OFFICIAL STATEMENT DATED JUNE 16, 1993

New Issue **Moody's Rating: Baa**

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

$12,535,000
Minnesota Higher Education Facilities Authority
Mortgage Revenue Bonds, Series Three-Q
(St. Marys College)

SAINT MARY'S COLLEGE
OF · MINNESOTA

Dated Date: June 1, 1993

Interest Due: April 1 and October 1, commencing April 1, 1994

$4,075,000 serial bonds to mature annually on October 1 as follows:

Year	Amount	Interest Rate	Yield	Year	Amount	Interest Rate	Yield
1994	$175,000	3.25%	3.25%	2002	$250,000	5.60%	5.60%
1995	$180,000	3.75%	3.75%	2003	$265,000	5.70%	5.70%
1996	$185,000	4.25%	4.25%	2004	$280,000	5.80%	5.80%
1997	$195,000	4.50%	4.50%	2005	$295,000	5.90%	5.90%
1998	$205,000	4.75%	4.75%	2006	$315,000	5.95%	5.95%
1999	$215,000	5.00%	5.00%	2007	$335,000	6.00%	6.00%
2000	$225,000	5.20%	5.20%	2008	$340,000	6.00%	6.05%
2001	$240,000	5.40%	5.40%	2009	$375,000	6.05%	6.10%

$3,345,000 6.10% Term Bonds due October 1, 2016 – Price: 98.765
$5,115,000 6.15% Term Bonds due October 1, 2023 – Price: 97.971

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), the Bonds are subject to redemption, prior to maturity as described herein. See "The Bonds – Prior Redemption – Optional Redemption". The Bonds will also be 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 Indenture and in whole or in part in the event of a Determination of Taxability, as described herein.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein). Norwest Bank Minnesota, 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 St. Marys College, Winona, Minnesota (the "College") pursuant to a Loan Agreement between the Authority and the College, or out of other amounts pledged pursuant to the Indenture or realized from the Mortgage as described herein. The Loan Repayments will be a general obligation of the College.

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters named below subject to the approval of legality by Faegre & Benson, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Ann E. Merchlewitz, Esq., special counsel to the President of the College and for the Underwriters by their counsel, Lindquist & Vennum, Minneapolis, Minnesota. Bonds are expected to be available for delivery on or about June 30, 1993.

Norwest Investment Services, Inc. **Piper Jaffray Inc.**

FBS Investment Services, Inc.

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

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

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

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Carol A. Blomberg, Chair	Personal Banker, Norwest Bank Minnesota, Mesabi, National Association, Hibbing, Minnesota.
Kathryn Balstad Brewer, Vice Chair	Student, New Brighton, Minnesota.
Jack Amundson, Secretary	Partner, McMahon, Hartmann, Amundson & Co., Saint Cloud, Minnesota.
Earl R. Herring	Retired, formerly Vice President for Administrative Affairs, Moorhead State University, Moorhead, Minnesota.
John S. Hoyt, Jr.	CEO, Effective Golf Course Systems, Inc., Edina, Minnesota
Fred Hsiao	President, Shaw/Lundquist Associates, Saint Paul, Minnesota.
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota.
James R. Miller	Owner and CEO, Rollin & Associates, Inc., St. Paul, Minnesota
David Powers (Ex Officio)	Executive Director, Minnesota Higher Education Coordinating Board, Saint Paul, Minnesota.
Mollie N. Thibodeau	Fund Raising Consultant, Duluth, Minnesota

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

$12,535,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MORTGAGE REVENUE BONDS, SERIES THREE-Q
(ST. MARYS COLLEGE)

(Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and St. Marys College (the "College"), a Minnesota non-profit corporation which owns and operates an institution of higher education located in Winona, Minnesota, in connection with the issuance of the Authority's $12,535,000 Mortgage Revenue Bonds, Series Three-Q (St. Marys College), (the "Bonds," the "Series Three- Q Bonds" or the "Issue").

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

The Bonds are also issued pursuant to the Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Issue.

Pursuant to a Loan Agreement between the College and the Authority, the College will covenant as a general obligation of the College to make Loan Repayments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. A portion of the proceeds of the Issue will be loaned to the College to be used together with available College funds to refund the outstanding principal of the following Authority issues, all of which were issued on behalf of the College: (i) First Mortgage Revenue Bonds, Series C, dated January 1, 1973 (the "Series C Bonds"); (ii) Mortgage Revenue Bonds, Refunding Series 1976-2, dated April 1, 1977 (the "Series 1976-2 Bonds"); (iii) Mortgage Revenue Bonds, Series Two-M, dated May 1, 1987 (the "Series Two-M Bonds"); and (iv) Mortgage Revenue Bonds, Series Three-F, dated June 1, 1991 (the "Series Three-F Bonds") (collectively referred to as the "Prior Bonds"). The balance of the proceeds of the Series Three-Q Bonds will finance the acquisition, construction, furnishing and equipping of an approximately 80,000 square foot recreational facility, including pool and athletic track, including appurtenant site improvements, all to be owned and operated by the College and located on the Project Site (the "Project") and to pay issuance costs. (See "Purpose of the Issue" herein.)

The Bonds are secured by a pledge of the Loan Repayments and a mortgage on and security interest in the Theatre/Recital Hall, Adducci Science Center, the College Center, the Ice Arena and the recreation facility (the "Mortgaged Property"). The Loan Repayments are a general obligation of the College.

The Reserve Account will be funded in the amount of $923,935 from proceeds of the Bonds. (See "Reserve Account," page 12.)

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

The foregoing Introductory Statement is a summary only. For more specific explanations, reference should be made to the following pages and appendices of this Official Statement.

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, or interest on the Bonds.

Risk of Insufficient Collateral

The Bonds are secured by (a) a pledge of amounts payable under the Loan Agreement, (b) a Reserve Account which will be held by the Trustee and applied to the payment of principal and interest on the Bonds and (c) a mortgage on and security interest in the Mortgaged Property. If an Event of Default occurs, there can be no assurance that such security will be sufficient to pay the principal of, premium, if any, or interest on the Bonds.

Adequacy of Revenues

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

Reliance on Tuition

The adequacy of College revenues will be largely dependent on the amount of future tuition revenue received by the College. Such revenue in turn will depend primarily on the ability of the College to charge sufficient rates for tuition and to maintain enrollment levels. Because of the relatively high acceptance rate for applicants to the College, future enrollment levels will depend on the number of students applying to the College and accepting offers of admission. A number of various factors, including, without limitation, such factors as any increases in tuition rates, competition from other colleges, a decline in the number of college age students generally and adverse general economic conditions will influence the number of applicants to the College.

Financial Aid

Approximately 52% of the College's students currently receive some Federal financial aid and 31% receive State financial aid covering tuition and fees or living expenses. No assurance can be given that Federal and State 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 College's revenues.

Damage or Destruction

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

Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the College and computed pro forma debt service coverage is provided in APPENDIX I under the caption "Annual Debt Service by Fiscal Year and Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and Bond debt service requirements.

Limited Obligation

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Trust Indenture, the Mortgage or the Bonds or the other obligations of the College. Accordingly, for payment of principal, interest, premium, if any, on the Bonds, holders of the Bonds must look solely to the security under the Loan Agreement, the Indenture and the Mortgage.

Foreclosure of the Mortgage

The Bonds are limited obligations of the Authority and are payable from Loan Repayments by the College under the Loan Agreement or from the Reserve Account. If sufficient payments are not forthcoming from these sources, it may be necessary for the Trustee to exercise its remedies under the Mortgage. The value of the Mortgaged Property upon foreclosure of the Mortgage may be adversely affected by a number of factors. The mortgaged buildings are designed for educational, recreational and performance purposes and their use and marketability for other purposes may be limited. Attempts to foreclose under mortgages are frequently met with protracted litigation and/or bankruptcy proceedings, which proceedings cause delays in realizing on collateral and may otherwise limit the value of the collateral.

Bankruptcy

The ability of the Trustee to exercise rights under the Loan Agreement, the Mortgage, 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 generally.

Other Possible Risk Factors

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

(1) Reinstatement of or establishment of mandatory governmental wage and price controls.

(2) 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.

(3) Employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without corresponding increase in revenues.

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

THE BONDS

The Bonds will be dated June 1, 1993 and will mature annually each October 1, commencing October 1, 1994, 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 April 1, 1994.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of each series of the Bonds each 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges in deposited securities through electronic computerized book entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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, but Beneficial Owners are 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 interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If less 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 within such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. 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 DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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, 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 DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the 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 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 has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Prior Redemption

<u>Mandatory Redemption</u>

Bonds maturing on October 1, 2016 and October 1, 2023 shall be called for redemption on October 1 in the years 2010 through 2015 and 2017 through 2022, respectively, at the principal amount thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

Year	Principal Amount	Year	Principal Amount
2010	$395,000	2017	$605,000
2011	420,000	2018	645,000
2012	445,000	2019	680,000
2013	475,000	2020	725,000
2014	505,000	2021	770,000
2015	535,000	2022	820,000
2016*	570,000	2023*	870,000

* *Maturity.*

The 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 Bonds maturing in 2016 and 2023, to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

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

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

Optional Redemption

Bonds maturing on or after October 1, 2004 are subject to optional redemption in whole or in part on October 1, 2003, and on any date thereafter if in whole and on any interest payment date thereafter if in part, in such order of maturity as the College shall direct and by lot within a maturity, in integral multiples of $5,000, at the redemption prices (expressed as percentages of the principal amount thereof to be redeemed) plus accrued interest to the redemption dates, as follows:

	Redemption Price
October 1, 2003 through September 30, 2004	101.0%
October 1, 2004 through September 30, 2004	100.5%
October 1, 2005 and thereafter	100.0%

The Bonds will also be subject to optional redemption at par and accrued interest as a whole or in part, in integral multiples of $5,000, in certain cases of damage to or destruction or condemnation of the Project Facilities, and in whole or in part on the next practicable date and any date thereafter upon a Determination of Taxability as provided in the Loan Agreement (see Appendix IV, "SUMMARY OF DOCUMENTS - The Loan Agreement - Determination of Taxability").

Partial Redemption

In the case of Bonds of denominations greater than $5,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each $5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. If it is determined that one or more, but not all of the $5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such $5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the $5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the registered Owner thereof, without charge therefor. If the Owner of any such Bond of a denomination greater than $5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the $5,000 unit or units of principal amount called for redemption (and to that extent only). 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 shall be 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.

<u>Notice of Redemption</u>

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 thirty 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 respective dates on which the principal of the Bonds is paid. See "Tax Exemption" on pages 17 and 18 and Appendix III, "DEFINITION OF CERTAIN TERMS."

The College will have the option to prepay the Loan as a whole or in part from the first practicable date following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability).

Additional Bonds

In addition to the Bonds, the Authority may in its discretion and with the consent of the College issue Additional Bonds (i) to provide funds to complete the Project, or (ii) to refund all or any series or portion of series of the then outstanding Bonds, or (iii) to provide funds for improvements to or alterations, repairs or replacement of the Project Facilities or (iv) for another project or projects, as defined in and authorized by the Act, provided that no such Additional

Bonds will be issued under the Indenture or secured by the Trust Estate on a parity with the Bonds then outstanding unless:

1. The exclusion of interest on the outstanding Bonds from gross income of the holders of the Bonds for purposes of federal income taxation under the Code shall not be jeopardized by the issuance of the Additional Bonds.

2. Supplements to the Loan Agreement, Mortgage, and Indenture are executed and delivered describing the Additional Bonds as additional indebtedness secured thereby.

3. No Default or Event of Default on the part of the College exists under the Loan Agreement or the Mortgage.

4. The College furnishes evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds and comply with certain financial covenants as further provided in Section 6.13(c) of the Loan Agreement and deposits additional monies or investments in the Reserve Account, to be held by the Trustee under the Indenture in such amount and value as shall bring the amount on deposit in the Reserve Account to the Reserve Requirement, calculated after giving effect to the issuance of the Additional Bonds.

SOURCES AND USES OF FUNDS

Sources:		
Principal of the Bonds	$12,535,000	
Less: Original Issue Discount	(148,772)	$12,386,228
Accrued Interest		59,411
Reserve Balances from Prior Bonds		849,700
Other Funds of the College		39,854
Total Sources		$13,335,193
Uses:		
Project Costs		$ 5,018,135
Refunding of Prior Bonds		7,041,088
Bond and Interest Sinking Fund Account		59,411
Debt Service Reserve		923,935
Underwriters Discount and Costs of Issuance		290,554
Excess Funds		2,070
Total Uses		$13,335,193

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

Accrued interest received at Bond Closing will be deposited into the Bond and Interest Sinking Fund Account and applied as a credit against the amount to be deposited in the Bond and Interest Sinking Fund Account on or before the next interest payment date.

USE OF PROCEEDS

Refunding of the Prior Bonds

A portion of the net proceeds of the Bonds will refund the following Authority bonds which were issued on behalf of the College:

Prior Bonds	Amount and Maturities Refunded	Call Date
First Mortgage Revenue Bonds, Series C	$200,000 1994-1998	July 1, 1993
Mortgage Revenue Bonds, Series 1976-2	$740,000 1994-2002	October 1, 1993
Mortgage Revenue Bonds, Series Two-M	$2,500,000 1995-2017	May 1, 1999
Mortgage Revenue Bonds, Series Three-F	$2,910,000 1993-2016	October 1, 2001

At bond closing, the required net proceeds of the Series Three-Q Bonds together with funds on deposit in the respective bond and interest sinking fund accounts and respective reserve accounts for the Prior Bonds and available general funds of the College, if necessary, will be deposited, pursuant to an Escrow Agreement, with Norwest Bank Minnesota, National Association, who has served as trustee for all the Prior Bonds.

Verification services necessary to insure the adequacy of the escrow account to provide timely payment of the debt service for which the escrow account is obligated will be performed by McGladrey & Pullen, Certified Public Accountants.

New Construction

A portion of the net proceeds of the Series Three-Q Bonds will finance the acquisition, construction, furnishing and equipping of a recreational facility on the College's campus which will link the existing field house and ice arena (the "Project"). This building will include a 25 yard, eight lane regulation size swimming pool, a four-lane competitive running track, air conditioned fitness center with weight and exercise areas, separate locker areas for recreational use and team use and some office and storage space. The center of the running track will be a multipurpose area with four or five tennis courts, basketball, badminton and volleyball courts. The building will be approximately 80,000 square feet.

The purpose of the Project is primarily recreational, to be used by all students on the campus. The space will also be used for classes in physical education and by the athletic teams. The flexibility of the new building will allow it to be used by students participating in different sports simultaneously and offer a variety of fitness opportunities.

The College has received a guaranteed maximum construction price of $4,800,000. The Kraus Anderson Construction Company will act as general contractor.

SUMMARY OF SECURITY FOR THE BONDS

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

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

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

Pursuant to the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), the College will mortgage and grant a security interest in the Mortgaged Property to the Authority to secure its obligations to make timely Loan Repayments (see "SUMMARY OF DOCUMENTS - The Mortgage"). The Authority will, in turn, assign its interest in the Mortgage to the Trustee to be held by the Trustee of the Trust Estate.

The College will also covenant that:

a. For at least two of the preceding three complete Fiscal Years, Unrestricted Current Fund revenues shall be not less than Unrestricted Current Fund expenditures, including mandatory transfers, according to the principles of accounting used in the preparation of the College's financial statements for the Fiscal Year ended May 31, 1992. In the event that, following any Fiscal Year, the College shall not be in compliance with this paragraph (a), the College may cure such deficiency by making a deposit to the Unrestricted Current Fund, during or within 180 days of the close of such Fiscal Year, sufficient to cure the deficiency. Such deposit may be made from Funds Functioning as Endowment if such unrestricted funds may legally be transferred to the Unrestricted Current Fund by action of the Board of Trustees, but not if such deposit will cause the College's unencumbered Unrestricted Endowment Funds to be less than $1,500,000. No such deposit may be made from any proceeds of the Bonds or other borrowed funds.

b. At May 31, 1993 and at the end of each Fiscal Year thereafter, the Funds Functioning as Endowment shall not be less than $1,500,000. Within 180 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an authorized institution representative showing the Funds Functioning as Endowment, the investments thereof, the estimated valuations of such investments, and the amount thereof (if any), which is pledged to secure obligations of the College or is otherwise encumbered, all as of the end of the Fiscal Year. If at the end of any Fiscal Year, the unencumbered Funds Functioning as Endowment do not equal or exceed $1,500,000, the College shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) and cause to be credited to Funds Functioning as Endowment additional unencumbered moneys or investments at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the College for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

c. For so long as the Bonds remain outstanding, the College shall incur no Funded Debt with a maturity in excess of two years (except (i) Funded Debt which does not exceed $500,000 and which does not cause the aggregate then outstanding Funded Debt incurred under this clause (i) to exceed $2,000,000; (ii) a refunding or refinancing of Funded Debt outstanding which does not increase the annual average debt service on such Funded Debt and (iii) further excepting that portion of Funded Debt for capital projects for which the College has received written and signed pledges of gifts for such project), unless at the end of the last Fiscal Year for which audited financial statements are available the Debt Service Coverage Ratio was at least 120% of Maximum Annual Debt Service of (A) then outstanding Funded Debt and (B) Funded Debt thereafter issued or proposed to be issued; provided that if the additional Funded Debt proposed to be issued is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for the most recent complete Fiscal Year for purposes of this paragraph, the estimated Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an independent management consultant to the College and the Trustee; and provided further that if the additional Funded Debt proposed to be issued is to finance other College facilities and if the Board of Trustees has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, for purposes of this paragraph (c), there shall be added to Net Income Available for Debt Service for the earlier first complete Fiscal Year the amount of increase net of increased operating expenses, as estimated in a report of an independent management consultant to the College and the Trustee.

For purposes of (a), (b), and (c) above, all capitalized terms used but not otherwise defined in Appendix III, "DEFINITION OF CERTAIN TERMS" shall have the meanings provided for audits of colleges and universities, as applied in the College's audited financial statements for the Fiscal Year ended May 31, 1992.

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

The College will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds.

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

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 Construction Account, a Bond and

Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Escrow Account held by the Prior Bonds Trustee or into the Construction Account, except that the amount of the initial Reserve Requirement ($923,935) will be deposited into the Reserve Account and accrued interest will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, or the Redemption Account, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Construction Account

There shall be deposited initially into the Construction Account the balance of the proceeds received from the sale of the Bonds, exclusive of accrued interest and the initial Reserve Requirement, less the amount of the underwriter's discount and the amount of the deposit to the Escrow Account. In addition, the College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of available general funds (other than Bond proceeds) all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds (par value minus original issue discount according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the construction, furnishing and equipping of the Project. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account.

Bond and Interest Sinking Fund Account; Sinking Fund Subaccount

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 earnings on other accounts established under the Indenture and from Loan Repayments made by the College. A separate Sinking Fund Subaccount will be maintained within the Bond and Interest Sinking Fund Account for the retirement of Term Bonds on each Sinking Fund redemption date. Deposits into the Sinking Fund Subaccount shall be made at least 10 Business Days prior to November 1 in amounts to equal the redemption price of the principal specified for mandatory redemption on the next succeeding November 1. The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

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

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the College shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the College for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than as of September 1, 1993 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 not less than 30 days.

Interest and income in the Reserve Account shall be transferred to the Construction Account during the construction period and thereafter 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, and when the moneys and investments in the Reserve Account shall be sufficient to pay the principal of and interest on all outstanding Bonds when due, such moneys and investments shall be transferred, as appropriate, into the Bond and Interest Sinking Fund Account or the Redemption Account; provided that the Trustee is authorized, in its discretion, to use funds and investments in the Reserve Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Redemption Account

Any amounts received which are not otherwise committed will be paid into the Redemption Account. Funds in this Account will be available to maintain required balances in other accounts and to purchase or redeem Bonds. No specific amounts are required. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

General Bond Reserve Account

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

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Reserve Account, the Construction Account or 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 and state housing finance agencies, rated at least A; revenue bond obligations of states and local governments rated at least AA or Aa; 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 or reverse repurchase agreements collateralized by the foregoing obligations; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation or collateralized by certain government obligations; certain guaranteed investment contracts issued by a bank or insurance company rated at least A; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

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. The Executive Director of the Minnesota Higher Education Coordinating Board, and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

Dr. Joseph E. LaBelle has been the Executive Director of the Authority since its inception.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $350 million. The Authority has had 75 issues (including refunded and retired issues) totaling $320,545,000 of which $205,324,071 (excluding the Bonds) is outstanding as of June 2, 1993. The Authority has five series of bonds authorized in the amount of $59,160,000, but unissued. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges 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 of Minnesota.

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. However, pursuant to special legislation, the Authority has once issued bonds on behalf of a State owned and operated post-secondary institution. In addition, State community and technical colleges are eligible for assistance in financing child-care facilities, but not other types of projects. 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.

In Minnesota Higher Education Facilities Authority v. Hawk, filed August 8, 1975, the Minnesota Supreme Court affirmed the constitutionality of the issuance of tax-exempt bonds by the Authority to refinance debts incurred by Minnesota private colleges in the construction of facilities used solely for nonsectarian education purposes. In the opinion of bond counsel, this decision also confirms the legality of bonds issued by the Authority to finance original construction, improvement, and remodeling projects.

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

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

UNDERWRITING

The Bonds are being purchased by Norwest Investment Services, Inc., Piper Jaffray Inc. and FBS Investment Services, Inc. (collectively the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a purchase price of $12,198,217.24 (representing the aggregate principal amount of the Bonds less an Underwriters' discount of $188,010.41 and original issue discount of $148,772.35.)

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

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

Norwest Investment Services, Inc. ("NISI") is a separate subsidiary of Norwest Corporation and is not a bank. It is a registered broker/dealer and a member of the National Association of Security Dealers and is also a member of the Security Investors Protection Corporation. NISI is an affiliate of banks owned by Norwest Corporation including Norwest Bank Minnesota, National Association. Any obligations of NISI are the sole responsibility of NISI and do not create any obligations on the part of any other affiliate of NISI. No affiliate of NISI is responsible for the securities sold by NISI. Unless so indicated, any investments recommended, offered or sold by NISI are not insured by the Federal Deposit Insurance Corporation.

FBS Investment Services, Inc. ("FBSISI") is a separate subsidiary of First Bank National Association and is not a bank. It is a registered broker/dealer and a member of the National Association of Security Dealers and is also a member of the Security Investors Protection Corporation. FBSISI is an affiliate of banks owned by First Bank System, Inc., including First Bank National Association. Any obligations of FBSISI are the sole responsibility of FBSISI and do not create any obligations on the part of any other affiliate of FBSISI. No affiliate of FBSISI is responsible for the securities sold by FBSISI. Unless so indicated, any investments recommended, offered or sold by FBSISI are not insured by the Federal Deposit Insurance Corporation.

RATING

As noted on the cover page hereof, Moody's Investors Service has given the Bonds a rating of Baa. The rating reflects only the view of such 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 College are unaware of any pending or threatened litigation which would affect the validity of the Bonds or materially affect the ability of the College to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

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

Certain legal matters will be passed upon for the College by Ann E. Merchlewitz, Esq., Special Counsel to the President of the College and for the Underwriters by Lindquist and Vennum, 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 or refinanced by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State 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 Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the College, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum from the date of taxability until the respective dates on which the principal of the Bonds is paid. (See "THE LOAN AGREEMENT-Determination of Taxability" in Appendix IV). 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 and the environmental tax imposed with respect to corporations, except that interest on the Bonds will be included in the computation of "adjusted current earnings", which may be an item of tax preference includable in alternative minimum taxable income used in calculating the alternative minimum tax that may be imposed with respect to corporations.

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (determined as described above) over $2 million. Regardless of whether a corporation is subject to the alternative minimum tax, the environmental tax applies with respect to taxable years beginning after December 31, 1986 and before January 1, 1996.

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 is 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, environmental tax or foreign branch profits tax liability, or the inclusion of social security or other retirement payments in taxable income.

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

The dollar amount of the initial offering price to the public of the Bonds with stated maturities in 2008 through 2023 (the "Discount Bonds") is less than the principal amount of Bonds of such maturity. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the 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.

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APPENDIX I

THE COLLEGE

St. Marys College, located at Winona, Minnesota, is a non-profit, non-sectarian, residential, four-year, co-educational, liberal arts college. It was founded in 1912 by the second Bishop of Winona. Conducted at first by diocesan clergy, the College came under the administration of the Brothers of the Christian Schools in 1933. It now is operated as a separate corporation for which the Christian Brothers have no fiscal responsibility. There is no pledge, directly or indirectly, of the credit or support by the Christian Brothers of Minnesota for the Bonds.

Originally a men's school, the College became co-educational in 1969.

The College is accredited by the North Central Association of Colleges and Secondary Schools. It is on the approved list of colleges and universities published by the American Medical Association, from which medical students will be accepted. It is registered with the Minnesota Higher Education Coordinating Board in accordance with Minnesota Statutes.

GOVERNANCE

The Articles of Incorporation of the College provide that the management of the Corporation shall be vested in a Board of Trustees and the sole members of this Corporation shall be the Trustees who are elected and qualified except that the President of the College shall be a member of the Board.

The number of Trustees may be not less than 12 and no more than 39. There are currently thirty-two members. Each member is elected for a term of five years, except those members elected to fill unexpired terms. A member may be re-elected for a second successive full term but is not eligible for further terms until at least one year after the expiration of the second elective term. Under the Articles of Incorporation, one-third of the Trustees and the President of the College must be Christian Brothers.

Following is a list of the current members of the Board of Trustees of St. Marys College and their business or professional affiliation.

President

Brother Louis DeThomasis, FSC, Ph.D. became the eleventh President of St. Marys College on July 1, 1984. A native of New York, Brother DeThomasis served as president of LaSalle Military Academy in Oakdale, New York between 1976 and 1984. He holds a Ph.D. in financial management from The Union Institute in Cincinnati and a bachelor of science in foreign service from Georgetown University in Washington, D.C. He has also studied at Providence College in Rhode Island and the University of Madrid. He completed post doctorate studies as a Bush Fellow in 1986 at the Institute for Educational Management, Harvard University.

Brother DeThomasis joined the Christian Brothers in 1968 after a career in business. He had been president of Metro Graphics, Inc., in Washington, D.C., before becoming a Christian Brother. He has gained national prominence in the fields of finance and education. He was founder and served as Chairman until 1987 of Christian Brothers Investment Services, Inc., an investment advisory company registered with the SEC which manages assets of nearly one billion dollars.

In 1989, Illinois Benedictine College conferred upon Brother Louis, a Doctor of Laws degree, honoris causa. He was also knighted in the same year to the Knights of the Holy Sepulchre of Jerusalem.

He has served on the St. Marys College Board of Trustees since 1978. He serves as a trustee on other boards including Manhattan College in New York; College of Santa Fe, New Mexico; The Martin de Porres School for Exceptional Children, Queens, New York (Chairman); St. John's Military College High School in Washington, D.C.; Saint Mary's College of California; and the Association of Catholic Colleges and Universities of the United States.

Brother DeThomasis has written several books and monographs: The Ten Commandments of Doing Ethics in Business; The Transformal Organization: A Business Paradigm for the 1990s; and Imagination - A Future for Religious Life. His articles have been published in journals including Fund Raising Management, Momentum, and Private School Quarterly, among others.

Vice President for Academic Affairs

Jeffrey Highland is Vice President for Academic Affairs of the College and Professor of Political Science. He joined the faculty in 1977, following completion of his Ph.D. at Washington State University. Before becoming Vice President in 1993, Dr. Highland taught courses in political science and public administration and served on a variety of faculty committees. Dr. Highland is the recipient of the LaSallian Distinguished Educator Award, given by the Christian Brothers, and the Bishop Heffron Award for meritorious service to the College.

Vice President for Financial Affairs

Cynthia Marek was appointed as Vice President for Financial Affairs in 1991 after serving as Controller for five years. Prior to her position at the College, Ms. Marek held several positions with The College of Saint Teresa, Winona, Minnesota, including Assistant to the Chief Financial Officer. Current responsibilities include overseeing all financial aspects of the College as well as supervising the physical plant operations, bookstore, college center, academic and administrative computing and the conference center. In addition to receiving the Masters of Business Administration from Winona State University, Ms. Marek has extensive study in Total Quality Management.

Ms. Marek is active in the Winona community as a trustee for the YWCA, Vice President of the Women in Business Committee of Winona Chamber of Commerce, United Way Review Committee member and board member of the Winona Quality Council.

Vice President for Graduate Programs

Dr. Suzanne G. James, Vice President for Graduate Programs, supervises 14 programs at the College. She oversees graduate programs offered at the College's Minneapolis location, the Winona campus and the Rochester campus, as well as courses offered throughout Wisconsin. She also developed a bachelor of science completion program offered through the College's Minneapolis Center. She is responsible for all administrative planning, program development and quality assurance and oversees all of the operations of the graduate and other special programs. Previously, Ms. James was graduate dean of the College. Before joining the College, she held several positions with St. Mary's Junior College, Minneapolis.

Ms. James earned her doctorate in educational administration from the University of Minnesota and received the masters and bachelors degrees in psychology from Iowa State University, Ames, Iowa.

WINONA CAMPUS AND UNDERGRADUATE PROGRAM

The College is situated on approximately 350 acres of land on a river terrace at the western edge of the City of Winona overlooking the Hiawatha Valley of the Mississippi River. Buildings and surrounding campus park occupy thirty acres; the remainder of the property is allocated for recreational and educational purposes.

Four buildings served the needs of the College in its early days. Since 1953, more than twenty buildings have been added to the original four. Students are housed in nine residence halls and two campus student residence Villages.

The following buildings make up the College's physical plant:

Facility	Year of Construction/Additions	Resident Capacity	Insured Value of Buildings and Contents
St. Marys Hall	1912	37	$ 7,947,101
Heffron Hall	1921	94	2,115,000
Adducci Science Center	1956		3,097,220
Fitzgerald Library	1961		1,930,830
St. Thomas More Chapel	1958		999,280
College Center	1969		4,462,560
Fieldhouse	1965		3,437,820
Heating Plant	1921		747,890
Cotter Hall	1870	15	552,180
Aquinas Hall	1953	52	641,190
St. Edward Hall	1957	114	1,135,740
LaSalle Hall	1957	45	1,091,140
Benilde Hall	1960	118	1,204,670
Skemp Hall	1921; 1965	105	2,017,150
Griffin Hall	1912	24	1,225,270
St. Joseph Hall	1898; 1950, 1954	81	4,821,930
St. Yon Hall	1962	95	2,768,780
Ek Family Student Village	1971; 1985	139	1,272,260
Village II	1972	106	668,500
Watters Hall and Garage	1960	54	1,286,080
Miscellaneous Structures	Various		2,327,175
Theater/Recital Hall	1987		5,965,000
Ice Arena	1986; 1991		927,730
Gilmore Creek Hall	1989	60	1,118,000
Stonehedge	1988		339,000
Total			$54,099,496

Academic Information

The College operates on a conventional semester system. A full-time student is defined as one enrolled for a minimum of 12 semester credit hours.

Admissions Criteria

Admission prerequisites include graduation from an accredited high school or the equivalent and satisfactory performance on a college entrance examination. The Vice President of Admissions evaluates an applicant's ability to do successful work at the College. The pattern of high school courses is not the sole criterion for acceptance. Rank in class, test scores, activities and interests, and recommendations from teachers and counselors all provide data for admission. St. Marys welcomes all qualified applicants without regard to race, color, creed, sex or national origin.

Degree Offerings

The College offers the following Bachelor of Arts degrees: 24 majors from 12 departments in the School of Humanities and Sciences; seven majors from three departments in the School of Business, Computer Science and Media Communications; ten majors from three departments in the School of Performing and Fine Arts and two majors and four licensures in the Division of Education.

Graduation Requirements

Undergraduate degree candidates must fulfill all of the following requirements, among others: (i) earn at least 122 semester credits; (ii) complete at least 45 credits in upper division courses; (iii) complete the general education areas program; (iv) complete at least one major program; (v) maintain at least a 2-to-1 ratio of grade points to credits in all courses taken in the major field and in all courses taken; (vi) earn at least 60 credits in academic residence at the College; and (vii) demonstrate minimum writing and math competency.

Library

The Fitzgerald Library of the College has approximately 136,000 volumes. Professional reference assistance is available during all library hours. In addition, Fitzgerald Library has inter-library loan capabilities with all United States colleges and universities for material unavailable at the College. Fitzgerald Library is also a member of MINITEX (Minnesota Inter-Library Teletype Experiment) which permits rapid inter-library loans. The service permits students to receive help with reference questions via teletype facilities with the University of Minnesota. DATRIX is another service available to St. Marys students and faculty. DATRIX is a computerized subject searching of master's and doctoral dissertations published in the United States since 1938. In addition, students may obtain library privileges at Winona State University by presenting the St. Marys College identification card. In 1987, Fitzgerald Library inaugurated a computerized on-line catalog system. A $1.5 million, 10,000 square foot library addition will be completed in the fall of 1993. The three level addition will contain study spaces, meeting rooms, classrooms, lounge and an elevator to bring the library up to the handicapped accessibility code.

Student Body

The fall term undergraduate enrollment at the College for the 1992/93 academic year was 1,229. The student body is drawn from varied social, economic, cultural, racial and religious backgrounds. As of the fall of 1992, approximately 64% of the students were Minnesota residents.

Actual and Projected Full-time Undergraduate Enrollment, 1988 through 1997

(Fall) Year	Freshmen	Sophomores	Juniors	Seniors	Special	Total*
Actual:						
1988	451	338	262	209	30	1,290
1989	361	398	273	236	43	1,311
1990	361	356	311	225	53	1,306
1991	351	314	275	265	60	1,265
1992	373	304	255	227	70	1,229
Projected:						
1993	375	335	240	217	70	1,237
1994	380	338	265	204	70	1,257
1995	380	342	267	225	70	1,284
1996	380	342	270	226	70	1,288
1997	380	342	270	227	70	1,289

* *Includes DeLaSalles Institute and Post-Secondary Enrollment Options Students.*

First-Time Freshmen Applications, Acceptances and Enrollment (Fall Semester)

	1988	1989	1990	1991	1992
Applied	1,057	844	806	751	831
Accepted	925	756	729	712	804
Percent Accepted	87.5%	89.6%	90.4%	94.8%	96.7%
Enrolled	410	308	319	329	348
Percent Enrolled To Accepted	44.3%	40.7%	39.6%	43.8%	41.9%

MINNEAPOLIS CENTER AND GRADUATE PROGRAMS

Since 1984, the graduate programs have been headquartered in the St. Marys College Minneapolis Center at 2510 Park Avenue in Minneapolis, Minnesota. This modern facility is centrally located in the Twin Cities metropolitan area. St. Marys College Rochester Center was established in 1985 through a cooperative arrangement with the Rochester Methodist Hospital, which is now part of the Mayo Medical Center. Graduate programs are also offered at the main campus in Winona. All three graduate program locations are electronically connected through a direct-line computer and telecommunications system.

The graduate program offers courses leading to the following degrees: Master of Science in Telecommunications, Master of Science in Nurse Anesthesia, Master of Science in Nurse Anesthesia for Certified Registered Nurse Anesthetists (CRNAs), Master of Arts in Pastoral Ministries, Master of Arts in Philanthropy Development, Masters of Arts in Development Disabilities, Master of Arts in Counseling and Psychological Services, Master of Arts in Human and Health Services Administration, Master of Arts in Education, Master of Arts in Educational Administration, Master of Arts in Arts Administration; Master of Arts in Management, Master of Arts in Human Development and Saint Marys Nontraditional Adult Completion Program (SNAP).

Credits needed for completion of a Masters program vary from 30 to 48 with the average program requiring 36 credits.

Minneapolis Center

The College offers 13 graduate programs and an undergraduate completion program at the College's Minneapolis Center. More than 5,000 students are enrolled in master's and bachelor completion programs offered through the Minneapolis Center, placing the College among the largest private graduate institutions in Minnesota. The graduate programs experienced a 17% increase in enrollment in 1992, after undergoing growth of 40% in the prior year.

The Minneapolis Center aims its programs at working adults. Classes are small and schedules are flexible, with classes held days, evenings, and weekends. Programs can also be offered at workplace sites.

Over 1,200 students have graduated in the past five years, thus contributing to the positive image that the College has a graduate program that facilitates degree completion. This reputation, along with the noted quality of faculty and instruction, have greatly enhanced recruitment.

The students are typically working adults with several years of work experience. They range in age from 23 to over 60 with an average age of 31. The programs are tailored to address the unique needs of these nontraditional students by using adult learning approaches and delivering courses on days, evenings, and weekends throughout the entire year. Admission requirements acknowledge the special contributions of adults to the academic setting.

The College also offers a bachelor of science completion program through its Minneapolis Center and at workplace sites in the Twin cities, including Northwest Airlines, Norstan, and U.S. West. The program is designed to help professionals working in the information science industry to develop management skills.

Master's Degree Program Enrollment

Fall Year	Full-Time Equivalent ("FTE") Enrollment
Actual:	
1988	334.2
1989	405.3
1990	476.0
1991	561.8
1992	618.9
Projected:	
1993	804.0
1994	870.0
1995	936.0
1996	1,003
1997	1,069

Enrollment data is taken on the tenth day of the fall semester. Actual enrollment varies significantly as the semesters progress. The FTE number for 1992-93 end of first semester was 818, beginning of second semester was 751 and end of second semester was 1,021. The total number of Minneapolis Center students was over 5,000 at the end of the second semester.

TUITION AND FEES

The College meets the cost of educational programs primarily through tuition and fees. The following table lists the schedule of fees charged full-time undergraduate students from the academic years 1988/89 through 1992/93.

	1988/89	1989/90	1990/91	1991/92	1992/93
Tuition*	$7,000	$ 7,940	$ 8,600	$ 9,140	$ 9,630
Room:					
Residence Halls	1,500	1,500	1,600	1,650	1,700
Villages	1,750	1,750	1,658	1,775	1,830
Board	1,250	1,300	1,400	1,500	1,550
Fees	65	65	85	85	100
Total for Students in Residence Halls	$9,815	$10,805	$11,685	$12,375	$12,980

* *For incoming freshman; returning students may be charged less.*

Certain other fees may be charged depending on the course of study.

The graduate program charges $175 per graduate course credit. The average credit load per semester per student is five.

1992/93 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Total Fees)

College	Tuition & Fees	Room & Board	Comprehensive Fees
Carleton College	$17,360	$3,540	$20,900
Macalester College	14,125	4,208	18,333
Hamline University	12,365	3,895	16,260
St. Olaf College	12,750	3,500	16,250
Gustavus Adolphus College	12,600	3,225	15,825
University of St. Thomas	11,204	3,850	15,054
Augsburg College	10,853	4,022	14,875
College of Saint Catherine	10,794	3,850	14,644
Minneapolis College of Art & Design	11,130	3,400	14,530
College of St. Benedict	10,578	3,887	14,465
St. John's University	10,578	3,783	14,361
Bethel College	10,540	3,790	14,330
College of St. Scholastica	10,659	3,498	14,157
St. Marys College	**9,730**	**3,250**	**12,980**
Concordia College (St. Paul)	9,000	3,180	12,180
Concordia College (Moorhead)	9,200	2,900	12,100
Average	$11,467	$3,611	$15,078

NOTE: *Charges apply to new entering students only. Several colleges have differential tuition for upperclassmen, housing cost freezes for returning students or other policies that result in variation in costs.*

Source: *Minnesota Private College Council.*

FACULTY AND STAFF

Undergraduate

The full-time undergraduate teaching faculty-student ratio for 1992/93 is 14.5 to 1. Seventeen percent of the faculty are members of a religious community. There are no religious or denominational prerequisites or any participatory religious requirements for faculty membership. The College subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

The College employs 78 full-time and 41 part-time undergraduate faculty. Total employment is approximately 325. The total payroll for fiscal year 1992/93 is approximately $8,060,000, including contributed services, net of expenses.

Salaries of Full-Time Instructional Faculty

Academic Rank	Number of Faculty	Average Salary*
Professor	29	$47,361
Associate Professor	23	38,518
Assistant Professor	26	28,326

* *Salaries for nine-month contracts exclusive of fringe benefits.*

Of the full-time faculty, 51 hold Ph. D's or terminal degrees in their fields and 27 hold Master's degrees.

Contributed Services

The "Average Salaries" shown in the preceding table reflect both salaries actually paid to lay faculty members and salaries which the College could expect to pay comparably qualified lay faculty for the services performed by the Christian Brothers.

For the fiscal year ended May 31, 1992, the value of the "Contributed Services" of the Christian Brothers was $72,900 net of expenses. This represents the difference between the full salaries actually paid the Brothers and what the Brothers donated back to the College's Unrestricted Current Fund. In addition to the fixed sum paid for each Brother to his religious community, the College makes a contribution to the Social Security program and the Brothers' retirement program, and group hospitalization program as a fringe benefit.

Graduate

Over 200 faculty members teach on an adjunct basis in the graduate programs. Nearly one-third are employed in private business and industry while the remaining two-thirds are from the public sector. Fifty-three percent of the faculty hold doctoral or post-doctoral credentials, are published in their field or hold academic rank with other academic institutions.

PENSIONS

St. Marys College is a participant in the Christian Brothers Retirement Plan which provides pension benefits to full-time lay faculty and other lay personnel by means of contributions made by the employees and St. Marys College.

The annual contributions made by St. Marys College which amounted to $310,925 and $221,411 for the 1991/92 and 1990/91 Fiscal Years, cover the annual normal costs which are for future service benefits. There is no liability for unfunded past service costs since the Trustee of the plan has considered such costs as fully funded.

UNIONS

No College employees are represented by unions.

FINANCIAL AID

Approximately 68% of the College's students receive some form of financial aid. Some of the federal and State financial aid programs apply to tuition and fees, whereas others provide for living expenses such as transportation, housing and personal expenses.

The following table sets forth a five-year summary of direct financial aid for students at the College.

	Actual				Budget
	1988/89	1989/90	1990/91	1991/92	1992/93
St. Marys College	$1,550,339	$1,747,547	$1,856,782	$1,971,657	$2,080,150
Federal Government*	1,236,924	1,230,633	1,171,692	1,214,431	1,163,195
State of Minnesota	586,471	752,722	851,495	839,670	755,000
Other	53,535	47,575	78,468	96,849	60,000
Total	$3,427,269	$3,778,477	$3,958,437	$4,122,607	$4,058,345
Number of FTE Students Aided	904	909	897	910	900

* *Includes Pell Grants, Supplemental Educational Opportunity Grants, National Direct Student Loans, and College Work Study Program.*

CAPITAL CAMPAIGN

The College maintains its ongoing Annual Fund drive used for operating purposes. Between 1980 and 1983, the St. Marys Design capital campaign was undertaken to raise funds for capital improvements. That capital campaign raised approximately $7.5 million.

On October 5, 1990 the College completed the Context and Vision capital campaign securing $12.5 million in commitments. As of April 1, 1993, 95% of this has been redeemed, leaving pledges totaling approximately $1 million. Approximately two-thirds of the remaining pledges are unrestricted with the balance restricted for scholarship endowments.

ENDOWMENT FUNDS

Following is a five-year history of the ending fund balances of the College's Endowment Funds.

Years Ended May 31	Endowment Funds	Funds Functioning as Endowment	Total
1988	$1,727,600	$2,172,733	$3,900,333
1989	2,520,054	2,924,573	5,444,627
1990	2,902,752	3,147,650	6,050,402
1991	3,378,432	3,224,671	6,603,103
1992	3,655,067	3,580,487	7,235,554

GIFTS AND GRANTS

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

Year Ended May 31	Current Unrestricted Fund	Current Restricted Fund	Endowment Funds	Loan Funds	Plant Funds	Total
1988	$600,008	$2,614,663	$310,793	$2,675	$139,420	$3,667,559
1989	822,456	2,305,250	940,339	6,131	87,608	4,161,784
1990	762,950	3,566,248	284,725	3,106	71,230	4,688,259
1991	742,507	2,722,426	475,680	1,726	76,391	4,018,730
1992	673,912	2,770,547	277,322	1,396	23,321	3,746,498

FINANCIAL STATEMENTS

The College's fiscal year ends May 31 of each year. Financial records are maintained on the fund accounting system and financial statements have been prepared on the accrual basis of accounting except that depreciation is not recognized under generally accepted accounting principles applicable to nonprofit institutions of higher education. Appendix V sets forth the financial statements of the College for the years ended May 31, 1991 and 1992, audited by Virchow, Krause, Helgeson and Company, Minneapolis, Minnesota. Virchow, Krause, Helgeson and Company has consented to the use of its audit in the preparation of this Official Statement and expresses no opinion on the contents of the Official Statement.

SUMMARIES OF CURRENT FUNDS REVENUES, EXPENDITURES AND TRANSFERS

The following tables set forth summaries of revenues, expenditures and other changes for the College's Unrestricted Current Fund for the past five Fiscal Years from the College's audited financial statements and for the Fiscal Year 1992-93. These tables should be read in conjunction with the financial statements found in Appendix V.

ST MARYS COLLEGE

SUMMARY OF UNRESTRICTED CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES FOR THE YEARS ENDING MAY 31

	1988	1989	1990	1991	1992
REVENUES:					
Tuition and fees	$9,224,745	$11,239,214	$12,282,053	$13,279,418	$14,495,651
Government grants				39,927	38,037
Private gifts and grants	600,008	822,456	762,950	742,507	673,912
Sponsored research/programs	–	–	–	1,937,998	1,788,833
Endowment income*	–	–	–	77,390	355,129
Other sources	467,254	501,585	470,647	371,515	282,545
Internal Charges				153,227	152,925
Total educational and general	10,292,007	12,563,255	13,515,650	16,601,982	17,787,032
Auxiliary enterprises	3,278,260	3,888,102	4,037,698	4,606,430	4,770,749
Total Revenues	13,570,267	16,451,357	17,553,348	21,208,412	22,557,781
EXPENDITURES					
Educational and general expenditures	10,827,244	11,858,049	12,634,379	16,087,432	16,695,066
Mandatory Transfers for					
Principal and interest	325,146	339,114	383,552	395,748	376,994
Loan fund matching grant				894	66
Total Educational and General	11,152,390	12,197,163	13,017,931	16,484,074	17,072,126
Auxiliary enterprises expenditures	2,451,039	3,014,896	3,125,065	3,439,566	3,703,705
Mandatory transfers for					
Principal and interest*			–	435,970	436,273
Total Auxiliary Enterprises	2,451,039	3,014,896	3,125,065	3,875,536	4,139,978
Total Expenditures and Mandatory Transfers	13,603,429	15,212,059	16,142,996	20,359,610	21,212,104
Excess of Revenues over Expenditures and Mandatory Transfers	(33,162)	1,239,298	1,410,352	848,802	1,345,677
Other Tranfers and Additions (Deductions)					
Unrestricted Current Fund to					
Endowment funds	(77,219)	(237,071)	(165,200)	(181,288)	(355,129)
Unexpended plant funds	(6,584)	–	–	–	(390,000)
Renewal and replacement fund	(208,000)	(100,000)	(350,000)	(435,000)	(450,000)
Retirement of indebtedness funds				(26,860)	–
Plant additions	–	(768,000)	(700,000)		
Reimbursement for plant additions	330,575	179,132	–		
Loan fund matching grant	–	(1,928)	–		
Net Increase (Decrease) in Fund Balance	$5,610	$311,431	$195,152	$205,654	$150,548

**For the years ended May 31, 1988–1990, these categories were accounted for in the Restricted Current Fund.*

Source: St. Marys College annual financial statements.

ST. MARYS COLLEGE
Current Operating Budget
April 30, 1993

	1992-1993 Budget	Actual as of April 30, 1993	Projected Fiscal 1992-1993
Full-time Undergrads, Sem. I	1,175		
Undergrads: SMC Housing, Sem. I	1,015		
Annual Grad Student Credit Hours	12,133		
REVENUES			
Undergraduate Tuition and Fees	$11,154,625	$11,323,689	$11,323,689
Graduate Tuition	2,123,373	3,960,508	3,960,508
Federal and State Student Aid	1,576,000	1,734,464	1,734,464
Private Gifts and Grants	766,500	542,144	766,500
Endowment Inc. Applied to C F	285,000	1,080	200,000
Other Sources	445,000	361,043	400,000
Auxiliary Services	3,871,050	3,827,976	3,850,000
Total Current Fund Revenue	$20,221,548	$21,750,904	$22,235,161
EXPENDITURES			
Salaries and Wages			
Faculty Salaries: Undergrad	$ 3,328,377	$ 2,982,467	$ 3,328,000
Faculty Salaries: Graduate	575,993	1,175,607	1,250,000
Professional Salaries: Undergrad	2,449,458	2,275,453	2,450,000
Professional Salaries: Graduate	232,065	204,809	232,065
Clerical Wages: Undergrad	525,890	465,768	525,890
Clerical Wages: Graduate	71,550	159,305	180,000
Hourly Wages	876,427	782,030	875,000
Subtotal Salaries and Wages	$ 8,059,650	$ 8,045,439	$ 8,840,955
Student Wages	610,900	543,855	610,900
Total Salaries and Wages	$ 8,670,550	$ 8,589,294	$ 9,451,855
Staff Benefits: Undergrad	1,747,000	1,689,193	1,747,000
Staff Benefits: Graduate	122,000	212,194	250,000
Total Payroll Expense	$10,539,550	$10,490,681	$11,448,855
Other Expenses			
President	$ 160,553	$ 158,659	$ 165,000
Academic Affairs	876,655	708,882	850,000
Student Development	248,737	228,425	250,000
Financial Affairs	352,751	261,207	340,000
Graduate Programs	721,875	707,673	730,000
Admissions	334,335	319,992	334,335
Athletics	248,948	240,452	260,000
Inst. Advancement	222,380	217,587	230,000
Total Other Expenses	$ 3,166,234	$ 2,842,877	$ 3,159,335
Special Categories of Expense			
Energy (total plant)	$ 550,450	$ 448,128	$ 510,000
Insurance (general, no auto)	65,000	65,511	65,511
Library Acquisitions	153,600	144,687	153,600
Operation and Maintenance of Plant	680,272	605,286	680,000
Auxiliary Service	1,180,128	1,063,444	1,180,000
Debt Service (principal and interest)	780,000	703,827	780,000
SMC Scholarships and Grants	1,786,250	1,864,027	1,864,027
Federal/State/Outsdie Scholarships/Grants	1,319,000	1,560,437	1,600,000
Total Special Categories	$ 6,514,700	$ 6,455,347	$ 6,833,138
TOTAL EXPENDITURES			
Non-Manditory Transfer of Funds	$20,220,484	$19,788,905	$21,441,328
Current Fund Revenue Less Current Fund Expenses	$ 1,064	$ 1,961,999	$ 793,833

Long-Term Debt of the College as of May 31, 1993

1.* $350,000 first mortgage, dated June, 1972; due in equal monthly installments of $2,819 to 1997 at 8.5% interest. The debt is secured by a mortgage on the Village I student apartments. $111,850 is outstanding. The College receives an annual U.S. Department of Education interest subsidy of $13,628.

2. $595,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds of 1973, Series C, dated January 1, 1973; interest rates range from 4.2% to 5.6%; final maturity due January 1, 1998. The bonds are secured by a first mortgage on the Village II student apartments and its gross revenues; the full faith and credit of the College; debt service reserve of $36,000; and the Authority's General Bond Reserve. The College receives an annual U.S. Department of Education interest subsidy of $8,396. From a portion of the proceeds of the Series Three-Q Bonds, the Series C Bonds will be called for redemption on July 1, 1993.

3. $1,300,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Refunding Series 1976-2, dated April 1, 1977; interest ranges from 5.00% to 6.00%; final maturity due April 1, 2002. The bonds are secured by a second mortgage on the College Center; the full faith and credit of the College; debt service reserve of $22,800; and the Authority's General Bond Reserve. A portion of the proceeds of the Series Three-Q Bonds will be placed in the Escrow Account to redeem the outstanding maturities on October 1, 1993.

4.* $543,000 U.S. Department of Education First Mortgage incurred 1980 and due in semiannual payments of $12,023 to 2020 at 3% interest. The debt is secured by a mortgage on Heffron Hall. $468,540 is outstanding.

5.* $600,000 contract for deed, incurred in 1986 from the Christian Brothers of Minnesota and due in semiannual installments of $15,000 to February 1, 2006, with no interest charged. $360,000 is outstanding.

6. $2,500,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-M, dated May 1, 1987; interest ranges from 7.00% to 8.375%; final maturity due May 1, 2017. The bonds are secured by the College's full faith and credit, a lien on tuition and fees of $300,000 annually; a mortgage on Hoffman Science Hall and an ice arena; and a debt service reserve of $245,000. A portion of the proceeds of the Series Three-Q Bonds will be placed in the Escrow Account to refund the outstanding maturities of the Series Two-M Bonds.

7. $2,950,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-F, dated June 1, 1991; interest ranges from 5.25% to 7.625%; final maturity due October 1, 2016. The bonds are secured by the College's full faith and credit, a mortgage on the Theater/Recital Hall and a debt service reserve of $295,000. A portion of the proceeds of the Series Three-Q Bonds will be placed in the Escrow Account to refund the outstanding maturities of the Series Three-F Bonds.

8.* The Series Three-Q Bonds.

Total long-term debt as of May 31, 1993, adjusted to include the Series Three-Q Bonds, but exclude the Prior Bonds is $13,515,390.

* *Will continue to be outstanding after issuance of Series Three-Q Bonds.*

ST MARYS COLLEGE

ANNUAL DEBT SERVICE BY FISCAL YEAR AND COVERAGE STATEMENT

FISCAL YEAR ENDING MAY 31	EXISTING LONG TERM DEBT SERVICE(a)	- THE THREE-Q BONDS (b) -		TOTAL LONG TERM DEBT SERVICE	COVERAGE (c) (times)
		PRINCIPAL	PRINCIPAL & INTEREST		
1993	$713,681			$713,681	3.03
1994	98,830	$0	$636,756	735,586	2.94
1995	98,830	175,000	936,045	1,034,875	2.09
1996	98,830	180,000	934,383	1,033,213	2.09
1997	98,830	185,000	931,620	1,030,450	2.10
1998	65,002	195,000	932,826	997,828	2.16
1999	65,002	200,000	928,195	993,197	2.17
2000	65,002	210,000	927,735	992,737	2.17
2001	65,002	225,000	931,200	996,202	2.17
2002	60,982	235,000	928,545	989,527	2.18
2003	60,982	250,000	929,840	990,822	2.18
2004	60,982	265,000	930,030	991,012	2.18
2005	60,982	280,000	929,085	990,067	2.18
2006	60,982	295,000	926,975	987,957	2.19
2007	30,982	315,000	928,518	959,500	2.25
2008	24,046	330,000	923,680	947,726	2.28
2009	24,046	350,000	922,600	946,646	2.28
2010	24,046	375,000	925,031	949,077	2.27
2011	24,046	400,000	925,813	949,859	2.27
2012	24,046	420,000	920,188	944,234	2.29
2013	24,046	450,000	923,000	947,046	2.28
2014	24,046	475,000	919,094	943,140	2.29
2015	24,046	505,000	918,469	942,515	2.29
2016	24,046	540,000	920,813	944,859	2.29
2017	24,046	570,000	916,125	940,171	2.30
2018	24,046	610,000	918,869	942,915	2.29
2019	24,046	645,000	913,866	937,912	2.30
2020	24,046	685,000	911,472	935,518	2.31
2021	0	730,000	911,369	911,369	2.37
2022	0	775,000	908,397	908,397	2.38
2023	0	825,000	907,397	907,397	2.38
2024		880,000	908,050	908,050	2.38
TOTALS	$2,017,499	$12,575,000	$28,325,986	$30,343,485	

(a) Excludes the Prior Bonds.

(b) Debt service for the Series Three-Q Bonds based on estimated rates on the Bonds.

(c) Coverage is based on the amount available for debt service (Unrestricted Current Fund) from audited financial report of the College for the fiscal year ended May 31, 1992.

Unrestricted Current Fund ("UCF") Educational & General Revenues:		$17,787,032
UCF Auxiliary Enterprise Revenues:		4,770,949
Subtotal:		$22,557,981
Less UCF Expenditures and Mandatory Transfers		
Educational and General Expenditures:	$16,695,066	
Auxiliary Enterprise Expenditures:	3,703,705	
E&G Mandatory Transfers:	377,060	
Auxiliary Enterprises Mandatory Transfers:	436,273	
Subtotal:		21,212,104
Excess of Revenues Over Expenditures and Mandatory Transfers:		1,345,877
Add: Mandatory Transfers for Debt Service:		813,267
Amount Available for Debt Service:		$2,159,144

PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON
2200 NORWEST CENTER
90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
612/336-3000
FACSIMILE 336-3026

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Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Three-Q
(St. Marys College)

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 bookentry system) Mortgage Revenue Bonds, Series Three-Q (St. Marys College), in the aggregate principal amount of $ (the "Bonds"), dated June 1, 1993, in the denomination of $5,000 each and integral multiples thereof, maturing on October 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

Year	Amount	Basic Interest Rate	Year	Amount	Basic Interest Rate

The Bonds are subject to optional redemption prior to the stated maturities thereof as provided in the Bonds and the Indenture. The Bonds due in the years 20__ and 20__ shall be redeemed through operation of the mandatory Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account provided for in the Indenture, as defined below. Interest on the Bonds is payable on each April 1 and October 1, commencing April 1, 1994. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds will bear additional interest at the rate of 2.00% per annum from the Date of Taxability (as defined). Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the principal corporate trust office of Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to St. Marys College, a Minnesota nonprofit corporation and institution of higher education located in the City of Winona, Minnesota (the "College"), in order to (i) refund certain of the Authority's

DENVER DES MOINES WASHINGTON, D.C. LONDON FRANKFURT

outstanding bonds, originally issued to acquire and construct certain college facilities, and (ii) the acquisition, furnishing and equipping of a recreational facility, all including appurtenant site improvements, and all owned or to be owned and operated by the College and located on its main campus in Winona, Minnesota. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College and the Trust Indenture (the "Indenture") between the Authority and the Trustee and the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage") from the College to the Authority and assigned by the Authority to the Trustee, each dated as of June 1, 1993, one or more opinions of ________________________ as counsel to the College, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of ____________________, as to the Loan Agreement and the Mortgage having been duly authorized and executed and being binding upon the College and enforceable in accordance with their terms and as to the corporate organization, tax-exempt status, good standing and powers of the College, and a title insurance commitment [opinion] from ____________________ as to title to the Campus Site (as defined in the Loan Agreement and Indenture), without examining the records of the College 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 College and to execute and deliver the Loan Agreement, the Indenture and the assignment of the Mortgage to secure the Bonds.

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

3. The Bonds are secured by the assignment of the loan repayments payable by the College under the Loan Agreement to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and

interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture.

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 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. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the environmental tax imposed on corporations, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

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

Dated at Minneapolis, Minnesota, _____________, 1993.

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DEFINITIONS OF CERTAIN TERMS

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

Additional Bonds: Any Additional Bonds issued by the Authority on behalf of the College pursuant to section 2.09 of the Indenture.

Authority: The Minnesota Higher Education Facilities Authority, its successors and assigns.

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

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

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

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

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

Bonds: $12,535,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-Q (St. Marys College) and any Additional Bonds then outstanding.

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

Bond Resolution: The Series Resolution of the Authority to be adopted on June 16, 1993, authorizing the Series Three-Q Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: (a) The period from the Bond Closing to the close of business on October 1, 1993 and (b) each succeeding 12-month period ending at the close of business on October 1 of each year in which the outstanding Series Three-Q Bonds, if paid at their stated maturity dates, shall be outstanding.

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

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

College or Institution: St. Marys College, a Minnesota nonprofit corporation and its institution of higher education, its successors and assigns.

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

Debt Service Coverage Ratio: For any particular period, the ratio (expressed as a percentage) determined by dividing Net Income Available for Debt Service during the period by the total amount of principal and interest payable on Funded Debt during the period.

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

Escrow Account: The account established under the Escrow Agreement for the refunding of the Prior Bonds.

Escrow Agreement: The Escrow Agreement dated as of the Issue Date among the Prior Bonds Trustee, the Trustee, the Authority and the College.

Event of Default: An Event of Default described in the Indenture or Loan Agreement and summarized in Appendix IV - SUMMARY OF DOCUMENTS under the headings "The Indenture - Events of Default" and "The Loan Agreement - Events of Default."

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

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

Funded Debt: Indebtedness (including a guarantee of indebtedness) for borrowed money having a maturity date of more than one year and as defined in Section 6.13 of the Loan Agreement.

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 is registered.

Indenture: The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, as Trustee, dated as of June 1, 1993, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

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

Issue: The Bonds.

Loan Agreement: The Loan Agreement between the Authority and the College dated as of June 1, 1993, as amended or supplemented from time to time.

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

Maximum Annual Debt Service: The largest total amount of principal of and interest on Funded Debt payable by the College in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding, and as further defined in Section 6.13 of the Loan Agreement.

Mortgage: The Combination Mortgage, Security Agreement and Fixture Financing Statement, dated as of June 1, 1993 from the College to the Authority, and assigned by the Authority to the Trustee, as amended or supplemented from time to time.

Net Income Available for Debt Service: The excess of Unrestricted Current Fund revenues over Unrestricted Current Fund expenditures but excluding depreciation, amortization and interest from Unrestricted Current Fund expenditures, plus income from investments of Accounts held by the Trustee under the Indenture, all as determined by generally accepted accounting principles.

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

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

Prior Bonds: The Series C Bonds, the Series Two-M Bonds, the Series Three-F Bonds and the Series 1976-2 Bonds.

Prior Bonds Trustee: Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, as trustee for each series of Prior Bonds.

Project: The acquisition, construction, furnishing and equipping of an approximately 80,000 square foot recreational facility, including pool and athletic track, including appurtenant site improvements, all to be owned and operated by the College and located on the Project Site.

Project Buildings: The buildings improved or constructed with proceeds of the Bonds or the Prior Bonds.

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

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Prior Bonds or the Bonds, including investment earnings, and installed and located in or as part of the Project Buildings or elsewhere as part of the Prior Bonds or the Project.

Project Facilities: The Project Site, the Project Buildings and the Project Equipment.

Project Site: The land on which the Project Buildings are located or are to be located and the site of the minicomputer and telecommunications systems acquired with Prior Bond proceeds.

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

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

Reserve Account: The Reserve Account established under the Indenture, into which at Bond Closing will be placed Bond proceeds in the amount of the Reserve Requirement ($923,935.) Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient thereof and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College or the Authority fails to provide for payment of any rebate.

Reserve Requirement: (i) If no Additional Bonds are outstanding, the maximum amount of principal of and interest on the Bonds payable in any remaining Bond Year or (if less) 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Bonds or (ii) if Additional bonds are outstanding, the sum of (A) the amount set forth in subsection (i) plus (B) the maximum amount of principal of and interest on Additional Bonds payable in any remaining Bond Year or (if less) 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Additional Bonds.

Series C Bonds: The Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series C (St. Marys College), dated January 1, 1973 in the original principal amount of $595,000.

Series 1976-2 Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Refunding Series 1976-2 (St. Marys College), dated April 1, 1977 in the original principal amount of $1,300,000.

Series Three-F Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-F (St. Marys College), dated June 1, 1991 in the original principal amount of $2,950,000.

Series Two-M Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-M (St. Marys College), dated May 1, 1987 in the original principal amount of $2,500,000.

Sinking Fund Subaccount: The Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account created under the Indenture into which the Authority shall deposit certain moneys for mandatory redemption prior to maturity of Bonds as specified in the Indenture.

Special Record Date: The record date set by the Trustee for the purpose of paying defaulted interest.

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

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

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The College represents that the acquisition, construction and improvement of the Project are to be substantially completed by no later than June 1, 1995 subject only to "force majeure," as provided in the Loan Agreement, provided that the College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax-exempt status of interest on the Bonds. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs are not met from proceeds of the Bonds in the Construction Account.

Redemption of Prior Bonds

In order to provide funds to lend to the College for redemption of the Prior Bonds, from the proceeds of the Series Three-Q Bonds, the Trustee shall deposit with the Prior Bonds Trustee $6,191,400 for deposit in the Escrow Account, to be used, together with amounts on deposit in the respective bond accounts and reserve accounts of the Prior Bonds and available general funds of the College, if necessary, for payment and redemption of all the outstanding Prior Bonds on their respective payment and redemption dates.

Loan Repayments

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

(a) At least 10 business days prior to each April 1 and October 1, commencing April 1, 1994, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Series Three-Q Bonds on such interest payment date, and at least 10 business days prior to each October 1, commencing on October 1, 1994, a sum equal to the amount payable as principal on the Series Three-Q 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 5.02, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

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

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

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

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

(f) At least 10 business days prior to each October 1, commencing October 2010 into the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, the amount, if any, as shall be necessary and sufficient to redeem on the next succeeding October 1, at par plus accrued interest, the amount of the Series Three-Q Bonds specified in the Indenture.

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be excludable from gross income for purposes of federal income taxation. The College may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities, so long as the tax-exempt status of the

Bonds will not be affected thereby, such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, the Mortgage, or the Act, and the College shall remain fully obligated under the Loan Agreement and the Mortgage as if such lease, sublease or use agreement had not been made.

Title to Property and Liens

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

Taxes and Other Governmental Charges

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

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

Insurance

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

(a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than the lesser of (i) the full insurable replacement value of the Project Buildings or (ii) the principal amount of the outstanding Bonds or (if greater) 80% of the full insurable replacement value of the Project Buildings, with a deductible amount of up to $50,000.

(b) Comprehensive general public liability insurance against liability for personal injury 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 $50,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $100,000.

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

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

The College is required to furnish to the Trustee policies or certificates or binders evidencing the required insurance. Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the Board and the Trustee at least thirty days before the cancellation or modification becomes effective.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $100,000, the College will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $100,000, the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

If the Bonds are redeemed in part, the available Net Proceeds (or, if less, the pro rata portion as more fully set forth in Section 5.08(c) of the Loan Agreement) in respect of any Project Building which the College elects not to repair, rebuild or restore shall be used for redemption or purchase of outstanding Bonds.

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 one or more of the Project Buildings or other College building containing any portion of the Project Equipment, and site thereof, shall be taken in any proceeding involving the exercise of the right of eminent domain, the College shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

Removal or Release of Project Equipment and Building Equipment

The College may remove or release Project Equipment and Building Equipment from the Project Facilities and release from the lien of the Mortgage, where applicable, if no Default exists and upon the following conditions:

(a) the College may substitute furnishings, 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 and the substituted property becomes subject to the lien of the Mortgage;

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

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

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

Release of Real Property

The College may release Land from the Mortgage only upon receipt by the Trustee of a certificate of an Authorized Institution Representative stating, among other things, that no Default exists under the Loan Agreement and that the property to be released is not necessary for the operating unity and efficiency of the Project Facilities and that such release will not impair the structural integrity of the Project Facilities for their intended purposes nor inhibit ingress to or egress from the Project Facilities and provided further that the College pays to the Trustee for deposit in the Redemption Fund cash equal to the value of the Land as determined by an independent appraiser and obtain an opinion of bond counsel to the effect, among other things, that all conditions precedent to the Loan Agreement relating to such release have been complied with.

The College may grant to itself or others easements, licenses, rights of way and other rights or privileges in the nature of easements with respect to the Land, free from the lien of the Mortgage, or may release existing easements, licenses, rights of way and other rights or privileges with or without consideration; provided, however, that prior to any such grant or release, there shall have been supplied to the Trustee a Certificate of an Authorized Institution Representative and, if requested by the Trustee, of an Independent Engineer to the effect that (i) such grant or release is not detrimental to the proper operation of the Project Facilities and (ii) such grant or release will not impair the operating unity or the efficiency of the Project Facilities on such Land or materially and adversely affect the character thereof.

The College may also release land from the Mortgage without depositing cash in the Redemption Account upon a showing that the fair market value of the land remaining subject to the Mortgage after such release is at least 150% of the then outstanding principal amount of the Bonds and upon receipt of the authorized Institution Representative and the opinion of bond counsel described in the foregoing sentence.

Indemnification

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

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

College to Maintain its Existence and Accreditation

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

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

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

Federal Income Tax Status

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

College To Be Nonsectarian

The College agrees that it 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.

Determination of Taxability

In the event a Determination of Taxability is made that interest payable on the Bond is includible in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code. and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) 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, in integral multiples of $5,000, as a whole or in part on the next practicable date and any date thereafter and the redemption price in either event shall be equal to par plus accrued interest.

Financial Covenants

The College covenants and agrees, so long as the Bonds shall remain outstanding, to comply with the financial covenants described under the heading "Summary of Security for the Bonds" in this Official Statement. In addition, the Loan Agreement includes provisions governing the calculation of Maximum Annual Debt Service covering, among other things, variable rate indebtedness, guarantees, balloon indebtedness, put indebtedness, refunded debt, subordinated debt, and capital appreciation bonds and notes.

Other Covenants

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

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

Events of Default

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

(a) If the College shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account or Redemption Account, as the case may be, on a Bond principal or interest payment date or redemption date 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 College that such payment has not been made; or

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

(c) If the College shall default in the observance of any of the covenants set forth in Section 6.13 of the Loan Agreement (relating to financial covenants), provided that failure to comply with Section 6.13(a) (relating to the ratio of Unrestricted Current Fund revenues to Unrestricted Current Fund expenditures) or Section 6.13(b) (relating to the minimum required amount of Unrestricted Funds Functioning as Endowment) shall not become an Event of Default unless the College fails to restore the deficiency thereunder within a period of 180 days, from the close of the Fiscal Year in which such deficiency has occurred; or

(d) If the College 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 College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or

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

(f) If there shall occur an event of default (as defined therein) under the Mortgage; or

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

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

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

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

Remedies on Default

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

(a) The Trustee may declare all or any amount of Loan Repayments thereafter to become due 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 or to foreclose the Mortgage in accordance with the provisions thereof.

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

Amendments

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

THE INDENTURE

The following constitutes a summary of certain provisions of the Trust Indenture (the "Indenture"). This summary does not purport to be complete and reference is made to the full text of the Indenture for a complete recital of its terms. Certain words and terms used in this summary are defined in "DEFINITIONS OF CERTAIN TERMS," Appendix III, 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 Authority's annual fee and rights to indemnity and reimbursement;

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

(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 College or by anyone in behalf of them or with their written consent, to the Trustee, including, but not limited to, the Mortgage.

Accounts

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

Additional Bonds

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

The issuance of Additional Bonds requires, among other things, evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds and comply with certain financial covenants set forth in the Loan Agreement. Furthermore, to the extent required by the Authority, the College shall make additional deposits to the Reserve Fund, grant additional collateral to be held by the Trustee under the Mortgage and Indenture and execute supplements to the Loan Agreement, the Indenture and Mortgage. Additional Bonds may not be issued unless in the opinion of bond counsel the interest on the outstanding Bonds remains excludable from gross income of the holders for federal income tax purposes.

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable 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 Bond proceeds.

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 College giving the College the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

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

Remedies

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

In the case of the breach of any of the covenants or conditions of the Loan Agreement, the Mortgage, 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 and the Mortgage 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 foreclose the Mortgage, and to enforce 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 of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of $10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court.

Concerning the Bondholders

No Bondholder shall have any right to institute any proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement or the Mortgage unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the

Holders of a majority in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all Bonds outstanding.

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

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

Defeasance

If the Authority and the College shall:

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

(b) provide for the payment of principal 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 or obligations whose principal and interest are guaranteed by the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all Bonds outstanding, or

(c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the Institution for the Authority under its official seal 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 or obligations guaranteed by the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or

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

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

Supplemental Indentures

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

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

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

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

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

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

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

In addition and subject to the provisions set forth below, the Holders of not less than 65% 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 such Bonds (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture (except as provided in Section 2.09 of the Indenture), or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or to amendments to the Loan Agreement or Mortgage.

Amendments to the Loan Agreement and the Mortgage

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement or the Mortgage as may be required (a) by the provisions of the Loan Agreement, the Mortgage 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 the Mortgage or (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement or the Mortgage without the written approval or consent of the Holders of not less than 65% 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 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. Bonds may be exchanged only 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.

THE MORTGAGE

At or prior to the closing, the College will execute and deliver to the Authority, and the Authority will assign to the Trustee, a Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), to be dated as of June 1, 1993, to secure the Bonds. The following is a summary of certain provisions of the Mortgage.

Under the Mortgage, in order to secure its obligations under the Loan Agreement, including payment of Loan Repayments in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Bonds, the College grants to the Authority a first mortgage lien on its right, title and interest in and to the land described in Exhibit A to the Mortgage (the "Land"), and any buildings now standing or hereafter constructed or placed upon the Land, including the ice arena, Adducci Science Center, the theatre/recital hall, the College Center and the recreational facility and equipment located therein, constituting the Project Facilities (collectively, the "Mortgaged Property"). The Authority is also granted a security interest in all of the general intangibles, rents, issues, condemnation awards, insurance proceeds and similar revenues and income (the "Revenues and Income") arising from the ownership of the Mortgaged Property.

The Loan Agreement provides that the College may release land and equipment from the lien of the Mortgage upon certain conditions more fully described under the captions "The Loan Agreement - Removal or Release of Project Equipment and Building Equipment" and "The Loan Agreement - Release of Real Property" in this Appendix.

Events of Default

The following are Events of Default under the Mortgage:

(a) If an event of default (as defined therein) under the Loan Agreement has occurred and is continuing; or

(b) If an event of default (as defined therein) under the Indenture has occurred and is continuing; or

(c) If the College violates or fails to perform any covenant under the Mortgage for a reason other than force majeure (as defined in the Loan Agreement) for a period of thirty days after written notice from the Authority or the Trustee specifying the default and requesting that it be remedied or for such further period of time as the Trustee shall permit; or

(d) If any representation of the College in the Mortgage or the Loan Agreement is incorrect in any material respect.

ST. MARYS COLLEGE

FINANCIAL REPORT
May 31, 1992

Gerald R. Brown, CPA
John C. Burke, CPA
Floyd F. Florey, CPA
Richard B. Helgeson, CPA
Gregory S. Prescher, CPA
Donald G. Roepke, CPA

Adrian S. Helgeson, CPA

Virchow, Krause, Helgeson & Company
Certified Public Accountants & Consultants

1100 TCF Tower • 121 S. Eighth Street
Minneapolis, MN 55402-2848

INDEPENDENT AUDITORS' REPORT

July 17, 1992

To The Board of Trustees
Saint Mary's College
Winona, Minnesota

We have audited the accompanying balance sheet of Saint Mary's College as of May 31, 1992 and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Mary's College at May 31, 1992 and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended, in conformity with generally accepted accounting principles.

Virchow, Krause, Helgeson & Company
Certified Public Accountants

SAINT MARY'S COLLEGE

BALANCE SHEET

MAY 31, 1992

WITH COMPARATIVE FIGURES FOR 1991

ASSETS

	1992	1991
Current Funds		
Cash and Cash Equivalents	$ 2,350,053	$ 2,167,222
Miscellaneous Securities	10,378	6,873
Student Receivables (Less Allowance for Doubtful Receivables of $150,000 and $90,000)	1,878,732	1,524,611
Other Receivables	444,901	310,107
Inventories		137,137
Prepaid Expenses and Other Assets	81,922	72,100
Due from U.S. Government	55,392	84,225
Due from Perkins Loan Fund	57,903	56,656
Due from Plant Funds		282,435
Totals	$ 4,879,281	$ 4,641,366
Perkins Loan Fund		
Cash	$ 51,364	$ 35,283
Student Notes Receivable (Less Allowance for Doubtful Notes of $250,000 and $220,000)	2,671,150	2,674,029
Due from U.S. Government	13,801	7,122
Totals	$ 2,736,315	$ 2,716,434
Endowment Funds		
Cash and Cash Equivalents	$ 697,882	$ 2,091,485
Certificates of Deposit (Cost Approximates Market Value)	505,000	5,000
U.S. Government Securities (Cost $1,720,190 and $1,530,732)	1,838,515	1,564,998
Bonds (Cost $321,548 and $377,594)	336,069	385,126
Stocks (Cost $2,506,636 and $1,812,205)	2,874,728	1,931,003
Note Receivable	391,703	
Accrued Income Receivable	44,942	36,633
Due from Plant Funds	546,715	588,858
Totals	$ 7,235,554	$ 6,603,103

LIABILITIES AND FUND BALANCES

	1992	1991
Current Funds		
Accounts Payable	$ 422,966	$ 658,113
Accrued Salaries and Related Benefits	720,821	633,112
Accrued Interest		66,473
Deposit Accounts and Deferred Revenue	1,270,375	1,281,016
Due to Deferred Gift Funds	68,107	51,799
Due to Plant Funds	840,000	435,000
Due to Agency Funds	22,199	25,769
Total Liabilities	3,344,468	3,151,282
Fund Balances		
Unrestricted		
Undesignated	129,447	122,080
Designated	1,392,604	1,249,423
Restricted	12,762	118,581
Total Fund Balances	1,534,813	1,490,084
Totals	$ 4,879,281	$ 4,641,366
Perkins Loan Fund		
Due to Unrestricted Current Fund	$ 57,903	$ 56,656
Fund Balances		
U.S. Government Grants Refundable	2,366,474	2,349,703
College Fund Balance - Restricted	311,938	310,075
Totals	$ 2,736,315	$ 2,716,434
Endowment Funds		
Fund Balances		
Endowment Funds	$ 3,655,067	$ 3,378,432
Funds Functioning as Endowment	3,580,487	3,224,671
Total Fund Balances	7,235,554	6,603,103
Totals	$ 7,235,554	$ 6,603,103

SAINT MARY'S COLLEGE

BALANCE SHEET

MAY 31, 1992

WITH COMPARATIVE FIGURES FOR 1991

ASSETS - Continued	1992	1991
Deferred Gift Funds		
Due from Unrestricted Current Fund	$ 68,107	$ 51,799
Totals	$ 68,107	$ 51,799
Plant Funds		
Unexpended		
Cash and Cash Equivalents	$ 7,707	$ 19,182
Construction in Progress		330,031
Due from Unrestricted Current Fund	390,000	
	397,707	349,213
Renewal and Replacement		
Cash and Cash Equivalents	290,331	522,687
Cash and Cash Equivalents Held by Trustee	20,000	20,000
Due from Unrestricted Current Fund	450,000	435,000
	760,331	977,687
Retirement of Indebtedness		
Cash and Cash Equivalents Held by Trustee	850,286	680,222
Investment in Plant		
Land and Land Improvements	515,928	515,928
Buildings	20,800,752	20,158,885
Equipment and Furniture	6,903,017	6,386,798
Library Books and Art Work	918,890	759,403
	29,138,587	27,821,014
Less Accumulated Depreciation	10,801,281	9,850,561
	18,337,306	17,970,453
Totals	$20,345,630	$19,977,575
Agency Funds		
Due from Unrestricted Current Fund	$ 22,199	$ 25,769

LIABILITIES AND FUND BALANCES - Continued	1992	1991
Deferred Gift Funds		
Annuities Payable	$ 37,493	$ 31,749
Fund Balances	30,614	20,050
Totals	$ 68,107	$ 51,799
Plant Funds		
Unexpended		
Accounts Payable		$ 47,596
Due to Unrestricted Current Fund		282,435
Total Liabilities		330,031
Fund Balances		
Unrestricted	$ 390,000	
Restricted	7,707	19,182
	397,707	349,213
Renewal and Replacement		
Fund Balance	760,331	977,687
Retirement of Indebtedness		
Accrued Interest	50,000	
Fund Balance - Restricted	800,286	680,222
	850,286	680,222
Investment in Plant		
Mortgages and Contract for Deed Payable	551,044	645,167
Loan Payable to U.S. Department of Education	478,310	487,792
Bonds Payable to Minnesota Higher Education Facilities Authority	6,485,000	6,465,798
Due to Endowment Funds	546,715	588,858
Total Liabilities	8,061,069	8,187,615
Net Investment in Plant	10,276,237	9,782,838
	18,337,306	17,970,453
Totals	$20,345,630	$19,977,575
Agency Funds		
Deposits Held in Custody for Others	$ 22,199	$ 25,769

See accompanying Notes to Financial Statements.

SAINT MARY'S COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 1992

	Current Funds						Plant Funds			
	Unrestricted									
	Undesignated	Designated	Restricted	Loan Funds	Endowment Funds	Deferred Gift Funds	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant
Revenues and Other Additions										
Unrestricted Current Fund Revenues	$22,557,781									
Governmental Grants Restricted			$2,027,793						$ 22,024	
Private Gifts and Grants Restricted			375,563		$ 277,322	$10,564	$ 3,672	$ 20,000		$ 649
Investment Income Restricted				$ 1,396			509	15,858	41,091	
Endowment Fund Income Restricted			367,191							
U.S. Government Advance				598						
Interest on Loans Receivable				59,172						
Loan Cancellation Recoveries				11,976						
Expended for Plant Facilities (Including $736,620 Charged to Current Funds)										1,376,924
Retirement of Indebtedness										468,591
Proceeds from Disposal of Plant Assets								32,712	40,579	
Total Revenues and Other Additions	22,557,781		2,770,547	73,142	277,322	10,564	4,181	68,570	103,694	1,846,164
Expenditures and Other Deductions										
Educational and General Expenditures	16,695,066		2,713,087							
Auxiliary Enterprises Expenditures	3,703,705		109,579							
Indirect Cost Recoveries Earned			53,700							
Loan Cancellations and Write Offs				12,100						
Adjustment of Provision for Doubtful Accounts				30,000						
Administrative and Collection Expenses				12,474						
Expended for Plant Facilities (Including Noncapitalized Expenditures of $110,352)							15,656	735,000		
Retirement of Indebtedness									468,591	
Interest on Indebtedness									615,227	
Provision for Depreciation										962,720
Bond Issuance Costs										56,050
Disposal of Plant Fund Assets, Net										48,000
Total Expenditures and Other Deductions	20,398,771		2,876,366	54,574			15,656	735,000	1,083,818	1,066,770
Transfers Among Funds - Additions (Deductions)										
Mandatory										
Principal and Interest	($ 813,267)								$ 813,267	
Loan Fund Matching Grant	(66)			$ 66						
Nonmandatory										
Unrestricted Current Fund to										
Designated Unrestricted Current Funds	(100,000)	$ 100,000								
Endowment Funds	(355,129)				$ 355,129					
Unexpended Plant Fund	(390,000)						$390,000			
Renewal and Replacement Fund	(450,000)							$450,000		
Renewal and Replacement Fund to Retirement of Indebtedness Funds								(926)	926	
Investment in Plant Fund to Retirement of Indebtedness Funds									285,995	($ 285,995)
Unrestricted Income Designated	(43,181)	43,181								
Total Transfers	(2,151,643)	143,181		66	355,129		390,000	449,074	1,100,188	(285,995)
Net Increase (Decrease) for Year	7,367	143,181	($ 105,819)	18,634	632,451	$10,564	378,525	(217,356)	120,064	493,399
Fund Balance At May 31, 1991	122,080	1,249,423	118,581	2,659,778	6,603,103	20,050	19,182	977,687	680,222	9,782,838
Fund Balance at May 31, 1992	$ 129,447	$1,392,604	$ 12,762	$2,678,412	$7,235,554	$30,614	$397,707	$760,331	$ 800,286	$10,276,237

See accompanying Notes to Financial Statements.

SAINT MARY'S COLLEGE

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

FOR THE YEAR ENDED MAY 31, 1992

WITH COMPARATIVE FIGURES FOR 1991

	1992 Unrestricted	1992 Restricted	1992 Total	1992 Percentage	1991 Total	1991 Percentage
Revenues						
Tuition and Fees	$14,495,651		$14,495,651	70.3%	$13,279,418	69.2%
Governmental Grants	38,037	$1,705,722	1,743,759	8.5	1,686,916	8.8
Private Gifts and Grants	673,912	96,849	770,761	3.7	820,976	4.3
Sponsored Research and Programs	1,788,833	652,904	2,441,737	11.8	2,448,849	12.8
Endowment Income	355,129	367,191	722,320	3.5	415,657	2.2
Other Sources	282,545		282,545	1.4	371,515	1.9
Internal Charges	152,925		152,925	.8	153,227	.8
Total Revenues Before Auxiliary Enterprises	17,787,032	2,822,666	20,609,698	100.0%	19,176,558	100.0%
Auxiliary Enterprises	4,770,749		4,770,749		4,606,430	
Total Revenues	22,557,781	2,822,666	25,380,447		23,782,988	
Expenditures and Mandatory Transfers						
Educational and General						
Instruction	6,748,331	293,020	7,041,351	35.6%	6,270,224	33.0%
Research	663	67,912	68,575	.3	97,831	.5
Public Service	363,223	114,963	478,186	2.4	808,051	4.3
Academic Support	2,096,730	155,369	2,252,099	11.4	2,113,453	11.1
Student Services	2,516,739	141,806	2,658,545	13.4	2,412,695	12.7
Institutional Support	2,061,485	59,352	2,120,837	10.7	2,140,850	11.3
Operation and Maintenance of Plant	1,580,146	34,522	1,614,668	8.2	1,691,025	8.9
Scholarships and Grants	1,327,749	1,846,143	3,173,892	16.1	3,054,549	16.1
Educational and General Expenditures	16,695,066	2,713,087	19,408,153	98.1	18,588,678	97.9
Mandatory Transfers for						
Principal and Interest	376,994		376,994	1.9	395,748	2.1
Loan Fund Matching Grant	66		66		894	
Total Educational and General	17,072,126	2,713,087	19,785,213	100.0%	18,985,320	100.0%
Auxiliary Enterprises						
Expenditures	3,703,705	109,579	3,813,284		3,512,896	
Mandatory Transfers for Principal and Interest	436,273		436,273		435,970	
Total Auxiliary Enterprises	4,139,978	109,579	4,249,557		3,948,866	
Total Expenditures and Mandatory Transfers	21,212,104	2,822,666	24,034,770		22,934,186	
Excess of Revenues over Expenditures and Mandatory Transfers	1,345,677		1,345,677		848,802	
Other Transfers and Additions (Deductions)						
Unrestricted Gifts Allocated					($ 96,056)	
Unrestricted Current Fund to						
Endowment Funds	($ 355,129)		($ 355,129)		(85,232)	
Unexpended Plant Funds	(390,000)		(390,000)			
Renewal and Replacement Fund	(450,000)		(450,000)		(435,000)	
Retirement of Indebtedness Funds					(26,860)	
Excess (Deficiency) of Restricted Receipts Over Transfers to Revenues		($ 105,819)	(105,819)		97,103	
Net Increase (Decrease) in Fund Balances	$ 150,548	($ 105,819)	$ 44,729		$ 302,757	

See accompanying Notes to Financial Statements.

SAINT MARY'S COLLEGE

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1992

Note 1 Significant Accounting Policies

Saint Mary's College, a Catholic liberal arts college, offers accredited bachelor's and master's degree programs. The College is owned by the Christian Brothers, an international Catholic teaching order. The accounting policies of the College reflect practices common to colleges and universities and conform to generally accepted accounting principles. The more significant accounting policies are summarized below:

Accounting Basis - The financial statements of Saint Mary's College have been prepared on the accrual basis. The statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books, (2) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewal and replacement, and (3) transfers of a nonmandatory nature for all other cases.

Fund Accounting - The accounts of the College are segregated into six groups or funds - current, loan, endowment, deferred gift, plant and agency. Each group is treated as a separate entity, having its own assets, liabilities and fund balance to be used for the purpose for which it is designated.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Trustees. Externally restricted funds may only be utilized in accordance with the purposes established by the donors or grantors of such funds and are in contrast with unrestricted funds over which the Board of Trustees retains full control to use for any institutional purpose.

Revenues - All gains and losses arising from the sale, collection or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets, except for income from investments of endowment funds, which is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in the unrestricted current fund.

Income from pooled endowment funds investments is distributed to each participating fund on the basis of beginning balances. The Board of Trustees authorized payment of a 6% distribution on all invested endowment balances. Income in excess of the designated distribution is transferred to funds functioning as endowment.

All other unrestricted revenue (including gifts, grants and bequests) is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Note 1 Significant Accounting Policies - (Continued)

Investments - Investments held by the endowment fund and investments in the Religious Communities Trust Fund are carried at current market values.

Physical Plant and Equipment - Physical plant assets are stated at cost at date of acquisition less accumulated depreciation. The College depreciates its assets on the straight-line basis over the estimated useful lives of buildings (50 years), equipment (5-10 years), and library books (10 years). Normal repair and maintenance expenses and equipment costs are charged to current funds operations as incurred.

Inventories - Effective May 1992, the assets of the bookstore were sold to an outside party who will manage the operations of the bookstore.

Unemployment Compensation - The College has elected to pay unemployment compensation claims as they arise.

Tax Status - Saint Mary's College qualifies as a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal or State taxes has been made.

Note 2. Mortgages and Contract for Deed Payable

The College had the following mortgages payable and a contract for deed payable outstanding at May 31, 1992:

8.5% Mortgage Payable to Norwest Bank of Winona, Requiring Monthly Payments of $2,819 for Principal and Interest Through June 1997. An Annual Interest Subsidy in the Amount of $13,628 is due from the United States Department of Housing and Urban Development (HUD). The Mortgage is Secured by the Village I Student Apartments.	$135,085
8.75% Mortgage Payable to Winona National and Savings Bank, Requiring Monthly Payments of $335 for Principal and Interest Through 2001. The Mortgage is Secured by the Residence at 488 Kerry Court.	25,959
Noninterest-bearing Contract for Deed Payable to the Christian Brothers, Requiring Semiannual Payments of $15,000 Through February 1, 2005. The Contract for Deed is Secured by the St. Von Hall Student Dormitory.	390,000
	$551,044

Note 3. Loan Payable

The College was indebted to the U.S. Department of Education for an energy loan, with an outstanding balance of $478,310 at May 31, 1992. The loan is payable in semiannual installments of $12,023 including interest at 3.0% to 2020. The note is secured by Heffron Hall student dormitory.

Note 4 Minnesota Higher Education Facilities Authority Revenue Bonds

The College has obligations with the Minnesota Higher Education Facilities Authority (the Authority) outstanding at May 31, 1992 as follows

The First Mortgage Revenue Bonds, Series C (1973) Have Interest Rates Varying from 4.2% - 5.6% and Mature in Amounts from $30,000 to $45,000 Annually on January 1 Through 1998. An Annual Interest Subsidy in the Amount of $8,396 is due from the United States Department of Housing and Urban Development (HUD). The Bonds were Issued to Finance the Construction of the Village II Apartments. The Authority has Title to the Real Estate and Improvements Which are Mortgaged to Secure the Bonds. The Provisions of the Agreement Between the College and the Authority Provide for the Conveyance of this Property Back to the College upon Final Redemption of the Bonds.	$ 235,000
The Mortgage Revenue Bonds, Series 1976-2 Have Interest Rates Varying from 6.4% to 6.5% and Mature in Amounts from $60,000 to $110,000 Annually on April 1 Through 2002. The Christian Brothers College Center Secures the Debt.	800,000
The Mortgage Revenue Bonds, Series Three-F (1991) Have Interest Rates Varying from 5.25% to 7.625% and Mature in Amounts from $40,000 to $480,000 Annually on October 1 Through 2016. The Proceeds were used to Refund the Outstanding Principal of the Authority's Variable Rate Demand Revenue Bonds, Series Two-H. The Theater/Recital Hall and a pledge of Loan Repayments Secure the Debt.	2,950,000
The Mortgage Revenue Bonds, Series Two-M (1987) are due in Annual Principal Payments Ranging from $40,000 to $1,065,000 Beginning May 1, 1995 and Continuing Through May 1, 2017. Interest is Payable Semiannually at Rates Ranging from 7.0% to 8.375%. The Hoffman Science Hall and the Ice Facility Serve as Collateral for the Debt. In Addition, the College has Assigned a Lien on Tuition and Fees in the Amount of $300,000 Annually.	2,500,000
	$6,485,000

Annual maturities of all debt described in Notes 2, 3 and 4 for each of the five years subsequent to May 31, 1992 are $199,831, $212,347, $265,068, $283,013, and $292,658, respectively. Total interest expence for the year ended May 31, 1992 was $615,227.

Note 5 Interfund Borrowings

The investment in plant fund was indebted to the endowment funds in the amount of $546,715 at May 31, 1992 for the construction of the Gilmore Creek residence hall. Semiannual payments of $50,000, including interest at 10% per annum, are payable through May 31, 2000. Annual maturities for each of the five years subsequent to May 31, 1992 are $46,463, $51,225, $56,476, $62,265, and $68,646, respectively.

Note 6 Commitments

At May 31, 1992, the College had commitments totaling $295,000 for future construction projects. The projects will be financed by unrestricted monies in the plant funds.

Note 7 Pledges

Saint Mary's College had outstanding pledges receivable of approximately $1,209,000 as of May 31, 1992. It was not practicable to estimate the net realizable value of such pledges.

Note 8 Employee Benefit Plans

Saint Mary's College is a participant in the Christian Brothers Employee Retirement Plan. The plan is a multi-employer defined contribution plan covering all full-time lay faculty and personnel which is financed by contributions made by employees and the College. Annual contributions made by the College in 1992 were $310,925. The College also provides a benefit plan which is available to all employees of the College for certain medical and other expenses.