OFFICIAL STATEMENT DATED MARCH 3, 2004

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

In the opinion of Bond Counsel, according to present State of Minnesota and federal laws, regulations and rulings, assuming compliance with certain covenants, the interest on the Bonds is not includable in gross income for federal income tax purposes or in net taxable income of individuals, estates, and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals. 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" herein.)

$10,980,000

Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Five-U
(Saint Mary's University of Minnesota)

(Book Entry Only)

Dated Date: March 1, 2004 **Interest Due: April 1 and October 1, commencing October 1, 2004**

The Bonds are to mature on October 1 as follows:

Year	Principal	Interest Rate	Yield	CUSIP 60416H	Year	Principal	Interest Rate	Yield	CUSIP 60416H
2004	$ 425,000	2.000%	1.47%	BU 7	2012	$ 515,000	3.625%	3.72%	CC 6
2005	$ 430,000	2.000%	1.75%	BV 5	2013	$ 540,000	3.750%	3.90%	CD 4
2006	$ 445,000	2.250%	2.05%	BW 3	2014	$ 560,000	4.000%	4.09%	CE 2
2007	$ 460,000	2.500%	2.34%	BX 1	2015	$ 580,000	4.125%	4.22%	CF 9
2008	$ 335,000	3.000%	2.71%	BY 9	2016	$ 610,000	4.250%	4.35%	CG 7
2009	$ 340,000	3.000%	3.01%	BZ 6	2017	$ 635,000	4.375%	4.47%	CH 5
2010	$ 355,000	3.000%	3.23%	CA 0	2018	$ 665,000	4.375%	4.55%	CJ 1
2011	$ 335,000	3.375%	3.48%	CB 8	2019	$ 690,000	4.500%	4.65%	CK 8

$3,060,000 4.80% Term Bond due October 1, 2023 at 4.80% CUSIP 60416H CP 7

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), at the direction of Saint Mary's University of Minnesota, Winona, Minnesota (the "University"), the Bonds are subject to redemption prior to maturity, as described herein. 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 the Indenture. The Bonds will be subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. See "THE BONDS - Prior Redemption" and "THE BONDS – Determination of Taxability."

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 "THE BONDS – Book Entry System" herein). Wells Fargo Bank, National Association, Minneapolis, Minnesota will act as Trustee. (See "TRUSTEE" herein.)

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the University pursuant to a Loan Agreement between the Authority and the University, or out of other amounts pledged pursuant to the Indenture as described herein. The Loan Repayments will be a general obligation of the University.

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

The Bonds are offered when, as, and if issued by the Authority and accepted by the Underwriter named below subject to the opinion as to validity and tax exemption of the Bonds by McGrann Shea Anderson Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Ann E. Merchlewitz, Esq., its Vice President and General Counsel and for the Underwriter by Faegre & Benson LLP. Bonds are expected to be available for delivery to the Underwriter through the facilities of DTC on or about March 24, 2004.

PIPER JAFFRAY & CO.

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

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Authority from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority, except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

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

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

No dealer, broker, salesman or other person has been authorized by the Authority, the University or the Underwriter to give any information or to make any representations with respect to the Bonds, other than as 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 University or the Underwriter. The information contained herein, except as it relates to the Authority, DTC, and the Trustee, has been obtained from the University and is not guaranteed as to accuracy or completeness. Except for information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE UNIVERSITY SINCE THE DATE HEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and 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 to the Official Statement or the Final Official Statement, they will be furnished on request.

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

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

Marianne T. Remedios, Executive Director

Bond Counsel
McGrann Shea Anderson Carnival Straughn & Lamb, Chartered

Financial Advisor
Springsted Incorporated

TABLE OF CONTENTS

OFFICIAL STATEMENT

$10,980,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES FIVE-U
(Saint Mary's University of Minnesota)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Saint Mary's University of Minnesota (the "University"), an institution of higher education located in Winona, Minnesota, in connection with the issuance of the Authority's $10,980,000 Revenue Bonds, Series Five-U (Saint Mary's University of Minnesota) (the "Bonds" or the "Issue").

The Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, as amended (the "Act"), 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 (the "Indenture") to be dated as of March 1, 2004, between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") to be dated as of March 1, 2004 between the University and the Authority relating to the Bonds, the Authority is loaning the Bond proceeds to the University and the University will covenant as a general obligation of the University to make Loan Repayments and deposits in amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same shall become due. The proceeds of the Issue will be used along with available University funds, if necessary, and moneys in trustee-held accounts pledged to the payment of the Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-Q (St. Marys College) (the "Prior Bonds") to:

1. refund the outstanding principal of and pay premium and accrued interest on the Prior Bonds;
2. fund a debt service reserve; and
3. pay certain issuance costs.

The principal amount of the Prior Bonds being refunded is $10,400,000. See "USE OF PROCEEDS" herein for a more detailed description of the refunding.

The Bonds are secured by a pledge of the Loan Repayments, which are a general obligation of the University. Under the Loan Agreement, the University will agree to provide the funds necessary to make timely payment of the Loan Repayments. See "SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS" herein.

The Bonds are also secured by the Reserve Account created under the Indenture and held by the Trustee. The Reserve Account will be funded in the amount of the Reserve Requirement from proceeds of the Bonds. See "ACCOUNTS – Reserve Account."

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

RISK FACTORS

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

Risk of Insufficient Collateral

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

Adequacy of Revenues

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

Competition

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

Reliance on Tuition

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

Financial Aid

Approximately 62% of the University's students currently receive from the University and other sources some form of financial aid covering some portion of tuition and fees or living expenses. See Appendix I, "THE UNIVERSITY – Financial Assistance" herein. No assurance can be given that federal and state financial aid will continue to be funded at current levels or that the University will continue to fund student aid at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the University's revenues.

Damage or Destruction

Although the University will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the University 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 University 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 University revenues to satisfy University operations and Bond and other debt service requirements.

Limited Obligation

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

Bankruptcy

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

Derivative Products

The University may enter into an interest rate swap or similar arrangements in the future. Termination of an interest rate swap agreement prior to its expiration may require the University to pay a termination fee to the counterparty to the agreement.

Other Possible Risk Factors

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

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

(2) Adoption of federal, State or local legislation or regulations, such as limits on tuition increases, having an adverse effect on the future operating or financial performance of the University.

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

CONTINUING DISCLOSURE

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

THE BONDS

General

The Bonds are issued in book entry form. The Bonds will be dated March 1, 2004 and will mature annually as set forth on the cover of this Official Statement. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Trustee as of the fifteenth day of the calendar month next preceding such interest payment date. Principal of, premium, if any, and interest on the Bonds will be paid as described in the section herein entitled "Book Entry System."

Book Entry System

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

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

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

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. None of the Authority, the University nor the Underwriter takes any responsibility for the accuracy thereof.

Prior Redemption

Mandatory Redemption

Portions of the Bonds maturing on October 1 in 2023 (the "Term Bonds") shall be called for redemption on October 1 in the years set forth immediately below in the principal amounts set forth immediately below, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account.

Term Bond Due
October 1, 2023

Year	Amount
2020	$ 725,000
2021	$ 755,000
2022	$ 795,000
2023*	$ 785,000

* Stated maturity

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

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

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

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

Optional Redemption

At the University's request, the Authority may elect to prepay on October 1, 2013 and on any day thereafter Bonds maturing on or after October 1, 2014. Redemption may be in whole or in part and if in part in such order of maturity as the University directs and selected by random means within a maturity. All prepayments shall be at a price of par plus accrued interest.

Extraordinary Optional Redemption

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

Partial Redemption

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

In the case of Bonds of denominations greater than $5,000, if fewer than 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. Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and available for the redemption of said $5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

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

Determination of Taxability

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

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

USE OF PROCEEDS

Proceeds of the Bonds will be loaned to the University and will, along with available University funds, if necessary, and moneys held by the Prior Bonds Trustee pledged to the payment of the Prior Bonds, be used to:

1. refund on a current refunding basis the outstanding principal of and pay premium and accrued interest on the Prior Bonds;
2. fund a debt service reserve; and
3. pay certain issuance costs.

The Prior Bonds, in the outstanding principal amount of $10,400,000, will be redeemed on or about April 1, 2004 at a redemption price of par plus a premium of one percent (1%) of the principal amount of the Prior Bonds plus interest accrued to the redemption date. The proceeds of the Prior Bonds, issued in the original principal amount of $12,535,000, were used to:

1. Refund the Authority's Series C Bonds (1973)
2. Refund the Authority's Series 1976-2 Bonds (1977)
3. Refund the Authority's Series Two-M Bonds (1987)
4. Refund the Authority's Series Three-F Bonds (1991), which in turn refunded an issue the proceeds of which financed construction of an approximately 530 seat theater/recital hall
5. Finance construction of an approximately 80,000 square foot recreation facility, including a pool and an athletic track
6. Fund a debt service reserve
7. Fund costs of issuance

At the Issue Date, Bond proceeds, together with moneys held by the Prior Bond Trustee, will be deposited in the Redemption Account held by the Prior Bond Trustee. The Prior Bonds Redemption Account will be funded with cash and U.S. Treasury securities sufficient to provide for the defeasance of the entire outstanding principal amount of the Prior Bonds. In accordance with the Indenture for the Prior Bonds, the Prior Bonds will no longer be considered outstanding under that Indenture upon such deposit for prepayment and will be payable solely from the Prior Bonds Redemption Account. From the moneys and investments in the Prior Bonds Redemption Account, the Prior Bonds Trustee on or about April 1, 2004 will redeem the Prior Bonds by paying accrued interest on the Prior Bonds, the outstanding principal of the Prior Bonds, and a redemption premium of one percent of the outstanding principal of the Prior Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of the Series Five-U Bonds	$ 10,980,000
Accrued Interest	27,270
Transfers from Prior Bonds accounts	923,935
Total Sources:	$ 11,931,205
Uses of Funds	
Pay and redeem Series Three-Q Bonds	$10,821,100
Accrued interest deposited to the Series Five-U Bond and Interest Sinking Fund Account	27,270
Deposit to the Series Five-U Reserve Fund	872,025
Costs of Issuance, including Underwriter Discount and Original Issue Discount	210,810
Total Uses:	$ 11,931,205

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

SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS

Source of Payment

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

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

Financial Covenants

The University will also covenant that so long as the Bonds shall remain outstanding:

a. For at least two of the preceding three complete Fiscal Years, the Revenue/Expenditure Test must be met.

b. The University will incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt which does not increase the amount of the

Maximum Annual Debt Service and further excepting indebtedness for capital projects for which the University has secured funds on hand or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless the Net Income Available for Debt Service for the last Fiscal Year for which audited financial statements are available was at least 120% of Maximum Annual Debt Service of (A) then Outstanding Funded Debt and (B) Funded Debt thereafter incurred or proposed to be incurred; provided that if the additional Funded Debt proposed to be incurred is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for the most recent complete Fiscal Year, for purposes of this paragraph, the estimated amount of Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an independent management consultant to the University and the Trustee; and provided further that if the additional Funded Debt proposed to be incurred is to finance other University facilities and if the Board of Trustees has increased or will increase tuition, student fees or other rates or charges at or after the end of such Fiscal Year, for purposes of this paragraph, there shall be added to Net Income Available for Debt Service for the most recent complete Fiscal Year the amount of increase net of increased operating expenses, as estimated in a report of an independent management consultant to the University and the Trustee.

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

"Adjusted Increase (Decrease) in Unrestricted Net Assets" means the Increase (Decrease) in Unrestricted Net Assets, as reported in the Statement of Activities section of the audited financial report of the University, adjusted to: (a) exclude depreciation expense and include (as a reduction to Unrestricted Net Assets) the cost of current equipment acquisitions which have been funded through operations and capitalized; (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment; (c) exclude extraordinary gains or losses; (d) exclude gains or losses from refunding or refinancing of indebtedness; and (e) exclude unrealized net gains or losses on investments.

"Funded Debt" means (i) indebtedness for borrowed money having a maturity date of more than one year from the date of incurrence or assumption thereof by the University and which, under generally accepted accounting principles, is shown on the University's balance sheet as a liability, including such indebtedness having a maturity date of one year or less if the maturity date may be extended beyond one year at the option of the University, and (ii) capital leases, including lease rental obligations, having a term of more than one year from the date of incurrence or assumption thereof by the University which, under generally accepted accounting principles, are shown on the balance sheet as a liability.

"Maximum Annual Debt Service" means the largest total amount of principal of and interest on Funded Debt required to be paid by the University 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, as more fully described in the Loan Agreement.

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

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

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

Negative Pledge

The University covenants that, except for Permitted Encumbrances and except as otherwise permitted by the Loan Agreement, it will not mortgage, grant a lien upon, pledge, grant a security interest in, make an assignment of its interest in or permit the creation of any encumbrance on the Project Facilities.

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

The Bonds will not be secured by the General Bond Reserve of the Authority. See "GENERAL BOND RESERVE ACCOUNT."

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Refunding Account, a Costs of Issuance Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. Bond proceeds in an amount sufficient, when added to funds in the Prior Bonds Trustee's possession that may be applied to redeem the Prior Bonds, shall be deposited in the Refunding Account for the redemption of the Prior Bonds; an amount for costs of issuance, not to exceed two percent of the Bond proceeds, shall be deposited into the Costs of Issuance Account; the amount of the Reserve Requirement shall be deposited into the Reserve Account; and accrued interest, if any, will be deposited in the Bond and Interest Sinking Fund Account. Following Bond closing, amounts received by the Trustee from the University as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Refunding Account

On the Bonds' delivery date there shall be deposited into the Refunding Account and then transferred to the Redemption Account held by the Prior Bonds Trustee, Bond proceeds in an amount sufficient, together with any applicable balances the Prior Bonds Trustee may hold, to refund in full the outstanding Prior Bonds, including payment of interest accrued to the redemption date and premium payable upon redemption.

Costs of Issuance Account

Initially there shall be deposited into the Costs of Issuance Account an amount of Bond proceeds specified in the Indenture, not to exceed two percent (2%) of the net Bond proceeds. The University may present invoices to the Trustee representing costs incurred in connection with the issuance of the Bonds which the Trustee shall pay from the Costs of Issuance Account. Any moneys remaining in the Costs of Issuance Account after six months following the Bonds' delivery date shall be transferred to the Bond and Interest Sinking Fund Account.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account the amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the University. Deposits into the Bond and Interest Sinking Fund Account shall be made one Business Day prior to each Interest Payment Date in amounts equal to interest and, if applicable, principal due on such Interest Payment Date.

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

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the amount of the Reserve Requirement. Funds in the Reserve Account are 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 University 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 University 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 University 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 October 1, 2004 and each interest payment date thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the lesser of the amount of the Reserve Requirement, or the amount permitted for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the 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 more than 30 days.

Interest and income in the Reserve Account shall be transferred first, to the Bond and Interest Sinking Fund Account to the extent the amount on deposit in the Bond and Interest Sinking

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

Redemption Account

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

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

Authorized Investments

Moneys on deposit to the credit of the Refunding Account, the Costs of Issuance Account, the Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, rated at least in the rating category of “AA” or “Aa”; revenue bond obligations of states and local governments insured by municipal bond insurance and rated “AAA” or “Aaa”; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States Government, its agencies, state and local governments; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

GENERAL BOND RESERVE ACCOUNT

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

investments in the General Bond Reserve Account to the payment of the Bonds or interest thereon.

FUTURE FINANCING

The University regularly improves, expands and changes its physical plant and incurs long-term financing as needed for these purposes. The University does not anticipate financing any such projects with debt within the next six months.

THE AUTHORITY

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

Marianne T. Remedios has been the Executive Director of the Authority since May 1, 2000. Prior to that, Ms. Remedios was the partner in charge of bond counsel services to the Authority at Faegre & Benson LLP, Minneapolis, Minnesota.

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $800 million. The Authority has had 138 issues (including refunded and retired issues) totaling $1,005,838,307, of which $571,720,025 is outstanding as of March 1, 2004. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

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

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

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

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

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

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

FINANCIAL ADVISOR

The Authority has retained Springsted Incorporated, Advisors to the Public Sector, of Saint Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon University 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 Piper Jaffray & Co. The Underwriter has agreed to purchase the Bonds at a purchase price of $10,866,325.85 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $63,135.00 and original issue discount of $50,539.15) plus accrued interest.

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

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

RATING

As noted on the cover page hereof, Moody's Investors Service ("Moody's"), 99 Church Street, New York, New York has assigned a rating of Baa1 to the Bonds. The rating reflects only the view of such rating agency. Any explanation of the significance of the rating may be obtained only from Moody's.

There is no assurance that such rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of Moody's, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the University are unaware of any pending or threatened litigation which would affect the validity of the Bonds or materially affect the ability of the University to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by McGrann Shea Anderson Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the University by Ann E. Merchlewitz, Esq., the University's Vice President and General Counsel, and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota.

TAX EXEMPTION

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

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

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

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

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

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

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

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

The dollar amount of the initial offering price to the public of the Bonds with stated maturities in the years 2009 through 2019, inclusive (the "Discount Bonds"), is less than the principal amount of such maturities. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. 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.

ORIGINAL ISSUE PREMIUM

The Bonds shown on the cover being sold at a price in excess of 100%, the October 1, 2004 through October 1, 2008 maturities (collectively, the "Premium Bonds"), are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, who are subject to special rules, bondholders from time to time must reduce their federal income tax basis for the Premium Bonds for purposes of determining gain or loss on the sale or payment of such Premium Bonds. Premium generally is amortized on the basis of a bondholder's constant yield to maturity with semiannually compounding. This might result in taxable gain upon sale of the Premium Bonds, even if they are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes. Bondholders should consult their tax advisors concerning the timing and rate of premium amortization.

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.

APPENDIX I

THE UNIVERSITY

Saint Mary's University of Minnesota is a private, comprehensive university headquartered in Winona, Minnesota. Founded in 1912 by Bishop Patrick R. Heffron, the second bishop of Winona, the University originally operated as an academy and junior college for men. In 1925, it became a four-year liberal arts college. In 1933, the De La Salle Christian Brothers, an international Catholic teaching order, purchased the University from the Diocese of Winona. Soon thereafter, the University obtained formal accreditation for its bachelor degrees programs by the North Central Association of Colleges and Schools.

The University maintains three campuses. The Winona campus is a four-year coeducational, residential, liberal arts university. On its Winona campus, the University combines the traditional liberal arts and sciences with career-related studies, enabling students to obtain an integrated liberal arts and career education. All students share a common intellectual experience through the Interdisciplinary Studies Program, which has been recognized nationally as a model for liberal learning. On its Winona campus, the University also offers graduate programs in international business, education, resource analysis, pastoral ministries, and philanthropy and development. The Twin Cities campus offers nontraditional graduate, undergraduate completion and special programs. The Nairobi, Kenya campus offers a bachelor's degree in education and a master's degree in African Studies.

The University is accredited by the North Central Association of Colleges and Schools through 2007. It is also registered as a private institution with the Minnesota Higher Education Services Office.

Governance

The University is governed by a Board of Trustees whose members serve five-year terms. The current Board has 35 members.

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Susan Kenny Stevens, Ph.D.	President and Principal in Charge The Stevens Group at LarsonAllen

President

Brother Louis DeThomasis, FSC, Ph.D. became the eleventh President of the University 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 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 De La Salle Christian Brothers in 1968 after a career in business. He previously had been president of Metro Graphics, Inc. in Washington, D.C. before joining the Brothers. He has gained national prominence in the fields of finance and education. He founded and served as Chair of Christian Brothers Investment Services, Inc., an investment advisory company registered with the Securities and Exchange Commission that manages assets of nearly one billion dollars.

Brother DeThomasis has served on the Board of Trustees for the University since 1978. He serves on the following corporate, nonprofit, and professional boards: The Galaxy Funds, Vanguard Technology Group, MN Private College Council, The Martin de Poores School for Exceptional Children, The Ocean Tides Treatment Center for Juvenile Offenders, Diocese of Winona-Priests Retirement Fund, The Foundation of Independent Higher Education, Saint Mary's College of California and Christian Brothers University in Tennessee. He has previously served as a trustee for Manhattan College in New York and College of Santa Fe in New Mexico.

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, Paradigms and Parables-The Ten Commandments For Ethics in Business, 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.

Brother DeThomasis has elected to complete his tenure as President of the University in 2005. The University is conducting a national search for Brother DeThomasis's successor. A Presidential Search Committee consisting of trustees, faculty members, alumni, and a student has been appointed by the Board of Trustees. The committee initially focused its efforts on locating qualified Christian Brother candidates and conducted interviews with several qualified Christian Brother candidates. Those candidates, however, were unavailable at this time to pursue the appointment to the University's presidency. The Board announced on February 13, 2004 that it would immediately broaden its national search to include candidates outside of the Christian Brother community. The new president is expected to be announced no later than the spring of 2005.

University Provost and Vice President of the College

Dr. Jeffrey Highland is the University Provost and Chief Academic Officer of the University; he also serves as Vice President of the College and Professor of Political Science. He joined the faculty in 1977, following completion of his Ph.D. at Washington State University. Dr. Highland taught courses in political science and public administration until 1993, when he was named Vice President of Academic Affairs. He was named University Provost and Vice President of the College in 2000. Dr. Highland is the recipient of the Lasallian Distinguished Educator Award given by the De La Salle Christian Brothers and the Bishop Heffron Award for meritorious service to the University. He is also a Consultant/Evaluator for the Higher Learning Commission of North Central Association and a former chair of the Board of Directors for The Collaboration for the Advancement of College Teaching and Learning.

Vice President for Financial Affairs

Cynthia Marek was appointed Vice President for Financial Affairs in 1991 after serving as Controller at the University for five years. Prior to her position at the University, Ms. Marek held several positions at the College of Saint Teresa, Winona, Minnesota, including Assistant to the Chief Financial Officer. Her current responsibilities at the University include overseeing all financial aspects of the University as well as supervising the physical plant operations, the bookstore, the student center, academic and administrative computing services, and the conference center. Ms. Marek has a Masters of Business Administration from Winona State University.

Ms. Marek currently serves on the Board of Directors for the Central Association of College and University Business Officers, Christian Brothers Services and Rock Solid Youth Center. She is an active volunteer in the Winona community serving as a former trustee for the YWCA, past president of the Winona Area Chamber of Commerce, United Way Review Committee member, and as a Winona Council for Quality board member.

Academic Information: Winona Campus and Undergraduate Program

The University 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 for Admissions evaluates an applicant’s ability to do successful work at the University. The pattern of high school courses is not the sole criterion for acceptance. Rank in class, a personal essay, test scores, activities, and school recommendations all provide additional data used in the evaluation of a student’s academic potential for university success. The University welcomes applications from students from differing ethnic, religious, racial, economic, and geographic backgrounds.

Degree Offerings

The University offers a Bachelor of Arts, Bachelor of Science, Master of African Studies, Master of Arts, Master of Education, Master of Science, Doctorate of Education, and Education Specialist.

Campuses and Buildings

The Winona Campus of the University is located on 350 acres of scenic property in Winona, Minnesota, 120 miles southeast of Minneapolis/Saint Paul. At its Winona campus, the University maintains its central administrative operations and provides the environment for undergraduate, highly residential, educational experiences, and graduate educational experiences in business, education, and resource analysis.

Four connected buildings served the needs of the University in its early years. Between 1912 and 1913, Saint Mary's Hall, Griffin Hall, Heffron Hall and Skemp Hall housed the college in its entirety.

Today the University makes use of 53 primary buildings to provide for academic, administrative, recreational, residential and specialized programmatic needs. All of the existing buildings continue to be fully utilized. Additional freestanding facilities were constructed through the years, primarily to serve the increasing residential needs of the college. In the renovations, which have taken place over the last decade, many of the older existing buildings have been substantially remodeled to meet the educational, residential and specialized needs of the times. A number of the newly constructed facilities have been located adjacent to existing buildings to form more centralized facilities that are more responsive to the University's needs today and to the challenges of the climate of Southeastern Minnesota.

The University purchased the former College of Saint Teresa campus in September 2002. The campus sits on 75 acres and includes approximately 450,000 square feet of space in ten buildings. Six of the buildings are currently leased to a catholic high school and Winona State University. Saint Mary's uses the remaining space for a conference center, dance and theatre arts program, tennis facility and special programs.

The principal facilities of the University's Twin Cities Campus are located on Park Avenue in Minneapolis. The facilities include three separate buildings, La Salle Hall, Martin de Porres Hall, and Mother Teresa Hall, which house administration, support services, and classrooms for the graduate and undergraduate programs there.

Housing

The University currently has 1,099 beds available for graduate and undergraduate students on its Winona campus. For the 2003-2004 academic year, 995 beds were occupied in the fall semester, resulting in a 91% occupancy rate.

Student Body

The University's head count enrollment and full-time equivalent (FTE) enrollment for the Winona and Twin Cities campuses, actual and projected are:

Undergraduate

Year – Fall of:	Head Count (Actual)	FTE (Actual)
1999	1,626	1,468
2000	1,678	1,479
2001	1,621	1,484
2002	1,654	1,513
2003	1,704	1,523

The average ACT score for first year students is 23 as of the academic year commencing Fall 2003.

Graduate

Year – Fall of:	Head Count (Actual)	FTE
1999	3,213	2,028
2000	3,500	2,215
2001	3,387	2,246
2002	3,411	2,171
2003	3,292	2,065

Applications, Acceptances and Enrollments (Winona undergraduates)

Undergraduate Applications, Acceptances and Matriculations

	1999	2000	2001	2002	2003
Applications	955	1,002	1,055	1,122	1,312
Acceptances	891	915	910	881	981
Matriculations	371	362	395	397	367

Graduation Rate for First Year Students Graduating in Four Years

Entering Year	4-year Graduation rate
1995	50.3%
1996	52.5%
1997	49.7%
1998	46.3%
1999	51.6%

Student Retention

Retention from first year to second year for the past five years has been:

Fall 1998 to Fall 1999:	72.1%
Fall 1999 to Fall 2000:	77.3%
Fall 2000 to Fall 2001:	77.0%
Fall 2001 to Fall 2002:	71.3%
Fall 2002 to Fall 2003:	74.5%

Tuition and Fees

The University meets the costs of its educational programs primarily through tuition and fees. The following table lists the fees charged full-time undergraduate students on the Winona campus for the four prior academic years and the current academic year as adopted by the Board of Trustees.

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Tuition for First Year Student	$ 13,300	$ 13,990	$14,830	$15,280	$15,890
Room and Board*	$ 4,400	$ 4,620	$ 4,780	$ 4,920	$ 5,200
Fees	$ 365	$ 365	$ 365	$ 415	$ 425
Total	$ 18,065	$ 18,975	$19,975	$20,615	$21,535

*Average room charges; on-campus apartment living may be slightly higher.

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

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2003/2004 Undergraduate Rate Comparison of Minnesota Private Colleges
(Ranked by Comprehensive Charges)

COMPREHENSIVE CHARGES FOR 2003-2004
AT MINNESOTA'S PRIVATE COLLEGES

COLLEGE / UNIVERSITY	Tuition and Required Fees	Room and Board	Comprehensive Charges*
Carleton College	$ 28,527	$ 5,868	$ 34,395
Macalester College	$ 25,088	$ 6,874	$ 31,962
St. Olaf College	$ 23,650	$ 4,850	$ 28,500
Minneapolis College of Art & Design	$ 22,770	$ 5,400	$ 28,170
Gustavus Adolphus College	$ 21,660	$ 5,460	$ 27,120
University of St. Thomas	$ 20,608	$ 6,310	$ 26,918
Hamline University	$ 20,805	$ 6,038	$ 26,843
College of Saint Benedict	$ 20,685	$ 5,987	$ 26,672
Saint John's University	$ 20,685	$ 5,788	$ 26,473
Augsburg College	$ 19,398	$ 5,900	$ 25,298
College of St. Catherine	$ 19,770	$ 5,460	$ 25,230
Bethel College	$ 18,800	$ 6,380	$ 25,180
College of St. Scholastica	$ 19,302	$ 5,668	$ 24,970
Concordia University, St. Paul	$ 18,624	$ 5,862	$ 24,486
Saint Mary's University of Minnesota	**$ 16,315**	**$ 5,220**	**$ 21,535**
Concordia College, Moorhead	$ 16,560	$ 4,540	$ 21,100
Bethany Lutheran College	$ 14,020	$ 4,688	$ 18,708
AVERAGE	$ 20,427	$ 5,664	$ 26,092

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

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

Source: The Minnesota Private College Council

Financial Assistance

Approximately 62% of the University's student body annually receive some form of financial assistance. The following table is a five-year summary of financial assistance received from both University and non-University funds.

	1998-99	1999-2000	2000-2001	2001-2002	2002-2003
Federal	$ 692,363	$ 679,699	$ 743,384	$ 859,021	$ 905,851
State	$ 1,247,876	$ 1,076,791	$ 1,097,039	$ 1,129,108	$ 1,152,009
University	$ 4,483,590	$ 4,484,316	$ 4,694,801	$ 5,548,301	$ 6,438,930
Private	$ 229,285	$ 284,744	$ 310,435	$ 313,524	$ 295,890
Total	$ 6,653,114	$ 6,525,550	$ 6,845,659	$ 7,849,954	$ 8,792,680
Loans	$ 12,319,148	$ 14,211,425	$ 14,230,347	$ 16,057,220	$ 18,627,641
Work-study	$ 854,468	$ 821,863	$ 852,750	$ 972,563	$ 1,008,044
Grand Total	$ 19,826,730	$ 21,558,838	$ 21,928,756	$ 24,879,737	$ 28,428,365
# of Students	2,299	2,317	2,565	2,686	2,805

No assurance can be given that federal and state student financial assistance will continue to be funded at current levels.

Faculty and Staff

The University employs a total of 957 employees at both its Winona and Twin Cities Campuses.

Winona Campus	Full-time	Part-time
Faculty	97	105
Staff	266	17
Twin Cities Campus		
Faculty	13	410
Staff	44	5

Average salaries for Winona campus Bachelor of Arts faculty by full-time rank (according to 2002 Integrated Postsecondary Education Data System information):

Rank	Number	Average Salary	Percent Tenured
Professor	26	$58,820	92%
Associate Professor	24	$49,302	86%
Assistant Professor	47	$40,872	13%
Instructor	10	$35,496	0%

Pension Plans

The University is a participant in the Christian Brothers Employee Retirement Plan. The plan is a multi-employer defined benefit plan covering all full-time lay faculty and personnel which is financed by contributions made by the University. The University contributed $1,046,884 for the fiscal year ended May 31, 2003.

Capital Campaign

In September 2002, Saint Mary's University of Minnesota successfully completed its $30 million capital campaign, Legacy for Learning: The Campaign for Students. Total gifts and pledges to the campaign were $30.3 million. The campaign included 19,876 gifts. The 20 largest gifts to the campaign ranged from $100,000 to $7,000,000 and provided exactly one-half of the $30.3 million total. The campaign exceeded by 70% any previous campaign in the University's history. Approximately $17 million of the $30 million raised in the campaign was directed to endowment, with the balance dedicated to programs and scholarships directly benefiting students. No new buildings were funded with the capital campaign proceeds.

Long-Term Investments

Following is a three-year history of the ending fund balances of the University's Net Assets for Endowment and similar funds at market value.

Fiscal Year Ending May 31	Endowment	Long-Term Investment (Quasi-Endowment)	Total
2003	$13,433,234	$10,227,836	$23,661,070
2002	$10,328,075	$10,780,897	$21,108,972
2001	$ 9,480,488	$12,392,318	$21,872,806

Gifts, Grants and Contracts

Gifts and grants revenues received from federal, state and private sources for the past three years have been as follows:

Fiscal Year Ending May 31	Unrestricted	Temporarily Restricted	Permanently Restricted
2003	$6,061,881	$ 675,000	$1,809,362
2002	$2,500,279	$ 826,627	$ 2,587
2001	$3,741,008	$5,973,283	$1,880,768

Independent Accountants

The financial statements as of May 31, 2003 and 2002 and for the years then ended, included in Appendix VI, have been audited by Virchow Krause & Company, LLP, independent accountants, as stated in their report appearing therein.

Summaries of Current Funds Revenues, Expenditures and Transfers

The following table summarizes the University's statements of unrestricted activities for the Fiscal Years ended May 31, 1999 through 2003. For more complete information of the University for the Fiscal Years ended May 31, 2003 and 2002, see Appendix VI of this Official Statement.

ST. MARY'S UNIVERSITY OF MINNESOTA
Statement of Unrestricted Activities

For the years ended May 31,

	1999	2000	2001	2002	2003
REVENUES, GAINS AND OTHER SUPPORT					
Tuition & Fees	$30,340,608	$33,386,032	$35,812,821	$37,280,378	$39,165,374
Less: Scholarships and grants	(4,468,200)	(4,573,951)	(4,769,101)	(5,528,090)	(6,285,482)
Net tuition and fees	25,872,408	28,812,081	31,043,720	31,752,288	32,879,892
Government grants	1,059,760	1,171,053	1,006,948	1,251,883	1,560,667
Private gifts and grants	1,095,791	1,513,704	2,734,060	1,248,396	4,501,214
Private sponsored research and programs	2,712,230	1,094,208	842,714	990,556	779,469
Endowment income	168,586	168,358	213,905	152,750	59,766
Other sources	782,685	734,726	1,013,669	637,250	642,921
Net gains (losses) on investments	446,120	836,088	(665,735)	(1,306,144)	(876,207)
Sales of services of auxiliary enterprises	4,836,809	4,814,512	5,023,611	5,062,059	5,127,147
	36,974,389	39,144,730	41,212,892	39,789,038	44,674,869
Reclassification; change in donor designation			(205,739)		
Net assets released from restrictions	1,794,402	1,930,619	1,194,205	1,387,104	1,274,154
Total Revenues, Gains and Other Support	38,768,791	41,075,349	42,201,358	41,176,142	45,949,023
EXPENSES AND LOSSES					
Program expenses					
Instruction	14,360,251	15,551,620	18,567,837	18,995,296	18,575,239
Research	179,120	215,949	218,212	257,464	190,019
Public service	3,093,097	2,263,959	1,610,930	2,117,375	2,864,883
Academic support	3,308,384	3,686,205	3,582,439	4,068,936	4,166,502
Student services	6,707,015	6,750,812	7,153,983	7,697,785	8,136,199
Auxiliary enterprises	3,726,005	3,877,484	4,030,495	4,142,302	4,303,637
Support expenses					
Institutional support	4,088,330	4,746,228	4,789,781	4,732,993	5,738,822
Allocable expenses					
Operation and maintenance of plant	3,095,107	2,992,523	2,804,448	2,769,611	3,462,250
Depreciation and amortization	1,749,077	1,842,992	1,930,025	2,171,900	2,043,177
Interest	714,261	703,494	761,836	1,010,751	998,876
Less: Allocated expenses	(5,558,445)	(5,539,009)	(5,496,309)	(5,952,262)	(6,504,303)
Adjustment of actuarial liability for annuities payable	(68,063)	9,793	7,079	14,491	11,749
Total Expenses and Losses	35,394,139	37,102,050	39,960,756	42,026,642	43,987,050
Change in Net Assets before reclassification	3,374,652	3,973,299	2,240,602	(850,500)	1,961,973
Reclassification of prior year net assets					(458,297)
Change in Net Assets	3,374,652	3,973,299	2,240,602	(850,500)	1,503,676
NET ASSETS -- Beginning of Year	31,337,265	34,711,917	38,685,216	40,925,818	40,075,318
NET ASSETS -- END OF YEAR	**$34,711,917**	**$38,685,216**	**$40,925,818**	**$40,075,318**	**$41,578,994**

Source: Audited financial statements of the University

Long-Term Debt of the University as of February 1, 2004

1. $12,535,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-Q, issued in June 1993, interest rates of 5.20% to 6.15%, final payment due October 1, 2023; $10,400,000 is outstanding. The bonds are a general obligation of the University, secured by a Reserve Account and a mortgage on certain property on the University's campus. The Series Three-Q Bonds will be fully refunded with proceeds of the Bonds.

2. $403,404 note payable to the U.S. Department of Education, interest rate of 3.0%, semiannual payments of $12,023 with a final payment in 2020. The note is secured by Heffron Hall student dormitory. Principal outstanding as of February 1, 2004 is $346,318.

3. $1,037,118 Minnesota Higher Education Facilities Authority Master Financing Agreement, Series Five-F, issued in March 2000, interest rate of 5.85%, payable in 144 monthly base payments beginning October 29, 2000 of $8,541.47 each and 12 annual contingent payments beginning September 29, 2001 of $15,963.49 each. Principal outstanding as of February 1, 2004 is $869,558.

4. $5,020,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-E, issued in June 2000, interest rates of 6.00% to 6.75%, final payment due March 1, 2026, $4,835,000 is outstanding. The bonds are a general obligation of the University, secured by a Reserve Account.

5. $4,000,000 loan payable to the Hiawatha Education Foundation issued in September 2002, no interest accrues, annual payments of $500,000 begin September 1, 2008 through September 1, 2015. Principal outstanding as of February 1, 2004 is $4,000,000.

6. Contract for Deed payable to the Christian Brothers, no interest accrues, semiannual principal payments of $15,000 occur on February 1 and August 1 through February 1, 2005. Principal outstanding after the February 1, 2004 principal payment is $30,000.

As of February 1, 2004 the total of long-term debt outstanding, adjusted to exclude the Series Three-Q bonds to be refunded with proceeds from the Bonds, is $10,080,876. The University's long-term debt will increase by the principal amount of the Bonds upon issuance.

Annual Debt Service by Fiscal Year and Coverage Statement

The following table shows (i) the estimated net debt service for each of such Fiscal Years on the Series Five-U Bonds; (ii) the annual debt service of the University for each of the listed Fiscal Years ending May 31 with respect to all other outstanding long-term indebtedness; (iii) the combined total annual debt service for each of such Fiscal Years; and (iv) the amount of coverage for the combined annual debt service provided by the "income available for debt service" for the Fiscal Year ending May 31, 2003, as further detailed in footnote (d) of the table.

This table is intended merely to show the relationship of Fiscal Year 2003 revenues of the University available for the payment of debt service to a pro forma statement of combined annual debt service of the University based on an assumed interest rate and amortization schedule with respect thereto. It is not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the University. There is no assurance that the future revenues, expenses, debt service and debt service coverage of the University or the respective relationships thereof will correspond to the revenues, expenses and debt service or the respective relationships thereof shown by or reflected in the following table.

Footnote (d) in the following table includes a one-time item described as "Adjustment for extraordinary gift in 2003." In September 2002 the University acquired its Saint Teresa campus from the Hiawatha Education Foundation. The University recorded the land, buildings and equipment at their estimated fair value. The difference between the estimated fair value of the assets acquired and the purchase price was accounted for as a contribution, in the amount shown as the adjustment for extraordinary gifts in the following table. Because this is a one-time and not a recurring item, the contribution portion is not included among assets available for debt service.

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Minnesota Higher Education Facilities Authority
Saint Mary's University of Minnesota
Winona, Minnesota

Annual Debt Service by Fiscal Year and Coverage Statement

Fiscal Year	Estimated Debt Service on the Bonds (a)	Outstanding Long-term Debt Service (b)	Combined Long-term Debt Service (c)	Amount Available for Debt Service (d)	Estimated Coverage (times)
(1)	(2)	(3)	(4)	(5)	(6)
2004	$ -	$ 1,181,456	$ 1,181,456	$ 2,275,075	1.93
2005	851,994	590,807	1,442,801	2,275,075	1.58
2006	813,472	559,507	1,372,978	2,275,075	1.66
2007	819,165	562,907	1,382,072	2,275,075	1.65
2008	823,409	560,407	1,383,816	2,275,075	1.64
2009	687,634	1,057,594	1,745,228	2,275,075	1.30
2010	682,509	1,059,469	1,741,978	2,275,075	1.31
2011	687,084	1,060,719	1,747,803	2,275,075	1.30
2012	656,106	1,099,420	1,755,526	2,275,075	1.30
2013	821,119	942,108	1,763,227	2,275,075	1.29
2014	826,659	941,058	1,767,717	2,275,075	1.29
2015	825,334	939,358	1,764,692	2,275,075	1.29
2016	822,172	942,008	1,764,180	2,275,075	1.29
2017	827,247	438,171	1,265,417	2,275,075	1.80
2018	825,394	438,658	1,264,052	2,275,075	1.80
2019	826,812	438,133	1,264,945	2,275,075	1.80
2020	821,889	441,596	1,263,485	2,275,075	1.80
2021	822,924	438,708	1,261,632	2,275,075	1.80
2022	818,481	439,808	1,258,289	2,275,075	1.81
2023	773,121	427,535	1,200,656	2,275,075	1.89
2024	(33,237)	413,913	380,676	2,275,075	5.98
2025	-	415,963	415,963	2,275,075	5.47
2026	-	416,325	416,325	2,275,075	5.46
Totals:	$ 14,999,288	$ 15,805,626	$ 30,804,914		

(a) Based on actual rates on the Bonds. Debt service on the Bonds is net of estimated reserve earnings.

(b) Includes MHEFA Series Five-F, Series Five-E, and non-MHEFA debt. Does not include MHEFA Series Three-Q, refunded with Bond proceeds.

(c) Sum of column 2 and column 3.

(d)

Increase in unrestricted net assets for Fiscal Year 5/31/03			$ 1,503,676
Plus:	Depreciation and amortization		2,043,177
	Unrealized losses on investments		876,207
	Interest expense on funded debt		981,298
Less:	Adjustment for extraordinary gift in 2003		(2,900,000)
	Released for buildings and equipment		(229,283)
Amount available for debt service:			$ 2,275,075

PROPOSED FORM OF LEGAL OPINION

McGrann Shea Anderson Carnival Straughn & Lamb, Chartered

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$10,980,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Five-U
(Saint Mary's University of Minnesota)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book-entry) Revenue Bonds, Series Five-U (Saint Mary's University of Minnesota), in the aggregate principal amount of $10,980,000 (the "Bonds"), dated March 1, 2004, more fully described in and issued pursuant to the Indenture (described below).

The Bonds are issued for the purpose of funding a loan from the Authority to Saint Mary's University of Minnesota, a Minnesota nonprofit corporation and institution of higher education headquartered in the city of Winona, Minnesota (the "University"), in order to refinance educational facilities owned and operated by the University and located on its Winona campus. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the University and the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee") each dated as of March 1, 2004, one or more opinions of Ann E. Merchlewitz, Esq., Vice President and General Counsel of the University, as counsel to the University, 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 University without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Ann E. Merchlewitz, Esq., as to the Loan Agreement having been duly authorized and executed and being binding upon the University and as to the corporate organization, tax-exempt status and unrelated trade or business activities, good standing, and powers of the

University. As to title to the Project Site (as defined in the Loan Agreement and Indenture), we have relied on information contained in owner and encumbrances reports, title insurance policies or commitments or title opinions, provided to us by the University or by counsel engaged by it, and have not undertaken any examination of the records of the University 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 University and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.

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

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

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

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

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

Dated at Minneapolis, Minnesota, March __, 2004.

INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE

Annual Reporting

The Annual Report Date will be the date that is 270 days after the fiscal year end, commencing with the fiscal year ended May 31, 2004. The Annual Report will contain:

1. Audited financial statements for the most recent complete fiscal year.

2. The following financial and operating data contained in Appendix I to the Final Official Statement:

a. Information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:

- Student Body
- Applications, Acceptances And Enrollments
- Student Retention
- Tuition and Fees
- Financial Assistance
- Faculty And Staff

b. Information as to gifts, bequests and grant support for the most recent complete fiscal year, identifying major sources.

c. Information as to any publicly announced capital campaign, including stated goals and progress toward the goals.

d. Changes to footnote (d) to the table under the Section entitled “Annual Debt Service by Fiscal Year and Coverage Statement.”

Material Events to be Disclosed

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

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

DEFINITION OF CERTAIN TERMS

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

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

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

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

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

Authorized Institution Representative: The President or the Vice President for Financial Affairs or any other person at the time designated to act on behalf of the University by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the University by the Chair, the Vice Chair, the Treasurer or Assistant Treasurer, or the Secretary of its Board of Trustees or the President or the Vice President and General Counsel of the University. Such certificate may designate an alternate or alternates.

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

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

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

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

Bond Purchase Agreement: The Bond Purchase Agreement, to be dated February 25, 2004, among the Underwriter, the Authority and the University.

Bond Resolution: The Series Resolution of the Authority, adopted on February 18, 2004, authorizing the Series Five-U Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Bonds, (a) the period from the Issue Date to the close of business on October 1, 2004 and (b) each succeeding 12-month period ending at the close of business on October 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

Bonds: The Series Five-U Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, to be dated as of March 1, 2004, under which the Bonds are authorized to be issued, and including any indenture supplemental hereto.

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

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

Institution: Saint Mary's University of Minnesota, a Minnesota institution of higher education headquartered in the City of Winona, Minnesota owned and operated by the University.

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

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

Loan Agreement: The Loan Agreement between the Authority and the University to be dated as of March 1, 2004, as from time to time amended or supplemented.

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

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

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

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

Prior Bonds: The Series Three-Q Bonds.

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

Project Buildings: The (a) Recreation and Fitness Center, (b) Village II Apartments, (c) College Center, (d) the Theater/Recital Hall, (e) the Ice Arena, (f) Adducci Science Center, (g) Saint Marys/Griffin Hall, constructed or improved with proceeds of the Prior Bonds or any bonds refunded by the Prior Bonds, including investment earnings.

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

Project Site: The land on which the Project Buildings are located, legally described n Exhibit A to the Loan Agreement. The Project Site is located on the Institution's Winona, Minnesota campus.

Recreation and Fitness Center: A Project Building which is an approximately 80,000 square foot recreational facility, including pool and athletic track, the acquisition, construction, furnishing and equipping of which was financed with the proceeds of the Prior Bonds.

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

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

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 on the Issue Date will be placed Bond proceeds in the amount of the Reserve Requirement. Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient therefor and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the University or the Authority fails to provide for payment of any rebate.

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

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

Series Five-U Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-U (Saint Mary's University of Minnesota).

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

Theater/Recital Hall: A project Building which is an approximately 530 seat theater/recital hall, the acquisition, construction, furnishing and equipping of which was financed with the proceeds of certain bonds refunded by the Bonds.

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

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

Underwriter: Piper Jaffray & Co. as the original purchaser of the Series Five-U Bonds.

University: Saint Mary's University of Minnesota, a Minnesota nonprofit corporation, its successors and assigns, as owner and operator of the Institution.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Redemption of Prior Bonds

The University represents that it will cause the Prior Bonds to be redeemed on or about April 1, 2004.

Loan Repayments

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

(a) at least one (1) Business Day prior to each April 1 and October 1, commencing October 1, 2004, the University shall deposit into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least one (1) Business Day prior to each October 1, commencing on October 1, 2004, a sum equal to the amount payable as principal (whether at maturity or sinking fund redemption) of the Bonds on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.01, 5.02, 5.03 or 5.04 of the Indenture (relating to purchase and cancellation of term bonds and the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

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

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

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

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

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

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

Maintenance of Project Facilities

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

Operating Expenses and Liens

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

Taxes and Other Governmental Charges

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

The University may, at its expense, in good faith contest any such taxes, assessments, license fees and other governmental charges and, in the event of any such contest, may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the University 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 University 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 80% of the full insurable replacement value of the Project Facilities, with a deductible amount of up to $250,000.

(b) Comprehensive general public liability insurance, including blanket contractual liability and personal injury liability and automobile insurance, in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $10,000,000, with a deductible amount of not more than $250,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $250,000.

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

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

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

Damage or Destruction

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

The Bonds may be redeemed in whole if (i) all or part of the Project Facilities are damaged or destroyed to such extent that they cannot be reasonably restored within six months or (ii) normal use and operation of such Project Facilities are interrupted for a six month period or (iii) the cost of restoration exceeds the available Net Proceeds by an amount described in the Loan Agreement. The Bonds may be redeemed in part if (i) the Recreation and Fitness Center or the Theater/Recital Hall is damaged or destroyed, (ii) the University determines that the Recreation and Fitness Center or the Theater/Recital Hall, as the case may be, is not needed in its operations and (iii) the University has elected not to restore the Recreation and Fitness Center or the Theater/Recital Hall, as the case may be. If the University elects to redeem the Bonds in part, the available Net Proceeds shall be used for redemption or purchase of the pro rata portion of the principal amount of outstanding Bonds. For this purpose, "pro rata portion" shall mean 40% of the principal amount of outstanding Bonds in the case of the Recreation and Fitness Center or 23% of the principal amount of outstanding Bonds in the case of the Theater/Recital Hall. If the available Net Proceeds are insufficient to redeem the pro rata portion of outstanding Bonds, the University shall pay such deficiency. Any Net Proceeds not needed for redemption or purchase of the pro rata portion of the principal amount of Outstanding Bonds shall be returned to the University unless there is a Default as defined in the Loan Agreement.

Condemnation

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

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

Removal of Project Equipment and Building Equipment

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

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

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

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

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

Indemnification

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

University to Maintain its Existence and Accreditation

The University agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and maintain the Institution as an institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies and that it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee institution, as the case may be, is other than the University, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the University in the Loan Agreement, and be either a state university or college or a nonprofit corporation operating or authorized to operate an Institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the institution be nonsectarian; and (b) the University 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 University has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt nonhospital bonds issued on behalf of or for the benefit of the University and all organizations under common management or control with the University (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000, excluding nonhospital bonds issued on or after August 5, 1997 to finance expenditures incurred after August 5, 1997. Under the Loan Agreement, in no event will the 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 or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the University or such other resulting entity, and all organizations under common management or control with the University or such resulting entity, within the meaning of Section 145 of the Internal Revenue Code.

Federal Income Tax Status

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

Institution to be Nonsectarian

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

Determination of Taxability

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

Financial Covenants

The University covenants and agrees, so long as the Bonds shall remain outstanding, to comply with the financial covenants described under the heading "SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS – Financial Covenants" in this Official Statement. In connection with the limitations on incurring additional Funded Debt as described therein, 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 and nonrecourse and subordinated debt.

Other Covenants

The University further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of religion, race, color, creed or national origin in the use or operation of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Authority or Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority, the Department of Education and the Minnesota Higher Education Services Office, subject to the right of contest. The University agrees to indemnify the Authority from losses arising from certain representations made by the University 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 University to the Authority as the Authority's annual fee under the Loan Agreement.

Negative Pledge

The University covenants that, except for Permitted Encumbrances and except as otherwise permitted by the Loan Agreement, it will not mortgage, grant a lien upon, pledge, grant a security interest in, make an assignment of its interest in or permit the creation of any encumbrance on the Project Facilities.

Events of Default

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

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

(b) If the University 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 University 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 University 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 University by the Authority or the Trustee; or

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

(e) If the University 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 University; or

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

(g) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the University 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 University. The provisions of paragraph (d) above, are subject to the further limitation that if the default can be remedied but not within a period of thirty days after notice and if the University 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 University shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The University agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the University from carrying out its agreements.

Remedies on Default

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

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

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

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

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

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 "DEFINITION OF CERTAIN TERMS," Appendix IV, contained herein.

Granting Clauses

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

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

(2) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be created and maintained under the Indenture (but excluding all moneys and investments in the Refunding Account), and (ii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

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

Accounts

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

Trustee's Right to Payment

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

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

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

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

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

Remedies

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

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

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

Concerning the Trustee

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

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the University shall:

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

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

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

(d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided,

and shall also pay or provide for the payment of the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148 of the Internal Revenue Code, then at the request of the Authority or the University all the Trust Estate shall revert to the Authority and the University 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 University shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided, or left with it if previously so deposited, cash or direct obligations of the United States of America sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the Holders thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

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

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

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

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

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

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

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

Amendments to the Loan Agreement

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

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

Registration

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

THE CONTINUING DISCLOSURE AGREEMENT

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

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

The University has covenanted for the benefit of holders of the Bonds to provide certain financial information and operating data by not later than 270 days following the end of the University's fiscal year commencing with fiscal year ending May 31, 2004, and to provide notices of the occurrence of certain enumerated events, if material.

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

Definitions

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

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

"Commission" means the Securities and Exchange Commission.

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

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

"Participating Underwriter" shall mean Piper Jaffray & Co.

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

"Repository" shall mean each National Repository and each State Repository, if any.

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

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

"Tax-exempt" shall mean that interest on the Bonds is excluded from the gross income, for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Provisions of Annual Report

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

If the Trustee has not received an Annual Report by February 1 of each year, commencing with February 1, 2005, together with the certification by the Reporting Party described above, the Trustee shall promptly notify the Disclosure Representative of the failure to receive the Annual Report and the certification.

Reporting of Listed Events

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

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

Promptly, but no later than five Business Days, after either (i) the Reporting Party has received notice from the Trustee of a Listed Event or (ii) the Reporting Party is required to give notice of a

Listed Event to the Trustee, the Reporting Party shall give notice of the occurrence of the Listed Event, if material, to each National Repository or the MSRB, and to the State Repository, if any.

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

Termination of Reporting Obligation

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

Amendment

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

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

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

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

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

Additional Information

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

FINANCIAL STATEMENTS INCLUDING INDEPENDENT AUDITORS' REPORT
FISCAL YEARS ENDED MAY 31, 2003 AND 2002

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Saint Mary's University of Minnesota
Winona, Minnesota

We have audited the accompanying statements of financial position of Saint Mary's University of Minnesota as of May 31, 2003 and 2002 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Mary's University of Minnesota at May 31, 2003 and 2002 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Virchow, Krause & Company, LLP

Minneapolis, Minnesota
July 11, 2003

SAINT MARY'S UNIVERSITY OF MINNESOTA

STATEMENTS OF FINANCIAL POSITION
May 31, 2003 and 2002

ASSETS

	2003	2002
Cash and cash equivalents	$ 5,007,055	$ 6,243,383
Receivables		
Student accounts, net of allowance for doubtful accounts of $215,000 each year	3,853,268	3,907,923
Contributions	5,366,000	6,635,000
Other	294,531	247,371
Prepaid expenses and other assets	194,160	241,865
Student notes receivable, net of allowance for doubtful notes of $250,000 each year	3,180,264	3,197,618
Endowment investments		
Cash and short-term investments	7,619,027	5,908,243
Marketable securities	15,807,084	15,046,289
Cash surrender value of life insurance	36,166	35,601
Certificates of deposit	500,000	500,000
Other investments	17,129	16,376
Deposits with trustees		
Cash and short-term investments	425,910	14,037
U.S. government securities	946,692	1,371,430
Funds held for others	17,389,674	
Deferred debt acquisition costs	106,360	110,985
Funds held in trust by others	433,400	517,000
Building deposit		400,000
Construction in progress	87,935	164,166
Property, plant and equipment	47,649,157	41,375,754
TOTAL ASSETS	$ 108,913,812	$ 85,933,041

LIABILITIES AND NET ASSETS

	2003	2002
LIABILITIES		
Accounts payable	$ 644,298	$ 869,222
Accrued liabilities	1,840,523	1,682,098
Deposit accounts	815,264	783,069
Deferred revenue	4,947,325	4,735,014
Contract for deed payable	60,000	90,000
Loan payable to U.S. Department of Education	353,046	366,203
Loan payable to Hiawatha Education Foundation	2,660,493	
Bonds payable to Minnesota Higher Education Facilities Authority	15,500,000	15,845,000
Annuities payable	593,174	671,082
Deposits held in custody for others	30,363	21,838
Funds held for others	17,389,674	
Government grants refundable	2,866,182	2,849,633
Total Liabilities	47,700,342	27,913,159
NET ASSETS		
Unrestricted	41,578,994	40,075,318
Temporarily restricted	5,154,922	5,654,807
Permanently restricted	14,479,554	12,289,757
Total Net Assets	61,213,470	58,019,882
TOTAL LIABILITIES AND NET ASSETS	$ 108,913,812	$ 85,933,041

See accompanying notes to financial statements.

SAINT MARY'S UNIVERSITY OF MINNESOTA

STATEMENT OF ACTIVITIES
Year Ended May 31, 2003
With Comparative Totals for 2002

	2003 Unrestricted	2003 Temporarily Restricted	2003 Permanently Restricted	2003 Total	2002 Total
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and fees	$ 39,165,374			$ 39,165,374	$ 37,280,378
Less: Scholarships and grants	(6,285,482)			(6,285,482)	(5,528,090)
Net tuition and fees	32,879,892			32,879,892	31,752,288
Government grants	1,560,667			1,560,667	1,251,883
Private gifts and grants	4,501,214	$ 675,000	$ 1,809,362	6,985,576	2,077,610
Private sponsored research and programs	779,469			779,469	990,556
Endowment income	59,766	136,869		196,635	335,278
Other sources	642,921	(37,600)	(46,000)	559,321	624,050
Net losses on investments	(876,207)			(876,207)	(1,306,144)
Sales and services of auxiliary enterprises	5,127,147			5,127,147	5,062,059
	44,674,869	774,269	1,763,362	47,212,500	40,787,580
Net assets released from restrictions	1,274,154	(1,274,154)			
Total Revenues, Gains and Other Support	45,949,023	(499,885)	1,763,362	47,212,500	40,787,580
EXPENSES AND LOSSES					
Program expenses					
Instruction	18,575,239			18,575,239	18,995,296
Research	190,019			190,019	257,464
Public service	2,864,883			2,864,883	2,117,375
Academic support	4,166,502			4,166,502	4,068,936
Student services	8,136,199			8,136,199	7,697,785
Auxiliary enterprises	4,303,637			4,303,637	4,142,302
Support expenses					
Institutional support	5,738,822			5,738,822	4,732,993
Allocable expenses					
Operation and maintenance of plant	3,462,250			3,462,250	2,769,611
Depreciation and amortization	2,043,177			2,043,177	2,171,900
Interest	998,876			998,876	1,010,751
Less: Allocated expenses	(6,504,303)			(6,504,303)	(5,952,262)
Adjustment of actuarial liability for annuities payable	11,749		31,862	43,611	60,975
Total Expenses and Losses	43,987,050		31,862	44,018,912	42,073,126
Change in Net Assets Before Reclassification of Net Assets	1,961,973	(499,885)	1,731,500	3,193,588	(1,285,546)
Reclassification of prior year net assets	(458,297)		458,297		
Change in Net Assets	1,503,676	(499,885)	2,189,797	3,193,588	(1,285,546)
NET ASSETS - Beginning of Year	40,075,318	5,654,807	12,289,757	58,019,882	59,305,428
NET ASSETS - END OF YEAR	$ 41,578,994	$ 5,154,922	$ 14,479,554	$ 61,213,470	$ 58,019,882

See accompanying notes to financial statements.

SAINT MARY'S UNIVERSITY OF MINNESOTA

STATEMENT OF ACTIVITIES
Year Ended May 31, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and fees	$ 37,280,378			$ 37,280,378
Less: Scholarships and grants	(5,528,090)			(5,528,090)
Net tuition and fees	31,752,288			31,752,288
Government grants	1,251,883			1,251,883
Private gifts and grants	1,248,396	$ 826,627	$ 2,587	2,077,610
Private sponsored research and programs	990,556			990,556
Endowment income	152,750	182,528		335,278
Other sources	637,250	(17,800)	4,600	624,050
Net losses on investments	(1,306,144)			(1,306,144)
Sales and services of auxiliary enterprises	5,062,059			5,062,059
	39,789,038	991,355	7,187	40,787,580
Net assets released from restrictions	1,387,104	(1,387,104)		
Total Revenues, Gains and Other Support	41,176,142	(395,749)	7,187	40,787,580
EXPENSES AND LOSSES				
Program expenses				
Instruction	18,995,296			18,995,296
Research	257,464			257,464
Public service	2,117,375			2,117,375
Academic support	4,068,936			4,068,936
Student services	7,697,785			7,697,785
Auxiliary enterprises	4,142,302			4,142,302
Support expenses				
Institutional support	4,732,993			4,732,993
Allocable expenses				
Operation and maintenance of plant	2,769,611			2,769,611
Depreciation and amortization	2,171,900			2,171,900
Interest	1,010,751			1,010,751
Less: Allocated expenses	(5,952,262)			(5,952,262)
Adjustment of actuarial liability for annuities payable	14,491		46,484	60,975
Total Expenses and Losses	42,026,642		46,484	42,073,126
Change in Net Assets	(850,500)	(395,749)	(39,297)	(1,285,546)
NET ASSETS - Beginning of Year	40,925,818	6,050,556	12,329,054	59,305,428
NET ASSETS - END OF YEAR	$ 40,075,318	$ 5,654,807	$ 12,289,757	$ 58,019,882

See accompanying notes to financial statements.

SAINT MARY'S UNIVERSITY OF MINNESOTA

STATEMENTS OF CASH FLOWS
Years Ended May 31, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,193,588	$ (1,285,546)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	2,043,177	2,171,900
Net losses on investments	876,207	1,306,144
Decrease in funds held in trust by others	83,600	13,200
Actuarial adjustment of annuities payable	3,737	12,419
Loan cancellations and reinstatements	21,723	31,740
Decrease in allowance for doubtful notes receivable		(100,000)
Changes in assets and liabilities		
Student receivables	54,655	(194,084)
Contributions receivable - operations	431,500	379,000
Other receivables	(47,160)	46,960
Prepaid expenses and other assets	47,705	(61,361)
Accounts payable	(224,924)	(369,752)
Accrued liabilities	158,425	199,587
Deposit accounts	32,195	(42,556)
Deferred revenue	212,311	371,929
Deposits held in custody for others	8,525	(6,180)
Contributions of equipment	(33,200)	(50,323)
Contribution of land and buildings	(2,988,724)	
Contributions restricted for long-term investment and plant	(1,809,362)	(3,638)
Net Cash Flows From Operating Activities	2,063,978	2,419,439
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of endowment investments, net	(3,350,043)	(473,418)
Purchases of other investments, net	(753)	(3,087)
Drawdowns of deposits with trustee, net	14,557	22,912
Building deposit		(400,000)
Purchases of property, plant and equipment	(2,153,307)	(3,366,516)
Disbursements of loans to students	(539,664)	(659,789)
Repayments of loans from students	535,295	438,766
Net Cash Flows From Investing Activities	(5,493,915)	(4,441,132)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on indebtedness	(388,157)	(372,771)
Contributions received restricted for long-term investment and plant	2,646,862	848,638
Increase in refundable governmental grants	16,549	216,213
Payments to annuitants	(81,645)	(91,851)
Net Cash Flows From Financing Activities	2,193,609	600,229
Net Change in Cash and Cash Equivalents	(1,236,328)	(1,421,464)
CASH AND CASH EQUIVALENTS - Beginning of Year	6,243,383	7,664,847
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,007,055	$ 6,243,383
Supplemental disclosures of cash flow information		
Interest paid	$ 992,700	$ 1,007,025
Noncash investing and financing activities		
Property, plant and equipment acquired through use of building deposit	400,000	
Property, plant and equipment acquired through note payable	2,660,493	

See accompanying notes to financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Saint Mary's University of Minnesota, a Catholic liberal arts university, offers accredited bachelor's, master's and doctoral degree programs. The University has the sponsorship of the DeLaSalle Christian Brothers, an international Roman Catholic teaching order, which has residual rights to the property of the University. The accounting policies of the University reflect practices common to colleges and universities and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

General - The University maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets—permanently restricted, temporarily restricted or unrestricted, as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by action of the University and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

Income and net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- as increases in unrestricted net assets in all other cases.

Losses from investments on permanently restricted endowment funds are reported as reductions in temporarily restricted assets to the extent of prior accumulated earnings reported as such, if any, with the remaining net losses reported as reductions in the unrestricted quasi-endowment funds.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily Restricted Net Assets - With respect to temporarily restricted net assets, the University has adopted the following accounting policies:

Reporting as Temporarily Restricted Revenues - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Release of Restrictions on Net Assets for Acquisition of Land, Buildings and Equipment - Contributions of land, buildings and equipment are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time such long-lived assets are placed in service.

Cash Equivalents - The University considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

Receivables - An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are expensed when deemed uncollectible. Receivables are generally unsecured.

Investments - Investments in marketable equity and debt securities are recorded at fair value. Other investments are recorded at cost, except those items received as gifts, which are valued at fair market value at the date of gift. Fair value approximates cost for all investments recorded on the cost basis.

Deposits with Trustees - Deposits with trustee include amounts restricted for debt service as required by the related trust indenture.

Funds Held for Others - Funds held for others include investments held for the benefit of Cotter High School. A corresponding liability is also recorded. The investments consist of the following at market value:

Mutual funds	$ 14,870,060
Mortgage receivable	2,339,212
Money market accounts	83,861
Accrued interest	96,541
	$ 17,389,674

Deferred Debt Acquisition Costs - Costs of bond issuance are deferred and amortized on a straight line basis over the term of the related indebtedness.

Physical Plant and Equipment - Physical plant assets are stated at cost at date of acquisition less accumulated depreciation. The University depreciates its assets on the straight-line basis over the estimated useful lives of buildings (50 years), land improvements (15 years), equipment (5-10 years), and library books (10 years). Normal repair and maintenance expenses are charged to operations as incurred. The University capitalizes physical plant additions in excess of $1,000.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Grants Refundable - Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are recorded as receivables.

Grants to Specified Students - Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the University. The amount of such grants totaled $1,150,182 and $694,935, respectively, during the year ended May 31, 2003 and $1,133,660 and $577,641, respectively, during the year ended May 31, 2002.

Fair Value of Financial Instruments - The University records financial instruments at cost, with the exception of investments in marketable equity and debt securities which are reflected in the financial statements at market value. Cash and cash equivalents, accounts payable and accrued liabilities are reflected in the financial statements at cost which approximates fair value because of the short-term maturity of these instruments. The fair value of investments are based upon values provided by custodians or quoted market values. In certain cases where such values are not available, historical cost is used as an estimate of market value. A reasonable estimate of the fair value of the receivables from students under government loan programs and advances from the federal government for student loans could not be made because the notes receivable are not salable and can only be assigned to the U.S. government or its designees. The fair value of certificates of deposit, contributions and other receivables approximates carrying value. The carrying amount of long-term debt approximates fair value because these financial instruments bear interest at rates which approximate current market rates for notes with similar maturities and credit quality.

Fund-Raising and Advertising Expenses - Fund-raising expenses totaled $1,122,000 and $1,095,400 for the years ended May 31, 2003 and 2002, respectively. Advertising expenses totaled $438,100 and $413,400 for the years ended May 31, 2003 and 2002, respectively. The University expenses advertising at the time incurred.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Tax Status - The Internal Revenue Service has determined that the University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any unrelated business income may be subject to taxation.

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

NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Permanently restricted net assets consist of the following at May 31, 2003 and 2002:

	2003	2002
Endowment funds	$ 13,433,234	$ 10,328,075
Charitable remainder unitrusts	355,820	387,682
Funds held in trust by others	61,000	107,000
Contributions receivable	629,500	1,467,000
	$ 14,479,554	$ 12,289,757

Temporarily restricted net assets consist of the following at May 31, 2003 and 2002:

	2003	2002
Gifts and other unexpended revenues and gains available for:		
Acquisition of buildings and equipment	$ 46,022	$ 76,807
Funds held in trust by others	372,400	410,000
Contributions receivable	4,736,500	5,168,000
	$ 5,154,922	$ 5,654,807

At May 31, 2003 and 2002, the University's unrestricted net assets were allocated as follows:

	2003	2002
Operations	$ 1,588,004	$ 1,688,178
Long-term investment (quasi-endowment funds)	10,227,836	10,780,897
Annuity funds	21,740	22,327
Loans to students	375,459	374,262
Retirement of indebtedness	1,118,595	1,131,721
Replacement of plant facilities	106,655	1,570,580
Net investment in plant	28,140,705	24,507,353
	$ 41,578,994	$ 40,075,318

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors during the years ended May 31, 2003 and 2002 as follows:

	2003	2002
Acquisition of property, plant and equipment	$ 229,283	$ 358,941
Scholarships, instruction and other departmental support	1,044,871	1,028,163
	$ 1,274,154	$ 1,387,104

These assets were reclassified to unrestricted net assets.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at May 31, 2003 and 2002:

	2003	2002
Temporarily restricted - operations	$ 5,175,000	$ 5,765,000
Temporarily restricted - plant projects	514,000	514,000
Permanently restricted - endowment	651,000	1,497,000
Gross unconditional promises to give	6,340,000	7,776,000
Less: Unamortized discount	(974,000)	(1,141,000)
Net Unconditional Promises to Give	$ 5,366,000	$ 6,635,000

Amounts due in:	
Less than one year	$ 1,653,500
One to five years	4,686,500
	$ 6,340,000

Promises due in one to five years were discounted at an interest rate of 6% at May 31, 2003 and 2002. Promises due in less than one year were not discounted.

NOTE 5 - MARKETABLE SECURITIES

Marketable securities recorded in the endowment funds consist of the following at May 31, 2003 and 2002:

	2003		2002	
	Fair Value	Cost	Fair Value	Cost
Stocks	$ 130,428	$ 127,234	$ 169,141	$ 127,234
Mutual funds	15,676,656	10,732,795	14,877,148	10,714,773
	$ 15,807,084	$ 10,860,029	$ 15,046,289	$ 10,842,007

NOTE 6 - FUNDS HELD IN TRUST BY OTHERS

The following irrevocable trusts were held by outside parties for the benefit of the University at May 31, 2003 and 2002:

	2003	2002
Charitable lead trusts	$ 120,800	$ 138,000
Charitable remainder unitrusts	312,600	379,000
	$ 433,400	$ 517,000

NOTE 7 - CONSTRUCTION IN PROGRESS

At May 31, 2003, the University had incurred costs related to the following building and renovation projects:

	Construction in Progress	Total Estimated Costs
Maintenance projects	$ 82,416	$ 280,000
Miscellaneous projects	5,519	460,000
	$ 87,935	$ 740,000

The construction projects will be financed through private gifts, grants and unrestricted monies in the plant funds.

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at May 31, 2003 and 2002:

	2003	2002
Land and land improvements	$ 2,980,313	$ 1,512,459
Buildings	52,849,509	47,290,288
Equipment and furniture	15,945,448	15,256,245
Library books and art work	3,184,192	2,916,057
	74,959,462	66,975,049
Less: Accumulated depreciation	(27,310,305)	(25,599,295)
	$ 47,649,157	$ 41,375,754

NOTE 9 - CONTRACT FOR DEED PAYABLE

The University was indebted to the Christian Brothers on a contract for deed with an outstanding balance at May 31, 2003 and 2002 of $60,000 and $90,000, respectively. The contract for deed is noninterest-bearing and requires semiannual payments of $15,000 through February 1, 2005. The contract for deed is secured by the St. Yon's Hall student dormitory.

NOTE 10 - LOAN PAYABLE TO U.S. DEPARTMENT OF EDUCATION

The University was indebted to the U.S. Department of Education for an energy loan, with an outstanding balance of $353,046 and $366,203 at May 31, 2003 and 2002, respectively. 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 11 - ACQUISITION OF ST. TERESA CAMPUS

In September 2002, the University acquired the Saint Teresa campus in Winona, Minnesota from the Hiawatha Education Foundation. The land, buildings and equipment were recorded at their estimated fair value. The difference between the estimated fair value of the assets acquired and the purchase price was accounted for as a contribution.

The details of the loan payable to Hiawatha Education Foundation are as follows:

Noninterest bearing loan payable	$ 4,000,000
Less: Unamortized discount based on imputed interest of 4.0%	(1,339,507)
Loan payable less unamortized discount	$ 2,660,493

Annual payments of $500,000 begin on September 1, 2008. The discount on the loan will be amortized over the life of the loan.

In addition, the University agreed to assume custodial responsibility for approximately $17,400,000 of funds held for the benefit of Cotter High School. These assets are included on the University's statement of financial position along with a corresponding liability.

NOTE 12 - BONDS PAYABLE TO MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Bonds payable to the Minnesota Higher Education Facilities Authority at May 31, 2003 and 2002 consists of the following:

	2003	2002
Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-Q	$ 10,665,000	$ 10,915,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-E	4,835,000	4,930,000
	$ 15,500,000	$ 15,845,000

The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-Q were issued during 1993 to finance construction of the Recreation and Fitness Center and to advance refund various other bonds issued by the Authority. The bonds have interest rates varying from 5.70% to 6.15% and mature annually on October 1, 2003 through October 1, 2009 in amounts from $265,000 to $375,000. In addition, a payment of $3,345,000 is due on October 1, 2016 with a final payment of $5,115,000 due on October 1, 2023. The term bonds maturing in the years 2016 and 2023 are subject to annual sinking fund payments on October 1 in the years 2010 through 2023 in amounts varying from $395,000 to $870,000. The bonds are secured by a pledge of the loan repayments and a mortgage on and security interest in the Theater/Recital Hall, Adducci Science Center, the Toner Center, the Ice Arena and the Recreation and Fitness Center.

NOTE 12 - BONDS PAYABLE TO MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY (Continued)

The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-E were issued during 2001 to finance the construction, furnishing and equipping of the Hillside dormitory. The University was also required to deposit a portion of the bond proceeds into a debt service reserve account. The bonds have interest rates varying from 6.00% to 6.75% and mature annually on March 1, 2004 through March 1, 2026 in amounts ranging from $100,000 to $390,000. The bonds are secured by the pledge of the loan repayments and the reserve account.

Both the Series Three-Q and Series Five-E bonds require that the University satisfy certain financial covenants and which limit the University's ability to incur additional long-term debt.

Annual maturities of all debt for each of the five years subsequent to May 31, 2003 are $408,600, $429,000, $419,400, $449,800 and $475,300, respectively.

NOTE 13 - OPERATING LEASE

In December 1999, the University entered into a lease agreement with GE Capital Public Finance, Inc. for an energy efficient generator for the Winona campus. The agreement calls for monthly payments of $8,541 which began October 29, 2000 and will end September 29, 2012. Funding for the lease will come primarily through savings from negotiated lower rates with Northern States Power Company because of interruptible electrical service.

NOTE 14 - INTERFUND BORROWINGS

The investment in plant fund was indebted to the endowment funds in the amount of $1,041,273 and $1,078,183 at May 31, 2003 and 2002, respectively. The balance relates to the renovation of St. Joe's hall. Semiannual payments of $60,000, including interest at 8.0% per annum, are payable through February 1, 2018. Annual maturities for each of the five years subsequent to May 31, 2003 are $39,900, $43,200, $46,700, $50,500 and $54,600, respectively. All interfund borrowings and the related payments have been eliminated in the financial statements.

NOTE 15 - EMPLOYEE BENEFIT PLANS

Saint Mary's University of Minnesota is a participant in the Christian Brothers Employee Retirement Plan. The plan is a multi-employer defined benefit plan covering all full-time lay faculty and personnel which is financed by contributions made by the University. Annual contributions made by the University were $1,046,884 and $985,076 in fiscal 2003 and 2002, respectively.

The University also provides medical benefits through a self-insurance plan which is available to all employees of the University for certain medical expenses. Estimates for claims incurred but not reported have been accrued by the University. The total expense for this plan was $1,211,165 and $1,126,820 in fiscal 2003 and 2002, respectively.

NOTE 16 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash, short-term investments, marketable securities and other investments, and accounts receivable and notes. The University places substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution; however, cash balances periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments are generally placed in a managed fund administered by an investment manager. Student receivables and other receivables are due from a variety of sources concentrated primarily in the midwestern United States. In addition, the University's student's receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the University's programs and activities.