receivable | $ 9,448,543 | $ - | $ 6,144,484 | $ - |
| Notes Receivable | $ 704,697 | $ - | $ - | $ - |
| Long-Term Investments | $ 186,384,379 | $ 186,384,379 | $ 165,005,782 | $ 165,005,782 |
| Unitrusts Receivable | $ 154,072 | $ - | $ 171,492 | $ - |
| Government Grants Repayable | $ (2,926,272) | $ - | $ (2,983,286) | $ - |
| Notes, Bonds and Mortgages Payable | $ (44,829,113) | $ (44,829,113) | $ (45,592,807) | $ (45,592,807) |
| Annuities and Unitrusts Payable | $ (10,296,153) | $ - | $ (9,495,246) | $ - |
| Other Long-term Liabilities | $ (207,673) | $ - | $ (182,783) | $ - |

### Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments with a maturity of three months or less. The Order deposits its temporary cash investments in high quality financial institutions, Common Fund and Institutional Investors Income Fund. At times, cash investments at financial institutions may be in excess of the FDIC insurance limit.

### Accounts, Loans and Other Receivables

Receivables are stated at net realizable value. The Order provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectibility. Accounts for which no payments have been received are individually assessed for collectibility and are written off. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At June 30, 2004 and 2003, an allowance of $1,495,400 and $1,485,500, respectively, has been recorded.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional promises are not included as support until such time as the conditions are substantially met.

Included in the 2004 statement of activities is a loss on contributions of $655,000. This is due to an increase in the allowance for doubtful accounts based on the collectibility of a promise to give that had previously been recorded as revenue in the year ended June 30, 2003.

### Notes Receivable

The University has various notes receivable from outside parties from the sale of land. The notes bear interest at 5.0 to 7.5 percent and mature in 2006 through 2009. The balance of the notes at June 30, 2004 is $704,697.

### Inventories

Inventories are valued at the lower of cost, on a first-in, first-out basis, or market. Inventories consist primarily of books and other educational materials held for resale through the Liturgical Press and the University Bookstore.

### Amortization

Deferred debt acquisition costs are being amortized on a straight-line basis over the term of the bonds of 25 years. Goodwill is being amortized on a straight-line basis over the terms of the agreement of 10 years. Amortization expense was $44,028 for the years ended June 30, 2004 and 2003.

### Investments

Debt and equity investments are carried at fair market value. Land is carried at the fair market value, based upon an independent appraisal, at the date of the contribution. Private equity investments are investments in limited partnership interests and are carried at cost due to the fact that ascertainable market values are not available. The cost values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material.

### Property, Plant and Equipment

Property, plant and equipment are stated at actual cost for additions after 1942 or historically based appraised values through 1942. If donated, property, plant and equipment is recorded at fair value on the date received. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, Plant and Equipment (Continued)

The Order uses the straight-line method of depreciation. Depreciation expense for the years ended June 30, 2004 and 2003 was $4,474,997 and $4,425,094, respectively.

The Organization removes, from its accounting records, the cost and accumulated depreciation for fully depreciated assets.

### Prepaid Construction

Prepaid construction for the year ended June 30, 2004, are the costs incurred to date on various construction projects which includes the new enterprise software system, cooling system upgrades in the ITS area, guest house planning and waste water treatment plant upgrade. For the year ended June 30, 2003, it included the St. Thomas Hall upgrades, campus security improvements, land improvements, generator, guest house planning, and waste water treatment plant upgrade. Interest capitalized during 2004 and 2003 was $0 and $29,900, respectively.

### Revenue Recognition

Deferred revenue results primarily from recognizing registration and tuition revenue in the period in which related educational instruction is performed. Accordingly, registration and tuition fees received for the next academic year are deferred until the instruction commences.

### Endowment Programs

Permanently restricted endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested. Up to 5.25, 5.0 and 5.0 percentage points of a three-year moving average of beginning market values of the total performance is expended annually by the University, Preparatory School and the Saint John's Abbey, respectively, with the excess being reinvested into the unrestricted and temporarily restricted net assets. Unrestricted, board designated endowment funds represent invested gifts which the Board has designated as endowment funds. Any portion of board designated endowment funds may be expended by subsequent Board action. Amount of endowment funds spent are as follows:

| | 2004 | 2003 |
|---|---|---|
| Saint John's Abbey | $ 1,741,096 | $ 2,059,965 |
| St. John's University | 7,719,362 | 8,139,100 |
| St. John's Preparatory School | 257,271 | 351,085 |
| Liturgical Press | 6,003 | 7,598 |
| Total Spending | $ 9,723,732 | $ 10,557,748 |

### Funds Held for Others

The University holds funds transferred to them from other organizations for investment management purposes. The funds are to be distributed back to these organizations as they request them. The University has recognized the funds as a liability in the accompanying statements of financial position.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Annuities and Unitrusts

The Order has received contributions under various annuity contracts and charitable remainder unitrust agreements, which generally provide for payments to the annuitant or grantor for life. Assets received under these agreements are recorded at their fair value. Liabilities related to future payments under these agreements have been recorded at their present value using a discount rate of 6 percent for the years ended June 30, 2004 and 2003, and using an earnings rate of 4 percent and 3 percent for the years ended June 30, 2004 and 2003, respectively. Contribution income is recognized for the difference between the asset and related liability. Liabilities related to split-interest agreements are recalculated annually, with the amortization of discounts and adjustments for changes in life expectancies recognized as actuarial liability adjustments on the statement of activities.

For the years ended June 30, 2004 and 2003, adjustments to reflect the amortization of discounts and changes in life expectancies resulted in a decrease of $889,655 and $1,141,852 in net assets, respectively. Total contribution income recognized under annuity and charitable remainder unitrust agreements for the years ended June 30, 2004 and 2003 was $305,030 and $278,221, respectively.

### Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned as an exchange transaction. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as government grants repayable. Expenditures under government grants and contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the determination is made.

### Development Expenses

Development expenses incurred by the Order are charged to institutional support. For the years ended June 30, 2004 and 2003, the Order had development expenses of $2,466,889 and $2,373,714, respectively.

### Pension Plan

The Order has defined contribution pension plans covering substantially all of its full-time lay employees, which includes the Order employees. The Order contributes 9% of the covered employee's salary and the employee contributes 2%. Total pension contributions for the Order for the years ended June 30, 2004 and 2003 were $1,834,144 and $1,741,076, respectively.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Tax Exempt Status

The Order is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

### Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

## NOTE 2 NET ASSETS RELEASED FROM RESTRICTIONS

The source of net assets released from temporary donor restrictions during the years ended June 30, 2004 and 2003 by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors were as follows:

| | 2004 | 2003 |
|---|---|---|
| Gifts and Earnings Released from Temporarily Restricted Net Assets - Program | $ 3,550,663 | $ 3,838,403 |
| Gifts and Earnings Released from Temporarily Restricted Net Assets - Capital Campaign | 987,256 | 970,727 |
| Earnings Released from Temporarily Restricted Net Assets - PR Program | 3,819,720 | 48,246 |
| Earnings Released from Temporarily Restricted Net Assets - PR Scholarship | 2,624,637 | (111,150) |
| Total Released | $ 10,982,276 | $ 4,746,226 |
| Net Assets Released from Restrictions | | |
| Operating | $ 2,756,772 | $ 2,974,990 |
| Non-Operating | 8,225,504 | 1,771,236 |
| Total | $ 10,982,276 | $ 4,746,226 |

These assets were released to unrestricted net assets. The negative amounts represent investment losses on the permanently restricted endowments.

## NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of unconditional promises to give from various individuals and organizations. The present value was imputed at 4%, for the years ended June 30, 2004 and 2003, which approximates the Order's current incremental borrowing rate. The long-term contributions receivable are receivable within two to ten years. The amount to be received in two to five years is $8,155,038. The amount to be received in five to ten years is $1,293,505.

| | 2004 | 2003 |
|---|---|---|
| Unconditional Promises to Give | $ 16,476,740 | $ 9,535,843 |
| Unamortized Discount | (1,852,037) | (895,106) |
| Allowance for Doubtful Pledges | (1,394,935) | (440,808) |
| Total | $ 13,229,768 | $ 8,199,929 |
| | | |
| Net Contributions Receivable: | | |
| Current | $ 3,781,225 | $ 2,055,445 |
| Long-Term | 9,448,543 | 6,144,484 |
| Total | $ 13,229,768 | $ 8,199,929 |

## NOTE 4 LONG-TERM INVESTMENTS

Investments are composed of the following at June 30, 2004 and 2003:

| | 2004 | | |
|---|---|---|---|
| | Cost | Market | % of Total |
| Short-term Investments | $ 1,856,613 | $ 1,856,613 | 1.0 % |
| Debt Securities | 47,367,236 | 46,434,917 | 24.9 |
| Equity Securities | 117,214,279 | 132,376,115 | 71.0 |
| Other | 5,855,056 | 5,716,734 | 3.1 |
| Total | $ 172,293,184 | $ 186,384,379 | 100.0 % |

| | 2003 | | |
|---|---|---|---|
| | Cost | Market | % of Total |
| Short-Term Investments | $ 6,928,206 | $ 6,928,206 | 4.2 % |
| Debt Securities | 43,700,637 | 44,001,331 | 26.6 |
| Equity Securities | 105,659,082 | 107,841,631 | 65.4 |
| Other | 6,217,536 | 6,234,614 | 3.8 |
| Total | $ 162,505,461 | $ 165,005,782 | 100.0 % |

Total investment management fees included in investment return for the years ended June 30, 2004 and 2003 were $797,316 and $516,514, respectively.

The Order of St. Benedict also acts as agent for Order of St. Benedict, LTD Japan. Invested assets at June 30, 2004 and 2003 were $4,430,076 and $3,623,344, respectively.

## NOTE 5 CONTINGENCIES

The Order adopted a self-insurance plan for its employees' health insurance. The Order is responsible for a maximum of $115,000 per year for each employee. Amounts in excess of the $115,000 cap and those amounts in excess of 120% of the expected annual claims are insured.

Several individuals have made claims against the Order. Outside counsel for the Order has advised the Order that it has strong legal defenses against these claims. However, the Order is seeking to settle these claims. Accordingly, a provision for a possible loss has been recorded in accounts payable in the accompanying financial statements for the year ended June 30, 2003. At June 30, 2004, some of these claims remained open and is included in accounts payable in the accompanying financial statements for the year ended June 30, 2004. Management believes this does not have a material effect on the operations of the Order.

The Order is subject to certain claims arising out of the ordinary course of business. Although it is not possible to predict the outcome of these claims, management believes they will not have a material effect on the financial condition of the Order.

The Order has conditional promises to give from various individuals and organizations. The promises consist of private equity stock. Upon a public offering of the stock, the Order will receive the promised shares in the company. A reasonable estimate of the fair value of the conditional promises to give could not be made because the private equity stocks are not readily salable.

The Order has received a conditional grant from the federal government for use on the Hill Monastic Manuscript Library. The grant is for $450,000 but is conditional on the Order matching this grant in contributions for the Hill Monastic Manuscript Library. As of June 30, 2004, no revenue has been received from this grant.

## NOTE 6 DEBT

The Order had the following debt obligations at June 30:

| Notes Payable | 2004 | 2003 |
|---|---|---|
| Unsecured notes payable to various individuals and organizations, due on demand with interest rates ranging from 4% to 6% per annum. | $ 118,057 | $ 113,629 |
| Bonds Payable | | |
| Department of Education (HUD) Auxiliary Facilities construction and refunding bond, Series B, secured by mortgage on Bernard, Patrick and Boniface Hall, payable over a 50-year period, in annual installments ranging from $20,000 to $80,000 with interest at 3.0% until final maturity on November 1, 2016. A current principal installment of $55,000 is due November 1, 2004. | 880,000 | 935,000 |

## NOTE 6 DEBT (CONTINUED)

| Bonds Payable (Continued) | 2004 | 2003 |
|---|---|---|
| Bond/4L; Secured by Science Center, Athletic Complex, Dormitories, etc.; payable to the Minnesota Higher Education Facilities Authority, in twenty-five annual installments ranging from $645,000 to $2,065,000 with the final payment due October 1, 2022. The principal amount on each installment is subject to a specific interest rate ranging from 3.9% to 5.4%. A current installment of $825,000 is due on October 1, 2004. | 25,565,000 | 26,355,000 |
| Bond/5I; Secured by Preparatory School - St. Bede and St. Michael Hall; payable to Stearns County, in 25 annual principal installments ranging from $0 to $215,000 with the final payment due October 1, 2024. The principal amount on each installment is subject to a specific interest rate ranging from 3.9% to 5.6%. A current installment of $75,000 is due on October 1, 2004. | 2,735,000 | 2,805,000 |
| Bond/5I; Secured by St. Maur and St. Placid dormitories, renovation of first floor Quadrangle, etc.; payable to the Minnesota Higher Education Facilities Authority, in twenty-five annual installments ranging from $310,000 to $985,000 commencing October 1, 2002 and the final payment due October 1, 2026. The principal amount of each installment is subject to a specific interest rate ranging from 3.625% to 5.25%. A current installment of $335,000 is due October 1, 2004. | 13,640,000 | 13,960,000 |
| Total Bonds Payable | 42,820,000 | 44,055,000 |
| Mortgages Payable | | |
| Mortgage payable to an individual, secured by the Philippi real estate that was purchased. The mortgage is due in annual installments of $58,333 plus interest at the prime rate not to exceed 8%, commencing July, 2004 and continuing through July, 2015. | 700,000 | - |
| Department of Education (HUD) mortgage payable secured by certain real estate and equipment in the Solid Waste Boiler portion of the Power House. The mortgage is due in semi-annual installments payable over 38 years of $32,819 including principal and interest at 3% continuing through May 1, 2019. | 797,320 | 838,117 |

## NOTE 6 DEBT (CONTINUED)

| Mortgages Payable (Continued) | 2004 | 2003 |
|---|---|---|
| Department of Education (HUD) mortgage payable secured by the Seton Apartments. The mortgage is due in semi-annual installments payable over 38 years of $29,847 including principal and interest at 3% commencing in 1985 and continuing through August 2022. | 842,785 | 876,435 |
| Department of Education - Engel Hall general obligation note, secured by Engel Hall, payable over a 30-year period at an interest rate of 5½% with semi-annual installments of $49,277 including principal and interest continuing through November 2019. | 1,019,073 | 1,059,887 |
| Total Mortgages Payable | 3,359,178 | 2,774,439 |
| Total Notes, Bonds, and Mortgages Payable | 46,297,235 | 46,943,068 |
| Less: Current Portion | 1,468,122 | 1,350,261 |
| Total Long-Term | $ 44,829,113 | $ 45,592,807 |

Maturity requirements of debt principal and minimum lease obligations excluding notes payable to individuals and organizations in each of the next five years are as follows:

| Year | Amount |
|---|---|
| 2005 | $ 1,468,122 |
| 2006 | 1,532,842 |
| 2007 | 1,597,766 |
| 2008 | 1,667,905 |
| 2009 | 1,748,267 |
| Later Years | 38,164,276 |
| Subtotal | 46,179,178 |
| Add: Unsecured Notes Payable to Individuals and Organizations | 118,057 |
| Total | $ 46,297,235 |

The Order is subject to various covenants under the bond, loan and mortgage agreements. These covenants require the Order to maintain certain reserves, among other items. Reserves of $4,483,320 and $4,826,630 for the years ended June 30, 2004 and 2003, respectively, are included in investments. Total interest expense for the years ended June 30, 2004 and 2003 was $2,391,087 and $2,387,908, respectively.

## NOTE 7 COORDINATE EFFORT

The University entered into a contract with a local college to provide a joint effort between the two institutions for certain administrative, employment and student services. The joint effort was arranged to provide economic efficiencies when possible. The contract provides for such services to be reimbursed between the two institutions. At June 30, 2004 there was a payable to the college for $247,611 included in the accounts payable and at June 30, 2003 there was a receivable from the college for $398,488 included in accounts receivable.

## NOTE 8 RECLASSIFICATION OF NET ASSETS

During the year ended June 30, 2004, the Order made reclassifications to the net assets to account for various items which were incorrectly classified between unrestricted, temporarily and permanently restricted net assets. Total reclassifications made for the year ended June 30, 2004 were $5,097 from unrestricted; $62,728 from temporarily restricted; $67,825 to permanently restricted. Included in the reclassifications was $849,222 of net assets transferred from the College of Arts and Science to the School of Theology.

During the year ended June 30, 2003, the Order made reclassifications to the net assets to account for changes in donor restriction between temporarily and permanently restricted net assets. Total reclassifications made for the year ended June 30, 2003 were $49,392 from temporarily restricted and $49,392 to permanently restricted.

## NOTE 9 FUNCTIONAL ALLOCATION OF EXPENSES

Expenses with the exception of depreciation and plant expenses are specifically allocated to the various programs and supporting services. Depreciation and plant expenses are allocated based on the ratio of functional category expenses to total expenses.

## NOTE 10 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | 2004 | 2003 |
|---|---|---|
| Order of St. Benedict | | |
| Interest paid | $ 2,402,453 | $ 2,401,280 |
| Noncash: | | |
| Retirement of fully depreciated assets | $ 756,928 | $ 528,288 |
| Land sold for notes receivable | $ 1,190,000 | $ - |
| Write-off of inventories | $ 99,124 | $ 74,465 |
| St. John's Abbey | | |
| Interest paid | $ 24,840 | $ 26,037 |
| Noncash: | | |
| Retirement of fully depreciated assets | $ 77,575 | $ 21,981 |
| St. John's University | | |
| Interest paid | $ 2,198,873 | $ 2,221,095 |
| Noncash: | | |
| Retirement of fully depreciated assets | $ 425,134 | $ 381,322 |
| Land sold for notes receivable | $ 1,190,000 | $ - |

## NOTE 10 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (CONTINUED)

| | 2004 | 2003 |
|---|---|---|
| St. John's Preparatory School | | |
| Interest paid | $ 178,740 | $ 154,148 |
| Noncash: | | |
| Retirement of fully depreciated assets | $ 112,887 | $ 13,069 |
| | | |
| Liturgical Press | | |
| Noncash: | | |
| Retirement of fully depreciated assets | $ 141,332 | $ 111,916 |
| Write-off of inventories | $ 99,124 | $ 74,465 |

## NOTE 11 ST. JOHN'S BIBLE

In 1998 (and as amended in 2001 and 2004) St. John's University entered into a contract in the amount of 2,127,688 Pounds Sterling with Mr. Donald Jackson to create and produce a handwritten illuminated, museum Quality reproduction of the Bible based on the new Revised Standard Version. A monthly sum will be paid to Mr. Jackson through July 2007. The amount paid to Mr. Jackson through June 30, 2004 was $2,326,401 of an estimated total contract payment of $3,600,000 (at the current exchange rate). Additional payments will be paid as sections of the work are completed. A 10% royalty capped at 450,000 Pounds Sterling (approximately $800,000, at the current exchange rate) of the net profit will also be paid to Mr. Jackson.

A major objective of the St. John's Bible is to increase national and international awareness of St. John's University and promote its position among expanded constituencies and recruitment markets. Facsimiles of the Bible will be sold to generate revenue for St. John's University and the St. John's Bible.

## NOTE 12 REQUIRED ANNUAL REPORT INFORMATION FOR BONDS

On July 23, 1997, the Order of St. Benedict issued bonds through the Minnesota Higher Education Facilities Authority (4-L) in the amount of $29,850,000 to construct an athletic complex, science building, student housing and various other projects. On July 20, 1999, the Order of St. Benedict issued bonds of $3,000,000 through Stearns County, Minnesota, to add an additional floor to St. Bede Hall (academic Building) and renovate St. Michael Hall (dorm) of the St. John's Preparatory School. On February 1, 2001, the Order of St. Benedict issued bonds through the Minnesota Higher Education Facilities Authority (5I) in the amount of $14,270,000 to construct St. Maur and St. Placid dormitories, renovation of the first floor of the Quadrangle, and various other projects. The following information, which is required annual reporting, is in this footnote for easy reference. This information has not been subjected to any auditing procedures.

a. This information is provided as of the end of the most recent complete academic or fiscal year, as appropriate.

## NOTE 12 REQUIRED ANNUAL REPORT INFORMATION FOR BONDS (CONTINUED)

**University Housing**

The chart below shows historical occupancy levels at the University housing system.

| Fiscal Year | Spaces Available | Total Housed On Campus* | Occupancy Rate | Total Fr. - Sr. Student Body* | Percent Housed On Campus |
|---|---|---|---|---|---|
| 1999-00 | 1,390 | 1,390 | 100.0% | 1,756 | 79.2% |
| 2000-01 | 1,463 | 1,453 | 99.3% | 1,838 | 79.1% |
| 2001-02 | 1,529 | 1,514 | 99.0% | 1,875 | 80.7% |
| 2002-03 | 1,529 | 1,481 | 96.9% | 1,889 | 78.4% |
| 2003-04 | 1,500 | 1,468 | 97.9% | 1,917 | 76.6% |

*Fall enrollment figures

**Student Enrollment and Geographic Distribution of Entering Freshmen**

The University's total historic enrollment for undergraduate and graduate students for the past five years and the estimated enrollment for fiscal year 2003/04 is as follows:

| Fiscal Year | Head Count | FTE |
|---|---|---|
| Actual: | | |
| 1999/00 | 1,932 | 1,870 |
| 2000/01 | 2,020 | 1,950 |
| 2001/02 | 2,039 | 1,972 |
| 2002/03 | 2,043 | 1,980 |
| 2003/04 | 2,067 | 1,996 |
| Estimated: | | |
| 2004/05 | 2,015 | 1,952 |

Of the 490 persons enrolled in the 2003/04 freshman class, 403 or 82.2% are Minnesota residents.

## NOTE 12 REQUIRED ANNUAL REPORT INFORMATION FOR BONDS (CONTINUED)

### Freshman Applications, Acceptances and Enrollments

| | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 |
|---|---|---|---|---|---|
| Applications | 1,119 | 1,189 | 1,115 | 1,101 | 1,049 |
| Acceptances | 950 | 1005 | 950 | 957 | 932 |
| Percent Accepted | 85% | 85% | 85% | 87% | 89% |
| Enrolled | 475 | 522 | 502 | 468 | 490 |
| Percent Enrolled to Accepted | 50% | 52% | 53% | 49% | 53% |
| Mean ACT Score | 25 | 25 | 25 | 25 | 25 |
| Mean SAT Verbal/ Math Scores* | 582/601 | 570/607 | 589/609 | 579/624 | 579/624 |

**All scores recentered.*

### Student Retention

The University reports the following student retention percentages, based on tracking incoming freshmen through to graduation.

| Fall Semester | New Freshmen | Percent of Students Returning 2nd Year | 3rd Year | 4th Year | 5th Year | Percent of Graduates 4 Years | By 5th Year |
|---|---|---|---|---|---|---|---|
| 1996 | 426 | 90.1 % | 85.7 % | 82.4 % | 6.8 % | 69.0 % | 77.0 % |
| 1997 | 450 | 90.9 | 87.8 | 84.2 | 5.8 | 73.0 | 82.0 |
| 1998 | 427 | 92.3 | 85.7 | 82.7 | 4.7 | 74.0 | 81.0 |
| 1999 | 475 | 89.7 | 83.8 | 79.8 | 8.4 | 71.0 | |
| 2000 | 522 | 91.6 | 86.0 | 83.9 | | | |
| 2001 | 502 | 89.4 | 81.3 | | | | |
| 2002 | 468 | 89.7 | | | | | |
| 2003 | 490 | | | | | | |

## NOTE 12 REQUIRED ANNUAL REPORT INFORMATION FOR BONDS (CONTINUED)

### Tuition and Fees

The University meets the costs of its educational programs primarily through tuition and fees. The following table lists the tuition, room and board fees for the past five years, charged to a full-time, incoming freshman.

| | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 |
|---|---|---|---|---|---|
| Tuition | $ 16,195 | $ 16,995 | $ 18,015 | $ 18,916 | $ 20,335 |
| Room* | 2,364 | 2,473 | 2,900 | 3,060 | 3,210 |
| Board | 2,566 | 2,656 | 2,722 | 2,817 | 2,915 |
| Activity Fee | 150 | 150 | 160 | 160 | 180 |
| Technology Fee | 96 | 96 | 150 | 150 | 170 |
| Total | $ 21,371 | $ 22,370 | $ 23,947 | $ 25,103 | $ 26,810 |

* *Amounts represented above are average room charges; actual amounts may be more or less depending on the residence.*

Special fees may be charged for specific courses such as science labs, arts fees or music lessons.

### Faculty

The student-faculty ratio is approximately 14 to 1. Approximately 10% of the faculty are members of the Order of St. Benedict or other religious orders. There are no religious or denominational prerequisites or any participatory religious requirements for faculty membership. The University subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

For the 2003/04 fiscal year, the University has 151 full-time and 27 part-time faculty. The number and average salary by rank for full-time faculty during the 2003/04 Fiscal Year were:

| Rank | Head Count * Number | Average * Salary |
|---|---|---|
| Professor | 50 | $ 71,917 |
| Associate Professor | 45 | $ 55,977 |
| Assistant Professor | 36 | $ 46,401 |
| Instructor/Lecturer | 12 | $ 42,068 |

* Head count and average salary calculated per IPEDS survey criteria.

Sixty percent of the full-time faculty is tenured.

## NOTE 12 REQUIRED ANNUAL REPORT INFORMATION FOR BONDS (CONTINUED)

### Financial Aid

Approximately 96% of the student body annually receives some form of financial aid. The following table is a five-year summary of financial assistance received from both University and non-University sources.

| | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 |
|---|---|---|---|---|---|
| Loans: | | | | | |
| Perkins | $ 405,750 | $ 415,300 | $ 488,724 | $ 560,127 | $ 718,620 |
| GSL (Stafford) | 3,992,356 | 4,279,453 | 4,839,734 | 5,252,977 | 5,873,235 |
| PLUS | 810,064 | 826,788 | 1,032,126 | 986,146 | 1,469,068 |
| SELF (State of Minnesota) | 1,878,121 | 2,056,719 | 2,026,907 | 1,921,605 | 2,185,546 |
| Total Loans | 7,086,291 | 7,578,260 | 8,387,491 | 8,720,855 | 10,246,469 |
| Student Employment (All Sources) | 2,196,338 | 2,356,931 | 2,595,097 | 2,351,969 | 2,565,667 |
| Gift Aid: | | | | | |
| Federal/State | 2,606,612 | 2,719,361 | 2,708,939 | 2,850,927 | 2,755,844 |
| University | 8,703,284 | 9,873,825 | 10,897,432 | 11,819,591 | 13,214,681 |
| Total Gift Aid | 11,309,896 | 12,593,186 | 13,606,371 | 14,670,518 | 15,970,525 |
| Total | $ 20,592,525 | $ 22,528,377 | $ 24,588,959 | $ 25,743,342 | $ 28,782,661 |

### Other Information

a. Gifts, bequests, and grant support for fiscal year 2004 is $19,361,866.

Based on fiscal 2004 Audited Financial Statements of the Corporation:

| | |
|---|---|
| Increase in Unrestricted Net Assets | $ 19,610,968 |
| Plus: Depreciation/Amortization | 4,519,025 |
| Debt Service Interest | 2,391,087 |
| Less: Net Assets Released from Restriction for Land, Building, and Equipment | (987,256) |
| Investment Loss in Excess of Spending Policy | (12,215,910) |
| Amount Available for Debt Service | $ 13,317,914 |

## NOTE 12 REQUIRED ANNUAL REPORT INFORMATION FOR BONDS (CONTINUED)

b. Information on Capital Campaign

The University has undertaken a capital campaign beginning July 1, 2001. Overall campaign goals have not been established as of June 30, 2004. As of June 30, 2004, the University had raised $1,333,344 for facilities, $27,843,117 for endowment (scholarship and program endowment), $2,680,687 to be designated, and $20,532,388 for unrestricted and restricted annual gifts, for a total of $52,389,536 through cash, pledges, and planned gifts.

LarsonAllen[SM]

CPAs, Consultants & Advisors
www.larsonallen.com

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

Rt. Rev. John B. Klassen, O.S.B., Abbot
Order of St. Benedict, Inc.
Collegeville, Minnesota

Our report on our audits of the basic financial statements of the Order of St. Benedict, Inc. for 2004 and 2003 appears on page 1. These audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages A-1 through A-5, L-1 through L-5, P-1 through P-5 and U-1 through U-5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Larson, Allen, Weishair & Co LLP
LARSON, ALLEN, WEISHAIR & CO., LLP

Minneapolis, Minnesota
September 24, 2004

# ST. JOHN'S UNIVERSITY
# BALANCE SHEETS
# JUNE 30, 2004 AND 2003
### (SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

| | 2004 | 2003 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 1,612,198 | $ 3,073,212 |
| Accounts receivable: | | |
| Student receivables, net of allowance for doubtful accounts of $1,283,000 in 2004 and $1,265,000 in 2003 | 345,170 | 422,815 |
| Contributions receivable, net of allowance for doubtful accounts of $258,500 in 2004 and $102,200 in 2003 | 2,294,532 | 1,931,833 |
| Other | 937,582 | 2,232,647 |
| Interest receivable | 631,650 | 806,277 |
| Inventories | 944,164 | 914,977 |
| Prepaid expenses | 610,909 | 820,150 |
| Total Current Assets | 7,376,205 | 10,201,911 |
| **LONG-TERM RECEIVABLES AND OTHER NON-CURRENT ASSETS** | | |
| Student loans receivable, net of allowance for doubtful accounts of $0 in 2004 and 2003 | 2,926,272 | 2,826,380 |
| Contributions receivable, net of allowance for doubtful accounts of $928,000 in 2004 and $298,100 in 2003 | 7,153,771 | 5,665,588 |
| Notes receivable | 704,697 | - |
| Unitrusts receivable | 154,072 | 171,492 |
| Deferred debt acquisition costs, net of accumulated amortization of $251,469 in 2004 and $211,190 in 2003 | 766,619 | 806,898 |
| Total Long-Term Receivables and Other Non-Current Assets | 11,705,431 | 9,470,358 |
| **LONG-TERM INVESTMENTS (Note 4)** | | |
| Investments | 120,060,003 | 107,127,831 |
| Assets held in charitable remainder unitrusts | 10,414,624 | 8,559,690 |
| Total Long-Term Investments | 130,474,627 | 115,687,521 |
| **PROPERTY, PLANT AND EQUIPMENT** | | |
| Land and improvements | 6,002,101 | 4,175,144 |
| Buildings | 100,332,096 | 99,218,343 |
| Furniture and equipment | 18,468,650 | 17,586,537 |
| Library books | 9,873,620 | 9,539,680 |
| Bible project books | 3,288,876 | 2,541,924 |
| HMML microfilm and library books | 4,072,662 | 4,041,127 |
| Prepaid construction | 981,608 | 896,444 |
| Total | 143,019,613 | 137,999,199 |
| Less: Accumulated depreciation | 37,745,198 | 35,032,219 |
| Total Property, Plant and Equipment | 105,274,415 | 102,966,980 |
| **TOTAL ASSETS** | $ 254,830,678 | $ 238,326,770 |

| LIABILITIES AND NET ASSETS | 2004 | 2003 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 1,616,463 | $ 2,411,467 |
| Accrued payroll and benefits | 2,654,788 | 2,567,008 |
| Other liabilities | 616,106 | 613,729 |
| Deferred revenue | 1,095,830 | 997,146 |
| Funds held for others | 170,261 | 185,138 |
| Current portion of annuities and unitrusts payable | 1,087,725 | 843,564 |
| Current portion of notes, bonds and mortgages payable (Note 6) | 1,351,091 | 1,239,464 |
| Total Current Liabilities | 8,592,264 | 8,857,516 |
| **LONG-TERM LIABILITIES** | | |
| Government grants repayable - Federal Perkins loan program | 2,926,272 | 2,983,286 |
| Notes, bonds and mortgages payable, net of current portion (Note 6) | 41,413,824 | 42,060,487 |
| Annuities and unitrusts payable, net of current portion | 9,046,160 | 8,224,830 |
| Other long-term liabilities | 41,635 | 23,251 |
| Total Long-Term Liabilities | 53,427,891 | 53,291,854 |
| Total Liabilities | 62,020,155 | 62,149,370 |
| **NET ASSETS** | | |
| Unrestricted: | | |
| Available for operations - CAS | 524,336 | 1,217,778 |
| Available for operations - HMML | - | - |
| Available for operations - ISTI | (9,554) | - |
| Available for operations - AIR | 12,670 | 20,400 |
| Board designated: | | |
| Unrestricted portion of endowment | 50,199,134 | 42,211,994 |
| Capital renewal | 1,133,906 | 1,833,079 |
| SJU debt stabilization | 24,963,522 | 21,990,921 |
| Contractual limitations - debt service | 1,016,587 | 1,344,686 |
| Investment in property, plant and equipment | 61,948,599 | 59,403,676 |
| Annuities | 3,560,350 | 2,977,319 |
| Total Unrestricted Net Assets | 143,349,550 | 130,999,853 |
| Temporarily Restricted: | | |
| Unitrusts | 1,198,704 | 1,278,033 |
| Term endowment | 58,899 | 52,510 |
| Unexpended gifts | | |
| Plant | 80,680 | 334,576 |
| Program | 8,971,110 | 7,996,077 |
| Contributions receivable | 3,738,070 | 4,053,161 |
| Total Temporarily Restricted Net Assets | 14,047,463 | 13,714,357 |
| Permanently Restricted: | | |
| Unitrusts | 1,122,816 | 1,079,508 |
| Endowment | 28,580,458 | 26,839,420 |
| Contributions receivable | 5,710,236 | 3,544,262 |
| Total Permanently Restricted Net Assets | 35,413,510 | 31,463,190 |
| Total Net Assets | 192,810,523 | 176,177,400 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 254,830,678 | $ 238,326,770 |

## ST. JOHN'S UNIVERSITY
## STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2004
## WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2003
### (SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

| | 2004 | | | | 2003 |
|---|---|---|---|---|---|
| | UNRESTRICTED | TEMPORARILY RESTRICTED | PERMANENTLY RESTRICTED | TOTAL | TOTAL |
| **OPERATING ACTIVITIES** | | | | | |
| **OPERATING REVENUES** | | | | | |
| Tuition and fees | $ 40,742,389 | $ - | $ - | $ 40,742,389 | $ 37,487,373 |
| Less: Funded scholarships and grants - restricted funds | (2,004,894) | - | - | (2,004,894) | (2,161,112) |
| Less: Funded scholarships and grants - unrestricted funds | (825,236) | - | - | (825,236) | (1,002,245) |
| Less: Unfunded scholarships and grants | (11,180,248) | - | - | (11,180,248) | (9,529,809) |
| Net tuition and fees | 26,732,011 | - | - | 26,732,011 | 24,794,207 |
| Government grants: | | | | | |
| Federal grants | 660,059 | - | - | 660,059 | 658,330 |
| State grants | 211,515 | 38,149 | - | 249,664 | 24,148 |
| Private gifts and grants | 3,386,779 | 3,612,540 | - | 6,999,319 | 6,993,630 |
| Other investment income | 302,631 | 144,757 | - | 447,388 | 555,668 |
| Investment return allocated for operations (draw) | 5,841,237 | - | - | 5,841,237 | 6,565,498 |
| Other sources | 1,776,765 | - | - | 1,776,765 | 1,640,574 |
| Sales and services of auxiliary enterprises: | | | | | |
| Residence halls | 4,845,528 | - | - | 4,845,528 | 4,755,769 |
| Food services | 5,711,935 | - | - | 5,711,935 | 5,762,442 |
| Other auxiliaries | 3,825,198 | - | - | 3,825,198 | 3,831,837 |
| | 53,293,658 | 3,795,446 | - | 57,089,104 | 55,582,103 |
| Net assets released from restrictions (Note 2) | 2,643,373 | (2,643,373) | - | - | - |
| Total Operating Revenues, Gains and Other Support | 55,937,031 | 1,152,073 | - | 57,089,104 | 55,582,103 |
| **OPERATING EXPENSES** | | | | | |
| Program expenses: | | | | | |
| Instruction | 19,284,667 | - | - | 19,284,667 | 18,313,242 |
| Academic support | 7,430,604 | - | - | 7,430,604 | 7,699,653 |
| Student services | 6,598,761 | - | - | 6,598,761 | 6,210,058 |
| Auxiliary enterprises | | | | | |
| Residence halls | 3,930,416 | - | - | 3,930,416 | 3,632,290 |
| Food services | 4,874,947 | - | - | 4,874,947 | 4,745,659 |
| Other auxiliaries | 3,214,214 | - | - | 3,214,214 | 3,188,265 |
| Support expenses: | | | | | |
| Institutional support | 8,208,557 | - | - | 8,208,557 | 8,222,946 |
| Other: | | | | | |
| Sponsored programs | 1,203,934 | - | - | 1,203,934 | 1,218,357 |
| Total Operating Expenses | 54,746,100 | - | - | 54,746,100 | 53,230,470 |
| **Increase (Decrease) in Net Assets from Operating Activities** | 1,190,931 | 1,152,073 | - | 2,343,004 | 2,351,633 |
| **NONOPERATING ACTIVITIES** | | | | | |
| Long-term investment activities | | | | | |
| Endowment income | 1,542,094 | 640,126 | 13,155 | 2,195,375 | 3,007,949 |
| Net realized gains (losses) on investments | 5,202,380 | 2,159,518 | 44,377 | 7,406,275 | (10,289,258) |
| Net unrealized gains (losses) on investments | 4,893,963 | 2,031,493 | 41,746 | 6,967,202 | 6,733,406 |
| Total long-term investment income | 11,638,437 | 4,831,137 | 99,278 | 16,568,852 | (547,903) |
| Less: Investment return allocated for operations (draw) | (5,841,237) | - | - | (5,841,237) | (6,565,498) |
| | 5,797,200 | 4,831,137 | 99,278 | 10,727,615 | (7,113,401) |
| Government grants | | | | | |
| Federal grants | - | 143,862 | - | 143,862 | 153,444 |
| Private gifts and grants | - | 458,113 | 1,573,935 | 2,032,048 | 2,298,793 |
| Contributions | - | 339,908 | 2,165,974 | 2,505,882 | 5,169,641 |
| Loss on contributions | - | (655,000) | - | (655,000) | - |
| Annuity and unitrust net gifts | 265,629 | - | - | 265,629 | 225,763 |
| Adjustment of actuarial liability | (692,965) | (80,260) | 43,308 | (729,917) | (881,862) |
| Reclassification of Net Assets | (5,097) | (62,728) | 67,825 | - | - |
| | (432,433) | 143,895 | 3,851,042 | 3,562,504 | 6,965,779 |
| Net assets released from restrictions | 5,793,999 | (5,793,999) | - | - | - |
| | 5,361,566 | (5,650,104) | 3,851,042 | 3,562,504 | 6,965,779 |
| **Increase (Decrease) in Net Assets from Nonoperating Activities** | 11,158,766 | (818,967) | 3,950,320 | 14,290,119 | (147,622) |
| **Increase (Decrease) in Net Assets** | 12,349,697 | 333,106 | 3,950,320 | 16,633,123 | 2,204,011 |
| Net Assets - Beginning of Year | 130,999,853 | 13,714,357 | 31,463,190 | 176,177,400 | 173,973,389 |
| **NET ASSETS - END OF YEAR** | $ 143,349,550 | $ 14,047,463 | $ 35,413,510 | $ 192,810,523 | $ 176,177,400 |

# ST. JOHN'S UNIVERSITY
# STATEMENT OF ACTIVITIES
# YEAR ENDED JUNE 30, 2003
### (SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

| | 2003 | | | |
|---|---|---|---|---|
| | UNRESTRICTED | TEMPORARILY RESTRICTED | PERMANENTLY RESTRICTED | TOTAL |
| **OPERATING ACTIVITIES** | | | | |
| **OPERATING REVENUES** | | | | |
| Tuition and fees | $ 37,487,373 | $ - | $ - | $ 37,487,373 |
| Less: Funded scholarships and grants - restricted funds | (2,161,112) | - | - | (2,161,112) |
| Less: Funded scholarships and grants - unrestricted funds | (1,002,245) | - | - | (1,002,245) |
| Less: Unfunded scholarships and grants | (9,529,809) | - | - | (9,529,809) |
| Net tuition and fees | 24,794,207 | - | - | 24,794,207 |
| Government grants: | | | | |
| Federal grants | 648,330 | 10,000 | - | 658,330 |
| State grants | - | 24,148 | - | 24,148 |
| Private gifts and grants | 3,242,869 | 3,750,761 | - | 6,993,630 |
| Other investment income | 382,687 | 172,981 | - | 555,668 |
| Investment return allocated for operations (draw) | 6,565,498 | - | - | 6,565,498 |
| Other sources | 1,640,574 | - | - | 1,640,574 |
| Sales and services of auxiliary enterprises: | | | | |
| Residence halls | 4,755,769 | - | - | 4,755,769 |
| Food services | 5,762,442 | - | - | 5,762,442 |
| Other auxiliaries | 3,831,837 | - | - | 3,831,837 |
| | 51,624,213 | 3,957,890 | - | 55,582,103 |
| Net assets released from restrictions (Note 2): | 2,758,516 | (2,758,516) | - | - |
| Total Operating Revenues, Gains and Other Support | 54,382,729 | 1,199,374 | - | 55,582,103 |
| **OPERATING EXPENSES** | | | | |
| Program expenses: | | | | |
| Instruction | 18,313,242 | - | - | 18,313,242 |
| Academic support | 7,699,653 | - | - | 7,699,653 |
| Student services | 6,210,058 | - | - | 6,210,058 |
| Auxiliary enterprises | | | | |
| Residence halls | 3,632,290 | - | - | 3,632,290 |
| Food services | 4,745,659 | - | - | 4,745,659 |
| Other auxiliaries | 3,188,265 | - | - | 3,188,265 |
| Support expenses: | | | | |
| Institutional support | 8,222,946 | - | - | 8,222,946 |
| Other: | | | | |
| Sponsored programs | 1,218,357 | - | - | 1,218,357 |
| Total Operating Expenses | 53,230,470 | - | - | 53,230,470 |
| **Increase (Decrease) in Net Assets from Operating Activities** | 1,152,259 | 1,199,374 | - | 2,351,633 |
| **NONOPERATING ACTIVITIES** | | | | |
| Long-term investment activities | | | | |
| Endowment income | 2,701,218 | 324,843 | (18,112) | 3,007,949 |
| Net realized gains (losses) on investments | (9,220,361) | (1,068,897) | - | (10,289,258) |
| Net unrealized gains (losses) on investments | 6,033,915 | 699,491 | - | 6,733,406 |
| Total long-term investment income | (485,228) | (44,563) | (18,112) | (547,903) |
| Less: Investment return allocated for operations (draw) | (6,565,498) | - | - | (6,565,498) |
| | (7,050,726) | (44,563) | (18,112) | (7,113,401) |
| Government grants | | | | |
| Federal grants | - | 153,444 | - | 153,444 |
| Private gifts and grants | - | 964,007 | 1,334,786 | 2,298,793 |
| Contributions | - | 2,449,711 | 2,719,930 | 5,169,641 |
| Loss on contributions | - | - | - | - |
| Annuity and unitrust net gifts | 41,974 | 183,789 | - | 225,763 |
| Adjustment of actuarial liability | (837,195) | (2,748) | (41,919) | (881,862) |
| Reclassification of Net Assets | - | (49,392) | 49,392 | - |
| | (795,221) | 3,698,811 | 4,062,189 | 6,965,779 |
| Net assets released from restrictions | 1,636,913 | (1,636,913) | - | - |
| | 841,692 | 2,061,898 | 4,062,189 | 6,965,779 |
| **Increase (Decrease) in Net Assets from Nonoperating Activities** | (6,209,034) | 2,017,335 | 4,044,077 | (147,622) |
| **Increase (Decrease) in Net Assets** | (5,056,775) | 3,216,709 | 4,044,077 | 2,204,011 |
| Net Assets - Beginning of Year | 136,056,628 | 10,497,648 | 27,419,113 | 173,973,389 |
| **NET ASSETS - END OF YEAR** | $ 130,999,853 | $ 13,714,357 | $ 31,463,190 | $ 176,177,400 |

# ST. JOHN'S UNIVERSITY
## STATEMENTS OF CASH FLOWS
## YEARS ENDED JUNE 30, 2004 AND 2003
### (SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

| | 2004 | 2003 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ 16,633,123 | $ 2,204,011 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 3,634,660 | 3,599,936 |
| Adjustment of actuarial liability | 729,917 | 881,862 |
| (Gain) losses on equipment | (42,878) | - |
| Realized (gains) losses on investments | (7,406,275) | 10,289,258 |
| Unrealized (gains) losses on investments | (6,967,202) | (6,733,406) |
| Contributions and income restricted for long-term investment | (4,421,038) | (5,486,999) |
| Change in total contributions receivable | (1,850,882) | (5,169,639) |
| Change in current assets: | | |
| Student receivables | (22,247) | (30,613) |
| Other receivables | 1,487,112 | (326,295) |
| Inventories | (29,187) | 95,741 |
| Prepaid expenses | 209,241 | (18,815) |
| Change in current liabilities: | | |
| Accounts payable | (795,004) | 177,863 |
| Accrued payroll liabilities | 87,780 | 187,417 |
| Other liabilities | 20,761 | (18,346) |
| Deferred revenue | 98,684 | (8,059) |
| Funds held for others | (14,877) | 17,361 |
| Net Cash Provided (Used) by Operating Activities | 1,351,688 | (338,723) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (5,976,438) | (6,397,621) |
| Proceeds from sale of equipment | 117,500 | - |
| Collections on notes receivable | 485,303 | - |
| Proceeds from sales and maturities of investments | 58,523,145 | 69,414,586 |
| Purchases of investments | (60,126,774) | (70,944,043) |
| Net Cash Provided (Used) by Investing Activities | (6,977,264) | (7,927,078) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Contributions and income restricted for long-term investment | 4,421,038 | 5,486,999 |
| Proceeds from issuance of long-term debt | 700,000 | - |
| Payment of principal on long-term debt | (1,235,036) | (1,224,388) |
| Drawn bond funds | - | 1,806,237 |
| Increase in government grants repayable - Federal Perkins loan program | (57,014) | (16,952) |
| Annuity and unitrust payments | (921,312) | (982,133) |
| Change in annuity and unitrust liability | 1,256,886 | (346,546) |
| Net Cash Provided (Used) by Financing Activities | 4,164,562 | 4,723,217 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (1,461,014) | (3,542,584) |
| Cash and Cash Equivalents - Beginning of Year | 3,073,212 | 6,615,796 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 1,612,198 | $ 3,073,212 |

Recycled Paper - Printed by
IMAGEMASTER 800.452.5152