OFFICIAL STATEMENT DATED APRIL 27, 2010

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

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

Saint Mary's University
OF MINNESOTA

$4,085,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Seven-C
(Saint Mary's University of Minnesota)
(DTC Book Entry Only)

Dated Date: Date of Delivery **Interest Due: March 1 and September 1, commencing September 1, 2010**

Bonds will mature annually on March 1 as follows:

Year	Amount	Interest Rate	Yield	CUSIP 60416H:	Year	Amount	Interest Rate	Yield	CUSIP 60416H:
2011	$160,000	1.50%	1.50%	QJ 6	2018	$245,000	4.05%	4.05%	QR 8
2012	$200,000	2.00%	2.00%	QK 3	2019	$255,000	4.30%	4.30%	QS 6
2013	$205,000	4.00%	2.45%	QL 1	2020	$265,000	4.55%	4.55%	QT 4
2014	$210,000	4.00%	2.85%	QM 9	2021	$275,000	4.70%	4.70%	QU 1
2015	$220,000	3.10%	3.10%	QN 7	2022	$290,000	4.75%	4.75%	QV 9
2016	$225,000	3.50%	3.50%	QP 2	2023	$300,000	4.75%	4.85%	QW 7
2017	$235,000	3.90%	3.90%	QQ 0					

$1,000,000 5.00% Term Bonds due March 1, 2026 Yield 5.00% CUSIP 60416H QZ 0

The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-C (Saint Mary's University of Minnesota) (the "Bonds") are subject to optional redemption prior to maturity, as described herein. See "THE BONDS – Prior Redemption – Optional Redemption." The Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture. 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 – Extraordinary Optional 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 Only System" herein). Wells Fargo Bank, National Association, Minneapolis, Minnesota will act as Trustee.

The Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority") payable solely from Loan Repayments made by or on behalf of the 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 approval as to validity and tax exemption of the Bonds by Best & Flanagan LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Ann E. Merchlewitz, Esq., its Executive Vice President and General Counsel, and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter through the facilities of DTC on or about May 20, 2010.

Dougherty & Company LLC

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 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, sales representative 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. Information relating to the Authority, DTC and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL CREATE, UNDER ANY CIRCUMSTANCES, 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.

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

CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers provided in this Official Statement are included for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds. Neither the Authority, the Underwriter, nor the University takes any responsibility for the accuracy of such CUSIP numbers.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Mary F. Ives, Chair	Real Estate Business Owner, Resident of Grand Rapids, Minnesota
Raymond VinZant, Jr., Vice Chair	Plumbing Expert and Instructor at Anoka Technical College, Resident of Wyoming, Minnesota
Janet Withoff, Secretary	Consultant – Planning and Grant-Writing, Resident of Orono, Minnesota
Paul Cerkvenik (Ex Officio)	President, Minnesota Private College Council
Gary D. Benson	Project Director of ICS Consulting, Resident of New Brighton, Minnesota
Kathryn Balstad Brewer	Retired Banker and Educator, Resident of New Brighton, Minnesota
Tammy L. H. McGee	Vice President for Finance and Administration and Chief Financial Officer, Augsburg College, Resident of Maple Grove, Minnesota
Mark Misukanis (Ex Officio)	Director of Fiscal Policy and Research, Minnesota Office of Higher Education
Michael D. Ranum	Operations Manager, BWBR Architects, Inc., Resident of Circle Pines, Minnesota
David D. Rowland	Senior Vice President, The Travelers Companies, Inc., Resident of Eden Prairie, Minnesota

Marianne T. Remedios, Executive Director

Bond Counsel
Best & Flanagan LLP

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

$4,085,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES SEVEN-C
(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, a Minnesota nonprofit corporation (the "University"), an institution of higher education located in Winona, Minnesota, in connection with the issuance of the Authority's $4,085,000 Revenue Bonds, Series Seven-C (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, 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 and refinance certain projects.

The Bonds are also issued pursuant to the Trust Indenture (the "Indenture") to be dated as of May 1, 2010 between the Authority and Wells Fargo Bank, National Association, 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 May 1, 2010 between the University and the Authority, 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 University will use Bond proceeds along with other funds to:

1. refund on a current refunding basis the outstanding principal of and accrued interest on the Authority's Revenue Bonds, Series Five-E (Saint Mary's University of Minnesota) (the "Series Five-E Bonds" or the "Refunded Bonds");
2. fund a debt service reserve; and
3. pay certain issuance costs.

The improvements financed by the Refunded Bonds consist of the construction, furnishing, and equipping of a 41,000 square foot apartment-style student residence building with capacity for 100 students in 50 units located on the University campus in Winona, Minnesota. The facilities constructed with the Refunded Bonds proceeds are referred to herein as the "Project Facilities."

The principal amount of the Series Five-E Bonds being refunded is $4,085,000. See "USE OF PROCEEDS" herein for a more detailed description of the use of Bond proceeds.

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 agrees 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 of amounts payable 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.

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.

Changes in demographics, such as a decrease in the overall number of high school graduates or a decrease in the number of high school graduates who elect to go to college, could adversely affect the University's efforts to attract students.

Reliance on Tuition

The adequacy of University revenues will be largely dependent on the amount of future tuition revenue received by the University. 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 generally, and adverse general economic conditions could influence the number of applicants to the University.

Financial Aid

In 2009 approximately 95% of the University's Winona campus undergraduate students and approximately 43% of graduate students enrolled in the University's SGPP received some form of financial assistance. See Appendix I, "THE UNIVERSITY – Financial Assistance" herein. No assurance can be given that federal and state financial aid and private third party financing 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 "Estimated Annual Debt Service and Pro Forma 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.

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.

(4) Market conditions that negatively affect the University's investments and therefore may adversely affect debt coverage and endowment spending.

See also "TAX EXEMPTION – Minnesota Tax Considerations" herein.

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 the Municipal Securities Rulemaking Board annually, and to provide notices of the occurrence of any of the eleven events enumerated in the Rule to the Municipal Securities Rulemaking Board. 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 discontinue providing information required by the Continuing Disclosure Agreement or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the University determines that such modification is required or permitted by the Rule.

The University has never failed to comply in any material respect 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

The Bonds will be issued in book-entry form, will be dated as their date of delivery and will mature annually each March 1, commencing March 1, 2011, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing on any principal payment date, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2010.

Book Entry Only 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.

For further detail on DTC, see Appendix VI, "The Depository Trust Company."

Prior Redemption

Mandatory Redemption

Bonds maturing on March 1, 2026 shall be called for redemption on March 1 in the years set forth below in the principal amounts thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

2026 Maturity

Year	Amount
2024	$315,000
2025	$335,000
2026*	$350,000

* *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 maturing in 2026, to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

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

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

Optional Redemption

The Bonds maturing on or after March 1, 2020 are subject to optional redemption at the University's direction on March 1, 2019 and on any day thereafter at par plus accrued interest. 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, in integral multiples of $5,000.

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").

Partial Redemption

If fewer than all Bonds of a maturity are called for redemption, the Authority and the Trustee 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 twenty (20) days, and if more than 60 days, then again not less than 20 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 affected 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" 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

The Authority will loan Bond proceeds to the University that will, along with available University funds, if necessary, and moneys held by the Refunded Bonds Trustee and pledged to the payment of the Refunded Bonds, be used to:

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

The Refunded Bonds in the outstanding principal amount of $4,005,000 are expected to be redeemed on or about May 24, 2010 at a redemption price of par plus interest accrued to the redemption date.

On the Closing Date, Bond proceeds, together with balances in the reserve fund and other accounts held by the Refunded Bonds Trustee, will be deposited in the Refunded Bonds Redemption Account held by the Refunded Bonds Trustee. The Redemption Account will be funded with cash sufficient to provide for the defeasance and refunding of the outstanding Refunded Bonds. In accordance with the Prior Bond Indenture, the Refunded Bonds will no longer be considered outstanding under the Prior Bond Indenture upon such deposit for prepayment and will be payable solely from the Redemption Account.

The Refunded Bonds, to be prepaid and refunded, identified by CUSIP, are as follows:

Maturity Date March 1:	CUSIP: 604151	Maturity Date March 1:	CUSIP: 604151
2011	4S 6	2015	4W 7
2012	4T 4	2019*	5A 4
2013	4U 1	2022*	5D 8
2014	4V 9	2026*	5H 9

* *Term Bonds*

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Bond Proceeds	$4,085,000
University Contribution	33,951
Funds held by Refunded Bonds Trustee	420,503
Reoffering Premium	14,216
Total Sources	$4,553,670
Uses of Funds	
Refund Refunded Bonds	$4,066,838
Reserve Account	369,355
Bond and Interest Sinking Fund	1,541
Costs of Issuance, including Underwriter discount	115,936
Total Uses	$4,553,670

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 on the date of issuance 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 and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The 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.

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

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

The University will also covenant in the Loan Agreement 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. For as long at the Bond remain outstanding, the University shall incur no Funded Debt with a maturity in excess of two years (except for (i) a refunding or refinancing of Funded Debt which does not increase the Maximum Annual Debt Service for Funded Debt, and (ii) that portion of Funded Debt for capital projects for which the University has secured gifts or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless the Net Income Available for Debt Service for the most recent complete Fiscal Year for which audited financial statements are available was at least 120% of Maximum Annual Debt Service of (A) then Outstanding Funded Debt, and (B) Funded Debt thereafter 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 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; and provided further that if the additional Funded Debt proposed to be incurred is to finance equipment or facilities that will produce savings in operating costs to the University, as estimated in a report of an Independent Management Consultant to the University and the Trustee, there shall be added to the amount of Net Income Available for Debt Service for the most recent complete Fiscal Year the estimated net savings to be derived from such equipment or facilities in the first Fiscal Year following the estimated date of acquisition or construction of such equipment or facilities.

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 that 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; (e) exclude unrealized net gains or losses on investments or other financial products, including interest rate swaps; and (f) exclude net asset reclassification from changes in accounting principles.

"Funded Debt" means (i) indebtedness for borrowed money having a maturity date of more than one year from the date of incurrence or assumption thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including such obligations and indebtedness having a maturity date of one year or less if the maturity date may be extended beyond one year at the option of the 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 payable 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 subject to the following: (i) if any part of the Funded Debt is outstanding variable rate indebtedness, the rate of interest on the variable rate indebtedness for future Fiscal Years shall be computed at the average rate of interest for the then most recent Fiscal Year or. at the election of the University, for the then current interest period: if variable rate indebtedness is proposed to be issued, the rate of interest shall be the initial variable rate as estimated by an Independent Management Consultant, or an investment banking firm selected by the University to underwrite the sale of such variable rate indebtedness. (ii) if any part of the Funded Debt outstanding or to be issued is a guarantee by the University of indebtedness of a third person or so-called "pass-through" or "covered" indebtedness (the University having borrowed money to relend to a third person), such Funded Debt shall be excluded if the third person (whose debt is guaranteed or whose payments are expected to service the University's obligations with respect to such Funded Debt) had a debt service coverage ratio (including the amount of debt proposed to be incurred in the computation of debt service) of at least 110%. (iii) the amount of debt service with respect to "balloon indebtedness" may, at the option of the University, be calculated on a level debt service basis over the period ending the Fiscal Year when the balloon is payable; as used herein, "balloon indebtedness" means Funded Debt 25% or more of the principal of which is due in any 12 month period; (iv) the amount of debt service with respect to "put" indebtedness shall be calculated at the maximum amount of principal of or interest on such indebtedness which the University may be required to purchase or redeem in any Fiscal Year; provided that if there is a written commitment from a bank or other financial institution to refinance the amount of any indebtedness which the University may be required to redeem or purchase, the debt service with respect to such put indebtedness may, at the option of the University, be calculated on the basis of the repayment schedule contemplated by such written commitment, commencing the date such commitment will (unless renewed) expire; "put" indebtedness means Funded Debt (A) which the University may be required, at the option of the holder thereof, to prepay or purchase prior to the stated maturity date thereof, in whole or in part, but if in part, in an amount 25% or more of the original principal amount thereof and (B), if subject to variable rates, is then in an interest rate reset period of more than two years; (v) there shall not be taken into account any part of the Funded Debt of the University which has been refunded, refinanced or otherwise defeased under an arrangement whereby all future payments of such indebtedness will be met from moneys and investments held by an indenture trustee or escrow agent, provided that any such investments shall be direct obligations of or obligations fully guaranteed by the United States of America; (vi) if any part of such Funded Debt consists of crossover refunding debt, no part of the debt service with respect to such crossover refunding debt shall be taken into account prior to the crossover date, and after the crossover date, no part of the debt service of the refunded debt shall be taken into account; (vii) if any part of such Funded Debt is "nonrecourse" indebtedness or "subordinated" indebtedness, no part of the debt service with respect thereto shall be taken into account; "nonrecourse" indebtedness means indebtedness payable only from a limited fund and secured only by property purchased or acquired from the proceeds of such indebtedness; "subordinated" indebtedness means indebtedness the principal and interest on which are subordinated to payment of the Bonds by a written instrument of the holder, a copy of which is filed with the Trustee; and (viii) the amount of any reserve fund for any Funded Debt issued or proposed to be issued may be deducted from debt service for the Fiscal Year or Years in which such Funded Debt finally matures and for payment of which the reserve fund moneys may be used without creating a default.

"Net Income Available for Debt Service" means 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) and (b) 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 for the Fiscal Year ended May 31, 2009.

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.

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. The net proceeds of the original issue and sale of the Bonds are to be deposited into the Costs of Issuance Account, the Refunding Account, the Bond and Interest Sinking Fund Account, and the Reserve Account, as described below. 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 when due.

Refunding Account

On the Issue Date, there shall be deposited into the Refunding Account Bond proceeds in an amount sufficient, together with funds in the Refunded Bonds Trustee’s possession and available therefore and additional University funds, if necessary, to fully redeem the principal of and accrued interest on the Refunded Bonds at the earliest practicable date for redemption. Monies in the Refunding Account shall immediately be transferred to the Refunded Bonds Redemption Account established under the Series Five-E Indenture in amounts sufficient, together with such other funds, to fully redeem the Refunded Bonds on or about May 24, 2010.

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 and funds contributed by the University to pay costs of issuance in excess of the 2% of 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

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 at least five (5) Business Days 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 the first day of the calendar month next preceding September 1, 2010 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 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 Minnesota law from time to time. Section 5.04 of the Indenture sets forth specific parameters as to type, credit quality, and maturity of investments. See Appendix V, "SUMMARY OF DOCUMENTS – The Indenture" herein.

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. **The Bonds will not be secured by the General Bond Reserve Account, and Bondholders will have no right to require the Authority to apply moneys or investments in the General Bond Reserve Account to the payment of the Bonds or interest thereon.** The General Bond Reserve Account has not been used to secure Authority bonds since 1984.

FUTURE FINANCINGS

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 twelve months.

THE AUTHORITY

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

Marianne T. Remedios has been the Executive Director of the Authority since 2000.

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $1.3 billion. The Authority has had 174 issues (including refunded and retired issues) totaling over $1.7 billion, of which approximately $885 million is outstanding as of April 1, 2010. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

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

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

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

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

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

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

FINANCIAL ADVISOR

The Authority has retained Springsted Incorporated, Public Sector Advisors, of Saint Paul, Minnesota, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon 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 Dougherty & Company LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $4,067,557.15 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $31,658.75 and adjusted for net original issue premium of $14,215.90).

The Underwriter intends to offer the Bonds to the public initially at the offering prices that result in the yields 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 laws.

RATING

As noted on the cover hereof, Moody's Investors Service ("Moody's") has assigned a rating of Baa1 on 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 the rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the University are unaware of any pending or threatened litigation which would affect the validity of the Bonds, the tax-exempt nature of the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either to perform as described herein, or 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 Best & Flanagan LLP, of Minneapolis, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

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

TAX EXEMPTION

Federal Tax Considerations

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 Bond Counsel, under present laws and rulings, interest on the Bonds is not includable in gross income for federal income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations.

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

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

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

Minnesota Tax Considerations

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

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision would apply to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

Original Issue Premium

The Bonds maturing March 1, 2013 and March 1, 2014 have been sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

Original Issue Discount

The dollar amount of the initial offering price to the public of the Bonds maturing March 1, 2023 (the "Discount Bonds") is less than the principal amount of such maturities. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and 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. Bondholders who acquire the Bonds at a discount should consult their tax advisors with respect to the state and local tax consequences of owning the Discount Bonds.

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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

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APPENDIX I

THE UNIVERSITY

Saint Mary's University of Minnesota (the "University") is a private, Catholic university offering comprehensive undergraduate and graduate programs. The University is 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.

Approximately 1,400 students are enrolled in the residential undergraduate College at the Winona campus and nearly 4,250 students are enrolled in the Schools of Graduate and Professional Programs in Winona and Minneapolis (the "Twin Cities campus") The University also operates education programs on satellite campuses in Kenya and Jamaica.

The Schools of Graduate and Professional Programs (SGPP) is one of the largest graduate schools in Minnesota. The SGPP includes the Graduate School of Business & Technology, the Graduate School of Education, the Graduate School of Health & Human Services, and the School of Professional Programs. The SGPP offers programs at the University's Twin Cities and Winona campuses, and Rochester, Minnesota and the Twin Cities suburbs of Apple Valley and Minnetonka. Courses are also offered in greater Minnesota and Wisconsin.

At the Nairobi Kenya campus, the University, in collaboration with Christ the Teacher Institute for Education offers two undergraduate education programs, and the Maryknoll Institute of African Studies offers two graduate programs in African studies. The University offers a graduate program in education in collaboration with the Catholic College of Mandeville in Jamaica.

The University is accredited by The Higher Learning Commission and is a member of the North Central Association of Colleges and Schools.

Governance

Saint Mary's University of Minnesota is governed by a Board of Trustees with a maximum of 39 members. The members serve five-year terms. The Board has fiduciary responsibility for the governance of the University. Operationally, the Board relies on a strong committee structure to oversee the important functions for which it is responsible. The President is the chief executive officer of the University and is also a trustee.

The current Board has 31 members. The Board of Trustees meets three times a year. The Executive Committee of the Board may act on behalf of the Board of Trustees between Board meetings.

Board membership is as follows:

Board of Trustees – Members	Principal Location
Brother Gustavo Ramirez Barba, FSC	Bogotá, Colombia
Mary Burrichter *	Winona, MN
Cynthia Calderon	Minneapolis, MN

Board of Trustees – Non-Member Officers	Principal Location
Cynthia Marek, *Assistant Treasurer*	Vice President for Financial Affairs, Saint Mary's University of Minnesota, Winona, MN
Mary Becker, *Assistant Secretary*	Administrative Assistant to the President, Saint Mary's University of Minnesota, Winona, MN

Administration

President

Brother William Mann, FSC, began his term of office as the 13th president of Saint Mary's University of Minnesota on June 1, 2008. Brother William, 61, is the former Vicar General of the De La Salle Christian Brothers. As Vicar General he was the second-highest officer of the international Catholic teaching order that comprises 5,300 Christian Brothers, working in association with 73,000 lay educators to operate 930 schools and universities serving 90,000 students in 82 countries.

A native of New York City, Brother William joined the De La Salle Christian Brothers in 1965. He began his career as an English and religion teacher, working from 1970-79 at two Christian Brother high schools in New York and Rhode Island. He then held positions directing Christian Brother formation for the Long Island-New England Province and USA/Toronto Region, and from 1990-96 he was International Secretary of Formation in Rome. He later served as Delegate Superior for India, and as Provincial for the LI-NE Province, which operates 10 educational institutions in New York and Rhode Island.

Brother William's educational background includes a B.A. in English Literature from The Catholic University of America, an M.A. in Liberal Studies - Literature from State University of New York at Stony Brook, an M.A. in Spirituality from Salve Regina University, and a Doctor of Ministry degree in Family Ministry from Colgate Rochester Divinity School.

Vice President of the College and
Vice President for the Schools of Graduate and Professional Programs

James M. Bedtke currently serves as both the Vice President of the College and the Vice President for the Schools of Graduate and Professional Programs at the University. Mr. Bedtke has been employed at the University since 1983 in various positions. Prior to Mr. Bedtke's employment at the University, he was employed at the Benton County Abstract Company for four years, Benton County for two years, Southeastern Minnesota Citizens Action Council for three years and Catholic Charities in Winona for three years.

Mr. Bedtke received his MBA degree from St. Cloud State University in 1983 and his B.A. in Sociology and Psychology from Winona State University in 1975. Mr. Bedtke is an active member of the community and currently serves on the Winona Habitat for Humanity Board where he held the position of President from 2005-2009. Mr. Bedtke also volunteered with the Cotter High School Band Boosters from 1997-2003, where he was President from 1999-2002.

University Executive Vice President and General Counsel

Ann Merchlewitz currently serves as General Counsel for the University and was recently appointed Executive Vice President. She has been employed by the University since June 1992. Prior to joining the University, she served as an Assistant Winona County Attorney for eight years and as a staff attorney with Southern Minnesota Regional Legal Services for one year.

Ms. Merchlewitz holds a B.A. from Illinois College (1980) in Jacksonville, IL, a J.D. from Notre Dame Law School (1983), and a M.A. in Philanthropy and Development from Saint Mary's University of Minnesota (1995). She currently serves on the Board of Directors for Merchants Bank – Winona (Trust Company) and Saint Mary's Press (Chair). She also serves on the Audit Committee for Merchants Financial Group, Inc. She is a former member and chair of the Winona Area Catholic Schools Board and Catholic Charities for the Diocese of Winona.

Ms. Merchlewitz is a member of the National Association of College and University Attorneys.

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 serves on the Board of Directors of Christian Brothers Services, Winona Red Cross, and Winona Heath Human Resources committee. She is an active volunteer in the Winona community having served as a member and past president of the Winona Area Chamber of Commerce, board member of Rock Solid Youth Center and trustee for the YWCA.

Ms. Marek is a member of the Central Association of College and University Business Officers and has served as a board member and on various committees throughout her career.

Vice President for Admission

Anthony (Tony) M. Piscitiello is the University's Vice President for Admission. Mr. Piscitiello has served as chief undergraduate enrollment officer since 1977 and has been employed at the University for forty-one years.

Mr. Piscitiello earned his B.A. from Saint Mary's University of Minnesota in 1969 with a major in Political Science. In 1982, he earned an M.A. in Counseling and Psychological Services, also from Saint Mary's University of Minnesota. Currently, he is a board member of the United Way of Greater Winona. Mr. Piscitiello has also served as board chair of Cotter Catholic High School, Winona, president of the Minnesota Association of College Admission Counseling, and board member to various organizations, most recently, the Greater Winona Chamber of Commerce.

Academic Information: Winona Campus and Undergraduate Program

The University operates on a 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's Bachelor of Arts program offers 60 majors. The Schools of Graduate and Professional Programs offer certificates, bachelor completion, masters, specialist, and doctoral programs.

Campuses and Buildings

The Winona campus of the University is located on 350 acres 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, residential, educational experiences, and graduate educational experiences in business, education, and resource analysis on the Winona campus.

Today the University makes use of approximately 50 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 have been constructed through the years to serve the increasing residential needs of the University. Many of the older existing buildings on campus have been substantially remodeled to meet the educational, residential and specialized needs of students and faculty. A number of the new 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 operates a conference center, Chapel, dance and theater arts program on the campus of the former College of Saint Teresa, located a few miles from the main campus in Winona, Minnesota.

The facilities of the University's Twin Cities campus are housed in four buildings located near downtown Minneapolis. The facilities house administration, support services, and classrooms for the graduate and undergraduate programs. The University leases space for course delivery at its satellite facilities in Rochester, Apple Valley and Minnetonka, Minnesota.

Housing

The University currently has 1,205 beds available for graduate and undergraduate students on its Winona campus. Freshman and sophomore students are required to live on campus. For the 2009-2010 academic year, 1,085 beds were occupied in the fall semester, resulting in a 90% 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 (Winona Campus)

Fall of:	Head Count	FTE
2005	1,251	1,224
2006	1,292	1,263
2007	1,350	1,318
2008	1,413	1,377
2009	1,404	1,367
2010*	1,432	1,394

* *Projected*

The average ACT score for first year students is 23 as of the academic year commencing Fall 2009.

Schools of Graduate & Professional Programs

Fall of:	Head Count	FTE
2005	3,971	1,987
2006	4,274	2,051
2007	4,610	2,229
2008	4,198	2,036
2009	4,161	2,037
2010*	4,244	2,078

**Projected*

Applications, Acceptances and Matriculations (Winona undergraduates)

	2005	2006	2007	2008	2009
Applications	1,048	1,294	1,410	1,556	1,408
Acceptances	873	1,015	1,169	1,158	1,020
Matriculations	311	378	397	404	330

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Graduation Rate for First Year Students Graduating in Four Years

Graduation Year	4-year Graduation rate
2005	51%
2006	46%
2007	46%
2008	49%
2009	51%

Student Retention

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

Fall 2004 to Fall 2005:	75%
Fall 2005 to Fall 2006:	78%
Fall 2006 to Fall 2007:	78%
Fall 2007 to Fall 2008:	70%
Fall 2008 to Fall 2009:	75%

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 ending with the current academic year as well as the upcoming 2010-2011 academic year, for which the University has set fees as adopted by the Board of Trustees.

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Tuition for First Year Student	$20,294	$21,918	$23,670	$24,620	$25,600
Room and Board*	5,900	6,130	6,380	6,700	6,940
Fees	445	480	480	480	490
Total	$26,639	$28,528	$30,530	$31,800	$33,030

* *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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2009/2010 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Comprehensive Charges)

COMPREHENSIVE CHARGES FOR 2009-2010 AT MINNESOTA'S PRIVATE COLLEGES

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges*
Carleton College	$39,777	$10,428	$50,205
Macalester College	$38,174	$ 8,768	$46,942
St. Olaf College	$35,500	$ 8,200	$43,700
Gustavus Adolphus College	$32,110	$ 7,900	$40,010
College of Saint Benedict	$29,936	$ 8,608	$38,544
Saint John's University	$29,936	$ 7,714	$37,650
Hamline University	$29,407	$ 8,232	$37,639
University of St. Thomas	$29,467	$ 8,042	$37,509
Minneapolis College of Art & Design	$29,700	$ 6,440	$36,140
St. Catherine University	$28,758	$ 7,330	$36,088
Augsburg College	$27,628	$ 7,514	$35,142
Bethel University	$27,020	$ 7,920	$34,940
College of St. Scholastica	$27,284	$ 7,278	$34,562
Concordia University (St. Paul)	$26,400	$ 7,250	$33,650
Concordia College (Moorhead)	$25,760	$ 6,275	$32,035
Saint Mary's University of Minnesota	**$25,100**	**$ 6,700**	**$31,800**
Bethany Lutheran College	$19,650	$ 6,200	$25,850
Average	$29,506	$ 7,694	$37,200

* *These are standard charges for first-time, full time, full academic year undergraduate students, including fees assessed on all undergraduates. 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. 94% 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, website at: http://www.mnprivatecolleges.org/paying/tuition.php as of April 21, 2010.

Financial Assistance

Approximately 95% of the University's Winona campus undergraduate student body annually receives some form of financial assistance. Approximately 43% of the graduate students enrolled in the University's SGPP receive some financial assistance. On an aggregate basis approximately 53% of all University students (excluding high school students and educators participating in special programs) receive some financial aid. The following table is a five-year summary of financial assistance received from both University and non-University funds.

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Federal	$ 1,061,999	$ 1,097,531	$ 1,380,741	$ 1,380,485	$ 2,157,483
State	776,475	955,691	1,037,750	1,126,195	1,408,115
University	7,375,461	8,470,509	10,330,706	12,101,032	12,759,238
Private	266,058	291,307	316,945	341,204	215,295
Subtotal	$ 9,479,993	$10,815,038	$13,066,142	$14,948,916	$16,540,131
Loans	$24,629,239	$26,593,054	$27,184,433	$28,612,821	$26,698,675
Work-study	790,152	871,900	881,399	857,306	520,708
Subtotal	$25,419,391	$27,464,954	$28,065,832	$29,470,127	$27,219,383
Total	$34,899,384	$38,279,992	$41,131,974	$44,419,043	$43,759,514

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 1,013 employees at its Winona and Twin Cities campuses and centers in Rochester, Apple Valley and Minnetonka, Minnesota. The overall University student-faculty ratio is 12:1.

Winona Campus	Full-time	Part-time
Faculty	95	96
Staff	265	24
Twin Cities Campus and Centers		
Faculty	8	386
Staff	94	45

Average salaries for the Winona campus Bachelor of Arts faculty by full-time rank (according to 2009 Integrated Postsecondary Education Data System information for 10-month faculty):

Rank	Number	Average Salary	Percent Tenured
Professor	25	$74,462	100%
Associate Professor	31	$60,807	97%
Assistant Professor	32	$49,677	25%
Instructor	7	$48,416	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 $1,524,900 for the fiscal year ended May 31, 2009.

Long-Term Investments

The University uses Christian Brothers Investment Services as a manager for the majority of its endowment investments. The overall asset allocation is approximately 60% equity and 40% fixed income. The University has no investments in derivative or hedge funds. The following shows a three-year history of the ending fund balances of the University's Net Assets for Endowment funds at market value.

Fiscal Year Ending May 31	Permanent Endowment	Temporarily Restricted Endowment	Unrestricted Endowment	Total
2009	$21,780,725	$1,650,135	$ 5,856,706	$29,287,566
2008	$21,237,111		$14,834,059	$36,071,170
2007	$20,318,955		$16,933,668	$37,252,623

As of February 28, 2010 the market value of the University's Net Assets for Endowment funds is as follows:

	Permanent Endowment	Temporarily Restricted Endowment	Unrestricted Endowment	Total
February 28, 2010	$22,213,843	$1,650,135	$11,195,865	$35,059,843

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
2009	$3,175,367	$1,350,312	$701,614
2008	$4,007,002	$2,895,288	$893,156
2007	$2,682,586	$ 650,082	$917,740

Independent Accountants

The financial statements as of May 31, 2009 and 2008 and for the years then ended, included in Appendix VII, have been audited by Baker Tilley Virchow Krause, 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, 2005 through 2009. For more complete information of the University for the Fiscal Years ended May 31, 2009 and 2008, see Appendix VII of this Official Statement.

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

For the years ended May 31,

	2005	2006	2007	2008	2009
REVENUES, GAINS AND OTHER SUPPORT					
Tuition & Fees	$42,379,805	$44,962,936	$49,735,777	$55,527,766	$58,053,595
Less: Scholarships and grants	(7,544,835)	(7,956,210)	(9,076,319)	(11,356,731)	(13,194,228)
Net tuition and fees	34,834,970	37,006,726	40,659,458	44,171,035	44,859,367
Government grants	1,534,980	1,655,938	1,673,892	1,606,624	1,910,412
Private gifts and grants	956,060	1,124,373	1,008,694	2,400,378	1,264,955
Private sponsored research and programs	680,997	813,641	866,671	903,147	961,896
Endowment income	69,950	116,442	126,840	188,499	(38,527)
Other sources	741,976	1,001,307	1,118,691	1,076,630	820,397
Net gains (losses) on investments	642,452	795,281	1,982,248	(1,909,588)	(4,062,581)
Gain on Cotter Hall fire			1,134,738		
Gain (loss) on sale of buildings			(347,682)	2,638,775	
Sales of services of auxiliary enterprises	5,719,776	5,705,080	6,121,061	6,986,751	7,461,616
	45,181,161	48,218,788	54,344,611	58,062,251	53,177,535
Net assets released from restrictions	3,084,704	2,756,937	3,973,206	1,694,787	2,854,324
Total Revenues, Gains and Other Support	48,265,865	50,975,725	58,317,817	59,757,038	56,031,859
EXPENSES AND LOSSES					
Program expenses					
Instruction	19,530,726	20,172,949	21,841,461	24,227,837	24,458,388
Research	139,344	95,128	91,931	64,411	77,509
Public service	3,965,551	3,556,174	4,353,818	3,314,867	3,199,044
Academic support	4,555,640	5,001,263	5,377,967	6,057,103	6,901,702
Student services	7,630,718	7,979,238	8,272,547	9,116,494	9,365,194
Auxiliary enterprises	4,423,058	4,385,265	4,621,962	4,832,878	5,070,936
Support expenses					
Institutional support	6,407,191	6,768,480	7,611,855	8,912,846	9,744,384
Allocable expenses					
Operation and maintenance of plant	3,386,957	3,764,140	3,976,540	4,153,384	3,860,921
Depreciation, amortization and accretion	2,312,342	2,276,819	2,282,813	2,244,815	2,567,946
Interest, including amortization of loan discount	853,302	846,054	1,566,679	753,198	800,157
Less: Allocated expenses	(6,552,601)	(6,887,013)	(7,826,032)	(7,151,397)	(7,229,024)
Adjustment of actuarial liability for annuities payable	37,291	(9,481)	(25,619)	18,436	104,255
GeoSpatial Services, Inc. operating expenses	251,604				
GeoSpatial Services, Inc. valuation adjustment	408,500				
Total Expenses and Losses	47,349,623	47,949,016	52,145,922	56,544,872	58,921,412
Change in Net Assets before reclassification	916,242	3,026,709	6,171,895	3,212,166	(2,889,553)
Net asset reclassification due to change in law					(6,664,158)
Effect of Change in Accounting Principle		(476,000)			
Change in Net Assets	916,242	2,550,709	6,171,895	3,212,166	(9,553,711)
NET ASSETS -- Beginning of Year	42,423,305	43,339,547	45,890,256	52,062,151	55,274,317
NET ASSETS -- END OF YEAR	**$43,339,547**	**$45,890,256**	**$52,062,151**	**$55,274,317**	**$45,720,606**

Source: Audited financial statements of the University

Long-Term Debt of the University as of March 1, 2010

1. $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 2022. The note is secured by Heffron Hall student dormitory. Principal outstanding is $257,271.

2. $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; $4,005,000 is outstanding. The bonds are a general obligation of the University, secured by a Reserve Account. **The Series Five-E Bonds will be fully refunded with proceeds of the Bonds.**

3. $10,980,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-U, issued in March 2004, interest rates of 2.00% to 4.80%, final payment due October 1, 2023; $8,545,000 is outstanding. The bonds are a general obligation of the University, secured by a Reserve Account.

As of March 1, 2010 the total of long-term debt outstanding, adjusted to exclude the Series Five-E bonds to be refunded with proceeds from the Bonds, is $8,802,271. The University's long-term debt will increase by the principal amount of the Bonds upon issuance.

Estimated Annual Debt Service and Pro Forma Coverage Statement

The following table displays the pro forma debt service coverage for outstanding University debt, excluding the debt service on the refunded Series Five-E Bonds and including the debt service on the Bonds. Coverage is calculated based on the amount available for debt service for Fiscal Year 2009 over maximum annual debt service (MADS). The amount available for debt service is detailed in footnote (b) to the table.

Any additional University indebtedness will increase the University's debt service requirements in the future and may reduce the pro forma debt service coverage ratio shown in the table.

The table is intended merely to show the relationship of amounts available for the University's debt service for Fiscal Year 2009 to MADS based on existing outstanding University debt minus the Refunded Bonds plus the Bonds. 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 amounts available for debt service, debt service and debt service coverage of the University or the respective relationships thereof will correspond to the pro forma amount available for debt service, pro forma debt service coverage, combined estimated long-term debt service or the respective relationships thereof shown by or reflected in the following table.

Maximum Annual Debt Service and Pro Forma Coverage

Maximum Annual Debt Service (MADS)		FY 2009 Pro Forma Coverage (b)
On outstanding debt excluding the Series Five-E Bonds and including the Bonds (a)	$1,250,495	3.63

(a) *Debt service on the Bonds is based on actual rates and principal payments. The average interest rate on the Bonds is 4.58%.*

(b) *The amount available for debt service, based on the University's audited financial statements for Fiscal Year 2009 is calculated as shown below. This amount is divided by MADS (outstanding debt minus debt service on the Series Five-E Bonds plus estimated debt service on the Bonds).*

	FY 2009
Change in Unrestricted Net Assets	$(2,889,553)
Plus:	
Depreciation and amortization	2,567,976
Unrealized losses on investments	4,062,581
Interest expense on debt	800,157
Amount available for debt service	$ 4,541,131

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PROPOSED FORM OF LEGAL OPINION

BEST & FLANAGAN LLP

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May 20, 2010

$4,085,000 Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Seven-C (Saint Mary's University of Minnesota)

We have acted as Bond Counsel in connection with the issuance of the Bonds described above. We have examined the law and certified copies of the proceedings and other certificates of public officials furnished to us in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority"), of its $4,085,000 Revenue Bonds, Series Seven-C (Saint Mary's University of Minnesota) (the "Bonds"). We have examined the law and such other certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations of the Authority and the Saint Mary's University of Minnesota, a Minnesota nonprofit corporation (the "Corporation"), contained in the Loan Agreement dated as of May 1, 2010 (the "Loan Agreement") between the Corporation and the Authority, the Indenture of Trust dated as of May 1, 2010 (the "Indenture") between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota (the "Trustee"), the Bond Purchase Agreement between the Authority and Dougherty & Company LLC, the Opinion of Ann E. Merchlewitz, Esq. its Executive Vice President and General Counsel, of even date herewith, as counsel to the Corporation, the certified proceedings and other certifications of public officials furnished to us, and certifications by officials of the Corporation without undertaking to verify the same by independent investigation.

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

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

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

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

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

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

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

(g) The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code.

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

Dated at Minneapolis, Minnesota this ___th day of May, 2010.

BEST & FLANAGAN LLP

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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, 2010. 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
- 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. Calculation of Amount Available for Debt Service (Footnote (b) to the table under the Section entitled "Estimated Annual Debt Service and Pro Forma 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.

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DEFINITIONS OF CERTAIN TERMS

"Account" or "Accounts" means one or more of the Accounts created under Article IV or V of the Indenture.

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

"Arbitrage Regulations" means 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 to 1.150-1.

"Authority" means the Minnesota Higher Education Facilities Authority.

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

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

"Authorized Institution Representative" means the person at the time designated to act on behalf of the Corporation by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the Corporation by the Chair, Secretary-Treasurer or Assistant Treasurer of its Board of Trustees or by the President or the Executive Vice President and General Counsel of the Corporation. Such certificate may designate an alternate or alternates and in that case, the certificate shall set forth the specimen signatures of such alternate(s).

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

"Board of Trustees" means the Board of Trustees of the Corporation, and includes any Executive Committee or other committee authorized to act for such board.

"Bond and Interest Sinking Fund Account" means the Bond and Interest Sinking Fund Account established under Section 5.01 of the Indenture.

"Bond Closing" means the original issuance, sale and delivery of the Bonds.

"Bond Purchase Agreement" means the Bond Purchase Agreement dated April 21, 2010, among the Authority, the Underwriter and the Corporation, relating to the Bonds.

"Bond Resolution" means the Series Resolution of the Authority adopted on March 17, 2010, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

"Bond Year" means, with respect to the Bonds, (a) the period from the Issue Date to the close of business on March 1, 2011, and (b) each succeeding 12-month period ending at the close of business on March 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

"Bonds" means the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-C (Saint Mary's University of Minnesota), described in Section 2.01 of the Indenture.

"Building Equipment" means those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the Corporation and located on the Project Site acquired from funds other than the proceeds of the Bonds or the Series Five-E Bonds.

"Business Day" means any day other than Saturday, Sunday, a legal holiday in the State of Minnesota or any other day that the Depository (as defined in the Indenture) or banks in Minnesota are not open for business.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement between the Trustee and the Corporation, dated as of May 1, 2010.

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

"Costs of Issuance Account" means the Costs of Issuance Account established under the Indenture into which shall be deposited an amount of Bond proceeds specified in the Indenture to be applied to the payment of costs of issuance, not to exceed two percent (2%) of the net Bond proceeds.

"Date of Taxability" means that date as of which the interest on the Bonds shall be so 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.

"Default" means a default on the part of the Corporation in performance of any covenant or condition of this Loan Agreement which, with notice or passage of time or both, would or has become an Event of Default.

"Depository" means DTC or any other person who shall be a Holder of all the Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, Corporation and Trustee to act as the Depository; provided any Depository shall be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

"Determination of Taxability" shall have the meaning provided in the Loan Agreement.

"DTC" means The Depository Trust Company in New York, New York, its successors or assigns.

"Event of Default" means an Event of Default described in Section 7.01 of the Loan Agreement which has not been cured.

"Financial Journal" means *The Bond Buyer*, *Finance & Commerce*, *The Wall Street Journal* or any other newspaper or journal devoted to financial news published in the English language in Minneapolis or Saint Paul, Minnesota, or in the City of New York, New York.

"Fiscal Year" means the Corporation's fiscal year, and shall initially mean the 12-month period commencing on June 1 in each year.

"General Bond Reserve Account" means the General Bond Reserve Account created pursuant to the General Bond Resolution.

“General Bond Resolution” means the General Bond Resolution adopted by the Authority on October 31, 1972, and any amendments thereto.

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

“Indenture” means the Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, dated as of May 1, 2010, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

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

“Independent Counsel” means an Independent attorney duly admitted to practice law before the highest court of any state.

“Independent Management Consultant” means 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” means the Saint Mary’s University of Minnesota, a Minnesota institution of higher education with its main campus located in Winona, Minnesota and owned and operated by the Corporation.

“Interest Payment Date” means March 1 and September 1 of each year, commencing September 1, 2010 and any other date on which the principal of and interest on the Bonds shall be due and payable.

“Interest Rate” shall mean, with respect to the Bonds, the interest rate per annum specified in the column entitled “Interest Rate” for the Bonds of the respective year of maturity in Section 2.01 of the Indenture.

“Internal Revenue Code” means the Internal Revenue Code of 1986 and amendments thereto.

“Issue Date” means the date on which the Bonds are delivered to the original purchaser thereof upon original issuance.

“Loan Agreement” means the Loan Agreement between the Authority and the Corporation, dated as of May 1, 2010, as from time to time amended or supplemented.

“Loan Repayments” means the payments described in clauses (a), (b) and (c) of Section 4.02 of the Loan Agreement.

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

“Permitted Encumbrances” means, as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights of way, mineral rights, restrictions and exceptions that an Independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities (including, with respect to Project Equipment, purchase money security interests and equipment leases), and as do not in the aggregate, in the opinion of Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Corporation, (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement and (v) liens granted by the Corporation to secure Funded Debt allowed under Section 6.14(c) of the Loan Agreement.

“Predecessor Bonds” means Predecessor Bonds as defined in Section 2.01 of the Indenture.

“Project Buildings” means any buildings constructed or improved with the proceeds of the Series Five-E Bonds, including investment earnings.

“Project Equipment” means all fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Series Five-E Bonds, including investment earnings, generally described in the Series Five-E Bond Documents and described in the Certificate of the Project Supervisor furnished pursuant to the Series Five-E Bond Documents.

“Project Facilities” means the Project Site, the Project Buildings and the Project Equipment, as the same may at any time exist.

“Project Site” means those portions of land, or interests in land, described on Exhibit A to the Loan Agreement, which are owned by the Corporation, and on which any Project Buildings are located or otherwise improved as part of the Series Five-E Project.

“Redemption Account” means the Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys and investments in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account; (ii) to create and maintain the required balance in the Reserve Account and; (iii) to redeem or prepay outstanding Bonds to the extent permitted or required by Section 3.01 of the Indenture and 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 Trustee’s discretion to pay rebate due the United States under Section 148 of the Internal Revenue Code if the Corporation or the Authority fails to pay or provide for the payment of any rebate.

“Reference Rate” means the interest rate per annum announced from time to time by Wells Fargo Bank, National Association, as its prime or reference rate, regardless of whether that interest rate is actually charged to any customer of said bank.

“Refunding Account” means the Refunding Account established under Section 5.07 of the Indenture.

“Reserve Account” means 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 therefore and may be used in the Trustee’s discretion to pay rebate due to the United States if the University or the Authority fails to provide for payment of any rebate.

"Reserve Requirement" means the least of (i) the maximum amount of principal of and interest on the Bonds that accrues and is payable in any remaining Bond Year or (ii) 10 percent of the principal amount of the Bonds or (iii) 125 percent of the average annual debt service of the Bonds.

"Series Five-E Bond Account" means the Bond and Interest Sinking Fund Account created under the Series Five-E Indenture.

"Series Five-E Bond Documents" means the Series Five-E Loan Agreement and the Series Five-E Indenture.

"Series Five-E Bonds" means the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-E (Saint Mary's University of Minnesota), dated June 1, 2000, issued in the original principal amount of $5,020,000, the proceeds of which were loaned by the Authority to the Corporation to finance the Series Five-E Project.

"Series Five-E Indenture" means the Trust Indenture between the Authority and the Series Five-E Trustee, dated as of June 1, 2000.

"Series Five-E Loan Agreement" means the Loan Agreement between the Authority and the Corporation dated as of June 1, 2000.

"Series Five-E Project" means the acquisition, construction, furnishings and equipping of the Hillside Building, a four-level apartment-style student residence building of approximately 41,000 square feet and related site improvements, all originally financed by the Series Five-E Bonds.

"Series Five-E Redemption Account" means the Redemption Account created under the Series Five-E Indenture.

"Series Five-E Reserve Account" means the Reserve Account created under the Series Five-E Indenture.

"Series Five-E Trustee" means Wells Fargo Bank, National Association, successor by consolidation to Norwest Bank Minnesota, National Association.

"Stated Maturity" means, 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.

"Trust Estate" means 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.

"Trustee" means the trustee at the time serving as such under the Indenture.

"Underwriter" means Dougherty & Company LLC, as original purchaser of the Bonds.

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Redemption of Prior Bonds

The University represents that it will cause the Refunding Bonds to be redeemed on or about May 24, 2010.

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 five Business Days prior to each March 1 and September 1, commencing September 1, 2010, 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 five Business Day prior to each March 1, commencing on March 1, 2011, a sum equal to the amount payable as principal (whether at maturity or mandatory 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 or mandatory 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, advice 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 so long as (i) 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 transaction or agreement had not been made, and (iv) in the case of any lease to or occupancy by persons who are not students, employees or faculty of the University, 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 Board of Trustees' 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, as the same respectively come due, any 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 the lesser of (i) full insurable value of the Project Facilities and contents, or (ii) the principal amount of the Bonds or (if greater) 80 percent of the full insurable replacement value of the Project Facilities and contents, with a deductible amount of not more than $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,

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 of the policy limits below the insurance requirements set forth above becomes effective. The University shall, on or before September 1 of each year, provide the Trustee with 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 all or substantially all of the Project Facilities are damaged or destroyed and (i) 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 more than $500,000 (plus the amount of any deductible). The Bonds may be redeemed in part if (i) all or a portion of the Project Facilities have been damaged or destroyed, (ii) the University determines that the Project Facilities so damaged or destroyed are not needed in its operations, (iii) the University has elected not to repair, rebuild, restore or replace such Project Facilities and (iv) the available Net Proceeds (and not more than the amount of such available Net Proceeds) are deposited in the Redemption Account and used to redeem or purchase Bonds.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to 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 $100,000, such release and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent Engineer upon such showing by the University as may be satisfactory to the Trustee; and

(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 $100,000 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 capital 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 it will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect. 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 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.

Other Covenants

The University further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate by reason of religion, race, creed, color 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 Office of Higher Education, 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.

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 as defined in Section 5.02 of the Indenture, provided failure to comply with such requirement shall not become an Event of Default unless the 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:

I 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;

II a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid 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

III 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.

Moneys on deposit to the credit of the Accounts 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 rated at least in the rating category of "AA" or "Aa" or political subdivisions of states rated at least in the rating category of "AAA" or "Aaa," revenue bond obligations of states and their political subdivisions 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, states and their political subdivisions or in certain repurchase agreements; constant dollar value money market funds that invest solely in the types of obligations or repurchase agreements in which the foregoing mutual funds may invest and which are rated in the highest rating category by a national credit rating agency; time deposits of insured state or national banks 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.

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(f) 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 the Reference 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 under the Indenture 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 percent 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 percent 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 DEPOSITORY TRUST COMPANY

The Depository Trust Company ("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 securities that its 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 securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, 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 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"). 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 and www.dtc.org.

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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as 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.

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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority or 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).

Payment of principal, interest, and redemption premium, if any, 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 Issuer or its agent 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 (nor its nominee), the Bond Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar, Authority, or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 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. The Authority, the University and the Underwriter take no responsibility for the accuracy thereof.

AUDITED FINANCIAL STATEMENTS
FISCAL YEARS ENDED MAY 31, 2009 AND 2008

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BAKER TILLY

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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, 2009 and 2008 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Saint Mary's University of Minnesota's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2009 and 2008 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.

As described in Note 2 to the financial statements, Saint Mary's University of Minnesota adopted the provisions of FASB Statement No. 157, *Fair Value Measurements* and FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*, as of June 1, 2008. As described in Note 11 to the financial statements, Saint Mary's University of Minnesota adopted the provisions of FASB Staff Position FSP 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures*, for the year ended May 31, 2009.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
September 21, 2009

SAINT MARY'S UNIVERSITY OF MINNESOTA

STATEMENTS OF FINANCIAL POSITION
May 31, 2009 and 2008

ASSETS

	2009	2008
Cash and cash equivalents	$ 10,022,495	$ 10,364,417
Receivables		
Student accounts, net of allowance for doubtful accounts of $245,000 and $230,000, respectively	4,662,598	4,930,852
Pledges	1,947,000	3,172,000
Other	409,721	385,870
Prepaid expenses and other assets	206,323	219,429
Other investments	308,030	429,634
Certificates of deposit	1,000,000	1,000,000
Student notes receivable, net of allowance for doubtful notes of $420,000 and $230,000, respectively	3,092,604	3,127,721
Endowment investments		
Money market funds	4,545,234	2,798,873
Marketable securities	23,610,825	32,294,568
Cash surrender value of life insurance	59,353	56,498
Funds held in trust by others	272,525	367,400
Future interest in residence	230,109	222,000
Deposits with bond trustees		
Money market funds and short-term investments	225,567	239
Bonds and notes	1,091,426	1,279,130
Funds held for others	14,321,728	18,072,285
Deferred debt issuance costs	253,206	270,302
Money market funds held for investment in property and equipment	2,761,526	5,934,028
Construction in progress		224,078
Property, plant and equipment, net	49,805,200	47,160,233
TOTAL ASSETS	$ 118,825,470	$ 132,309,557

LIABILITIES AND NET ASSETS

	2009	2008
LIABILITIES		
Accounts payable	$ 1,001,536	$ 1,477,854
Accrued liabilities	2,105,764	1,733,789
Deposit accounts	909,873	894,886
Deferred revenue	7,354,205	7,462,869
Asset retirement obligations	550,148	523,950
Loan payable to U.S. Department of Education	265,315	281,046
Bonds payable to Minnesota Higher Education Facilities Authority	13,030,000	13,495,000
Annuities payable	621,042	750,834
Deposits held in custody for others	115,133	102,601
Funds held for others	14,321,728	18,072,285
Government grants refundable	2,966,571	3,069,584
Total Liabilities	43,241,315	47,864,698
NET ASSETS		
Unrestricted	45,720,606	55,274,317
Temporarily restricted	7,054,983	6,900,187
Permanently restricted	22,808,566	22,270,355
Total Net Assets	75,584,155	84,444,859
TOTAL LIABILITIES AND NET ASSETS	$ 118,825,470	$ 132,309,557

See accompanying notes to financial statements.

SAINT MARY'S UNIVERSITY OF MINNESOTA

STATEMENT OF ACTIVITIES
Year Ended May 31, 2009
With Comparative Totals for 2008

	2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2008 Total
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and fees	$ 58,053,595			$ 58,053,595	$ 55,527,766
Less: Scholarships and grants	(13,194,228)			(13,194,228)	(11,356,731)
Net tuition and fees	44,859,367			44,859,367	44,171,035
Government grants	1,910,412			1,910,412	1,606,624
Private gifts and grants	1,264,955	$ 1,350,312	$ 701,614	3,316,881	6,188,822
Private sponsored research and programs	961,896			961,896	903,147
Endowment income (loss)	(38,527)	453,297		414,770	490,118
Other sources	820,397	30,458		850,855	1,102,380
Net losses on investments	(4,062,581)	(5,467,321)		(9,529,902)	(1,909,588)
Loss on funds held in trust by others		(21,784)	(64,982)	(86,766)	(199,400)
Gain on sale of building					2,638,775
Sales and services of auxiliary enterprises	7,461,616			7,461,616	6,986,751
	53,177,535	(3,655,038)	636,632	50,159,129	61,978,664
Net assets released from restrictions	2,854,324	(2,854,324)			
Total Revenues, Gains and Other Support	56,031,859	(6,509,362)	636,632	50,159,129	61,978,664
EXPENSES					
Program expenses					
Instruction	24,458,388			24,458,388	24,227,837
Research	77,509			77,509	64,411
Public service	3,199,044			3,199,044	3,314,867
Academic support	6,901,702			6,901,702	6,057,103
Student services	9,365,194			9,365,194	9,116,494
Auxiliary enterprises	5,070,936			5,070,936	4,832,878
Support expenses					
Institutional support	9,744,384			9,744,384	8,912,846
Allocable expenses					
Operation and maintenance of plant	3,860,921			3,860,921	4,153,384
Depreciation, amortization and accretion	2,567,946			2,567,946	2,244,815
Interest, including amortization of loan discount	800,157			800,157	753,198
Less: Allocated expenses	(7,229,024)			(7,229,024)	(7,151,397)
Adjustment of actuarial liability for annuities payable	104,255		98,421	202,676	46,812
Total Expenses	58,921,412		98,421	59,019,833	56,573,248
Change in Net Assets Before Reclassification of Net Assets	(2,889,553)	(6,509,362)	538,211	(8,860,704)	5,405,416
Net asset reclassification due to a change in law	(6,664,158)	6,664,158			
Change in Net Assets	(9,553,711)	154,796	538,211	(8,860,704)	5,405,416
NET ASSETS - Beginning of Year	55,274,317	6,900,187	22,270,355	84,444,859	79,039,443
NET ASSETS - END OF YEAR	$ 45,720,606	$ 7,054,983	$ 22,808,566	$ 75,584,155	$ 84,444,859

See accompanying notes to financial statements.

SAINT MARY'S UNIVERSITY OF MINNESOTA

STATEMENT OF ACTIVITIES
Year Ended May 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and fees	$ 55,527,766			$ 55,527,766
Less: Scholarships and grants	(11,356,731)			(11,356,731)
Net tuition and fees	44,171,035			44,171,035
Government grants	1,606,624			1,606,624
Private gifts and grants	2,400,378	$ 2,895,288	$ 893,156	6,188,822
Private sponsored research and programs	903,147			903,147
Endowment income	188,499	301,619		490,118
Other sources	1,076,630	20,850	4,900	1,102,380
Net losses on investments	(1,909,588)			(1,909,588)
Loss on funds held in trust by others			(199,400)	(199,400)
Gain on sale of building	2,638,775			2,638,775
Sales and services of auxiliary enterprises	6,986,751			6,986,751
	58,062,251	3,217,757	698,656	61,978,664
Net assets released from restrictions	1,694,787	(1,694,787)		
Total Revenues, Gains and Other Support	59,757,038	1,522,970	698,656	61,978,664
EXPENSES				
Program expenses				
Instruction	24,227,837			24,227,837
Research	64,411			64,411
Public service	3,314,867			3,314,867
Academic support	6,057,103			6,057,103
Student services	9,116,494			9,116,494
Auxiliary enterprises	4,832,878			4,832,878
Support expenses				
Institutional support	8,912,846			8,912,846
Allocable expenses				
Operation and maintenance of plant	4,153,384			4,153,384
Depreciation, amortization and accretion	2,244,815			2,244,815
Interest, including amortization of loan discount	753,198			753,198
Less: Allocated expenses	(7,151,397)			(7,151,397)
Adjustment of actuarial liability for annuities payable	18,436		28,376	46,812
Total Expenses	56,544,872		28,376	56,573,248
Change in Net Assets	3,212,166	1,522,970	670,280	5,405,416
NET ASSETS - Beginning of Year	52,062,151	5,377,217	21,600,075	79,039,443
NET ASSETS - END OF YEAR	$ 55,274,317	$ 6,900,187	$ 22,270,355	$ 84,444,859

See accompanying notes to financial statements.

SAINT MARY'S UNIVERSITY OF MINNESOTA

STATEMENTS OF CASH FLOWS
Years Ended May 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (8,860,704)	$ 5,405,416
Adjustments to reconcile change in net assets		
to net cash flows from operating activities		
Depreciation, amortization and arbitrage	2,520,123	2,219,865
Amortization of loan discount		61,538
Accretion	26,198	24,950
Net losses on investments	9,529,902	1,909,588
Gain on sale of building		(2,638,775)
Decrease in funds held in trust by others and future interest in residence	77,666	6,900
Loss on funds held in trust by others	9,100	199,400
Actuarial adjustment of annuities payable	(28,044)	54,266
Increase (decrease) in allowance for student notes receivable	190,000	(40,000)
Loan cancellations and reinstatements	32,378	21,233
Changes in assets and liabilities		
Student accounts receivable	268,254	40,707
Pledges receivable - operations	1,383,000	(81,000)
Other receivables	(23,851)	239,926
Prepaid expenses and other assets	13,106	58,622
Accounts payable	(399,535)	190,307
Accrued liabilities	371,975	(428,671)
Deposit accounts	14,987	(321,601)
Deferred revenue	(108,664)	(116,567)
Deposits held in custody for others	12,532	22,447
Contributions restricted for long-term investment and plant	(1,014,746)	(920,056)
Net Cash Flows From Operating Activities	4,013,677	5,908,495
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of endowment investments, net	(2,624,556)	(1,442,015)
Sales of other investments, net	121,604	35,452
(Increase) decrease in deposits with trustee, net	(8,443)	35,499
Purchases of property, plant and equipment	(5,000,699)	(4,195,666)
Proceeds on sale of buildings		4,300,000
Disbursements of loans to students	(456,300)	(277,200)
Repayments of loans from students	269,039	310,516
Net Cash Flows From Investing Activities	(7,699,355)	(1,233,414)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on indebtedness	(480,731)	(2,200,270)
Contributions received restricted for long-term investment and plant	856,746	945,056
(Increase) decrease in cash held for investment in property and equipment	3,172,502	(2,446,299)
Increases (decrease) in refundable governmental grants	(103,013)	58,146
Payments to annuitants	(101,748)	(126,713)
Net Cash Flows From Financing Activities	3,343,756	(3,770,080)
Net Change in Cash and Cash Equivalents	(341,922)	905,001
CASH AND CASH EQUIVALENTS - Beginning of Year	10,364,417	9,459,416
CASH AND CASH EQUIVALENTS - END OF YEAR	$10,022,495	$10,364,417
Supplemental disclosures of cash flow information		
Interest paid	$ 803,942	$ 695,606
Noncash investing and financing activities		
Property, plant and equipment acquired through accounts payable	231,663	308,446

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.

Revenue Recognition - 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.

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 or state law impose restrictions on the use of the income;
- as increases in unrestricted net assets in all other cases.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Losses from investments held by 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 endowment funds.

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 - Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student notes receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts and loans receivable are written off when deemed uncollectible. Recoveries of student accounts and loans receivable previously written off are recorded when received. Receivables are generally unsecured.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on Perkins student loans receivable and is recognized as it is charged. Perkins student loans receivable are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late fees are charged and recognized. The Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 at May 31, 2009 and 2008:

	2009	2008
Mutual funds - Catholic United Investment Trust/Religious Communities Trust	$ 11,528,729	$ 15,066,047
Mortgage receivable	1,622,379	1,662,917
Mortgage receivable - deferred	718,358	718,358
Religious Communities Trust Flex Cash Fund	452,262	624,963
	$ 14,321,728	$ 18,072,285

Deferred Debt Issuance 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), outdoor facilities (20 years), land improvements (15 years), equipment and furniture (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.

Deferred Revenue - Certain revenue related to summer education programs is deferred and recognized as revenue in the same period expenses are recognized. Students are generally billed for courses prior to the start of the course.

Asset Retirement Obligations - Asset retirement obligations are estimated costs and obligations associated with the retirement of long-lived assets. These liabilities were initially recorded at fair value and the related asset retirement costs were recorded as decreases in unrestricted net assets. Asset retirement costs are subsequently accreted over the useful lives of the related assets.

The estimate of the losses that are probable from environmental remediation liabilities for asbestos removal was calculated using the expected cash flow approach and based on an inventory of the University's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The University utilized a credit-adjusted risk-free rate to discount the asset retirement obligation. It is reasonably possible that changes in this estimate could occur and that actual results could differ from this estimate and could have a significant effect on the financial statements.

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 provisions of the grants. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are recorded as receivables.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $1,126,195 and $1,098,485, respectively, during the year ended May 31, 2009 and $1,037,750 and $1,099,716, respectively, during the year ended May 31, 2008.

Fair Value of Financial Instruments - The carrying amounts of cash and cash equivalents, certificates of deposit, receivables, accounts payable and deposits approximate fair value because of the short term maturity of these financial instruments. The carrying amounts of pledges receivable are recorded using the applicable discount rates in effect at the date of the gifts.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to the government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. Government or its designee.

The carrying amounts of the actuarial liability for trusts and annuities payable are based on life expectancies, quoted market prices, and the applicable discount rates in effect at the time the agreements were received by the University. 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

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual results.

The fair values for investments and other financial instruments recorded at fair value on a recurring basis are included in Note 2.

Fund-Raising and Advertising Expenses - Fund-raising expenses totaled $1,423,000 and $1,352,600 for the years ended May 31, 2009 and 2008, respectively. Advertising expenses totaled $891,500 and $985,800 for the years ended May 31, 2009 and 2008, 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. The University is also exempt from state income taxes. 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 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements - In March 2008, the FASB issued Statement on Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* (SFAS 161). This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedge items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2008. As of May 31, 2009, the University does not believe the adoption of SFAS 161 will materially impact the financial statement amounts. However, additional footnote disclosures may be required regarding the use of derivative instruments and hedging items.

NOTE 2 - FAIR VALUE MEASUREMENTS

Effective June 1, 2008, the University adopted the provisions of FASB Statement No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. SFAS 157 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date. SFAS 157 expands disclosures about instruments measured at fair value. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, SFAS 157 does not require any new fair value measurements.

Subsequent to the issuance of SFAS 157, the FASB issued additional Financial Staff Positions (FSP) which provide implementation guidance related to fair value measurements. The University has adopted the applicable FSPs as appropriate during fiscal year 2009.

Effective June 1, 2008, the University adopted FASB Statement No. 159, *The Fair Value Option for Financial Assets and Liabilities, including an amendment of FASB Statement No. 115*, which among other things, provides an option to elect fair value as an alternative measurement for selected financial assets and liabilities not previously recorded at fair value. The University did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

As noted above, SFAS 157 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents financial instruments that are measured at fair value on a recurring basis by the SFAS 157 hierarchy as of May 31, 2009:

	Total	Level 1	Level 2	Level 3
ASSETS				
Religious Communities Trust Flex Cash Fund	$ 17,310,894		$ 17,310,894	
Mutual funds - Catholic United Investment Trust/Religious Communities Trust	34,591,376		34,591,376	
Funds held in trust by others	272,525			$ 272,525
Mutual funds - Other	754,945	$ 754,945		
Money market funds - Other	32,202		32,202	
Fixed income securities	1,312,915	1,312,915		
Stocks	79,118	79,118		
Total	$ 54,353,975	$ 2,146,978	$ 51,934,472	$ 272,525

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Religious Communities Trust Flex Cash Fund - The fair value of Religious Communities Trust Flex Cash Fund, consisting primarily of short term cash and debt obligations, is classified as Level 2 as these funds are not traded on a regular basis.

Mutual funds - Catholic United Investment Trust/Religious Communities Trust - Mutual funds managed by Catholic United Investment Trust/Religious Communities Trust include RCT Intermediate Bond Fund Class B, CUIT Balanced Fund, CUIT Growth Fund Class A, CUIT Small Cap Equity Fund Class B, CUIT Core Equity Index Fund Class B, CUIT Value Equity Fund Class A, CUIT International Fund Class A and RCT Short Bond Fund. These funds are classified as Level 2 as the fair value is based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Funds held in trust by others - The University's beneficial interest in irrevocable split interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are measured at the present value of the future distributions the University expects to receive over the term of the agreements.

Mutual funds - Other - Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Money market funds - Other - The fair value of money market funds is classified as Level 2 as these funds are not traded on a regular basis.

Fixed income securities - Investments in fixed income securities are comprised of mortgage backed securities and are classified as Level 1 since they trade with sufficient frequency and volume to enable the University to obtain pricing information on an ongoing basis.

Stocks - Investments in stocks are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended May 31, 2009:

	Balances May 31, 2008	Net realized and unrealized gains (losses) included in change in net assets	Purchases, sales, issuances and settlement, net	Net transfers in (out) of Level 3	Balances May 31, 2009
Assets					
Funds held in trust by others	$ 367,400	$ (94,875)			$ 272,525
Total	$ 367,400	$ (94,875)	$ –	$ –	$ 272,525

The amount of total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at May 31, 2009	$ (85,775)

NOTE 3 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Permanently restricted net assets consist of the following at May 31, 2009 and 2008:

	2009	2008
Endowment funds	$ 21,780,725	$ 21,237,111
Charitable remainder unitrusts	426,823	525,244
Funds held in trust by others	204,018	269,000
Contributions receivable	397,000	239,000
	$ 22,808,566	$ 22,270,355

Temporarily restricted net assets consist of the following at May 31, 2009 and 2008:

	2009	2008
Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other support - Operating	$ 3,202,938	$ 3,606,625
Scholarships, instruction and other support - Endowment	1,650,135	
Acquisition of buildings and equipment	353,294	40,162
	5,206,367	3,646,787
Funds held in trust by others	68,507	98,400
Future interest in residence	230,109	222,000
Contributions receivable	1,550,000	2,933,000
	$ 7,054,983	$ 6,900,187

At May 31, 2009 and 2008, the University's unrestricted net assets were allocated as follows:

	2009	2008
Operations	$ 1,551,342	$ 1,758,416
Long-term investment (board designated endowment funds less underwater donor restricted endowment funds)	5,856,706	14,834,059
Annuity funds	21,090	125,345
Loans to students	402,979	439,503
Retirement of indebtedness	1,054,168	1,017,159
Replacement of plant facilities	2,476,602	5,883,614
Net investment in plant	34,357,719	31,216,221
	$ 45,720,606	$ 55,274,317

NOTE 4 - 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, 2009 and 2008 as follows:

	2009	2008
Scholarships, instruction and other departmental support	$ 2,854,324	$ 1,694,787

These net assets were reclassified to unrestricted net assets.

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable include the following unconditional promises to give at May 31, 2009 and 2008:

	2009	2008
Temporarily restricted - operations	$ 1,606,000	$ 3,215,000
Permanently restricted - endowment	460,000	280,000
Gross unconditional promises to give	2,066,000	3,495,000
Less: Unamortized discount	(119,000)	(323,000)
Net Unconditional Promises to Give	$ 1,947,000	$ 3,172,000
Amounts due in:		
Less than one year	$ 1,174,000	
One to five years	812,000	
More than five years	80,000	
	$ 2,066,000	

Total pledges receivable at May 31, 2009 and 2008 include amounts due from one donor totaling $1,500,000 and $3,000,000, respectively. At May 31, 2009 and 2008, pledges receivable from board members and officers totaled $260,000 and $40,000, respectively.

Promises due in one to five years received prior to June 1, 2008 were discounted at an interest rate of 6.0% at May 31, 2009 and 2008. Promises due in one to five years received after May 31, 2008 were discounted at an interest rate of 3.47% at May 31, 2009. Promises due in less than one year were not discounted.

NOTE 6 - ENDOWMENT INVESTMENTS - MARKETABLE SECURITIES

Marketable securities recorded in the endowment funds consist of the following at May 31, 2009 and 2008:

	2009	2008
Stocks	$ 79,118	$ 112,948
Mutual funds - Catholic United Investment Trust/Religious Communities Trust	22,776,762	31,257,831
Mutual funds - Other	754,945	923,789
	$ 23,610,825	$ 32,294,568

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Through the University's investment in the mutual funds, the University is indirectly involved in investment activities such as foreign currency forward contracts, futures contracts on U.S. Treasuries and other derivative products. Derivatives are used to adjust portfolio risk exposure. While these instruments may contain varying degrees of risk, the University's risk with respect to such transactions is limited to its respective share in each investment pool.

NOTE 7 - FUNDS HELD IN TRUST BY OTHERS

The following irrevocable trusts were held by outside parties for the benefit of the University at May 31, 2009 and 2008:

	2009	2008
Charitable lead trusts		$ 9,100
Charitable remainder unitrusts	$ 272,525	358,300
	$ 272,525	$ 367,400

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at May 31, 2009 and 2008:

	2009	2008
Land and land improvements	$ 4,607,230	$ 3,787,969
Buildings and outdoor facilities	59,990,077	57,201,845
Equipment and furniture	20,102,885	18,966,083
Library books and art work	4,130,321	3,933,018
	88,830,513	83,888,915
Less: Accumulated depreciation	(39,025,313)	(36,728,682)
	$ 49,805,200	$ 47,160,233

NOTE 9 - LOAN PAYABLE TO U.S. DEPARTMENT OF EDUCATION

The University is indebted to the U.S. Department of Education for an energy loan, with an outstanding balance of $265,315 and $281,046 at May 31, 2009 and 2008, 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 10 - BONDS PAYABLE TO MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Bonds payable to the Minnesota Higher Education Facilities Authority at May 31, 2009 and 2008 consist of the following:

	2009	2008
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-U	$ 8,885,000	$ 9,220,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-E	4,145,000	4,275,000
	$ 13,030,000	$ 13,495,000

The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-U were issued during 2004 to advance refund Series Three-Q issued by the Authority, as well as to fund a debt service reserve and pay certain issuance costs. The bonds have interest rates ranging from 3.0% to 4.8% and mature annually on October 1, 2009 through October 1, 2019 in amounts from $340,000 to $690,000. In addition, a payment of $3,060,000 is due on October 1, 2023. The term bonds maturing in 2023 are subject to annual sinking fund payments on October 1 in the years 2020 through 2023 in amounts ranging from $725,000 to $795,000. The bonds are secured by a pledge of the loan payments and the reserve account.

NOTE 10 - 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 6.25% to 6.75% and mature annually on March 1, 2010 through March 1, 2026 in amounts ranging from $140,000 to $390,000. The bonds are secured by the pledge of the loan repayments and the reserve account.

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

Annual scheduled maturities of the loans and bonds payable for each of the five years subsequent to May 31, 2009 are $496,200, $521,700, $512,200, $702,700 and $738,250, respectively.

NOTE 11 - ENDOWMENT

Effective June 1, 2008, the University adopted the provisions of FASB Staff Position FSP 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds.* The FSP provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component of the FSP is a requirement for expanded disclosures about all endowment funds. The State of Minnesota adopted a version of UPMIFA effective August 1, 2008. As a result of adopting the FSP, the University reclassified approximately $6,664,000 out of unrestricted net assets and into temporarily restricted net assets.

The University's endowment consists of approximately 140 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Minnesota as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

NOTE 11 - ENDOWMENT (Continued)

1. The duration and preservation of the fund;
2. The purposes of the University and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the University; and
7. The investment policies of the University.

Endowment net asset composition by type of fund consists of the following as of May 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,860,848)	$ 1,650,135	$ 21,780,725	$ 21,570,012
Board-designated endowment funds	7,717,554			7,717,554
Total endowment net assets	$ 5,856,706	$ 1,650,135	$ 21,780,725	$ 29,287,566

Endowment net asset composition by type of fund consists of the following as of May 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 6,664,158		$ 21,237,111	$ 27,901,269
Board-designated endowment funds	8,169,901			8,169,901
Total endowment net assets	$ 14,834,059	$ –	$ 21,237,111	$ 36,071,170

Changes in endowment net assets for the year ended May 31, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2008	$ 14,834,059	$ –	$ 21,237,111	$ 36,071,170
Net asset reclassification based on change in law	(6,664,158)	6,664,158		
Endowment net assets after reclassification	8,169,901	6,664,158	21,237,111	36,071,170
Investment return:				
Investment income	88,859	453,297		542,156
Net depreciation - realized and unrealized	(4,091,761)	(5,467,320)		(9,559,081)
Total investment return	(4,002,902)	(5,014,023)		(9,016,925)
Contributions	1,941,375		543,614	2,484,989
Appropriation of endowment assets for expenditure	(5,025)			(5,025)
Other changes:				
Transfers from board designated endowment funds	(246,643)			(246,643)
Endowment net assets, May 31, 2009	$ 5,856,706	$ 1,650,135	$ 21,780,725	$ 29,287,566

NOTE 11 - ENDOWMENT (Continued)

Changes in endowment net assets for the year ended May 31, 2008 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2007	$ 16,933,668	$ –	$ 20,318,955	$ 37,252,623
Investment return:				
Investment income	361,863	301,619		663,482
Net depreciation - realized and unrealized	(1,960,640)			(1,960,640)
Total investment return	(1,598,777)	301,619		(1,297,158)
Contributions	870,132		918,156	1,788,288
Net assets released from restrictions	301,619	(301,619)		
Appropriation of endowment assets for expenditure	(1,459,546)			(1,459,546)
Other changes:				
Transfers from board designated endowment funds	(213,037)			(213,037)
Endowment net assets, May 31, 2008	$ 14,834,059	$ –	$ 21,237,111	$ 36,071,170

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $1,860,848 and $0 as of May 31, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters - The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed 5% while assuming a moderate level of investment risk. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The University has a policy of appropriating for distribution each year 5% of its endowment fund's fair market value from the first day of the fiscal year in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment. This is consistent with the University's objective to provide long-term growth and income while preserving capital and achieving return over inflation and the distribution rate for the endowment assets.

NOTE 12 - OPERATING LEASES

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 comes primarily through savings from negotiated lower rates with Xcel Energy because of interruptible electrical service. Rent expense totaled $120,000 for each of the years ended May 31, 2009 and 2008. Annual rent expense is expected to be approximately $120,000 each year until 2012. The University is able to purchase the generator in September 2012 for $107,000.

The University has lease commitments for property rentals in the Twin Cities, Minnesota area of approximately $304,000, $303,000, and $317,000 for fiscal years 2010, 2011, and 2012 respectively. Rent expense totaled $187,500 and $173,000 for the years ended May 31, 2009 and 2008, respectively.

NOTE 13 - INTERFUND BORROWINGS

The investment in plant fund was indebted to the quasi-endowment funds in the amount of $1,855,224 and $1,914,319 at May 31, 2009 and 2008, respectively. The interfund borrowings relate to the renovation of St. Joe's Hall and the purchase of the Park Avenue North building in Minneapolis. Semiannual payments of $60,000, including interest of 8% per annum are payable through February 1, 2018 for St. Joe's Hall and annual payments of $156,932, including interest of 6% per annum are payable through June 1, 2017 for the Park Avenue North building. Annual maturities for each of the five years subsequent to May 31, 2009 are $154,500, $165,000, $176,500, $189,000 and $202,000, respectively. All interfund borrowings and the related payments have been eliminated in the financial statements.

NOTE 14 - 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 $1,524,900 and $1,431,500 in fiscal 2009 and 2008, 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. The University has limited its exposure under the plan with individual and aggregate stop loss insurance. Estimates for claims incurred but not reported have been accrued by the University. The total expense for this plan was $2,180,900 and $2,004,800, in fiscal 2009 and 2008, respectively.

NOTE 15 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, marketable securities and other investments, and accounts receivable and notes. Cash and cash equivalents in excess of federally insured limits are subject to the usual risks of balances in excess of those limits. Investments, consisting of principally of short-term investments and mutual funds, are placed in funds administered by Catholic United Investment Trust/Religious Communities Trust. Student receivables and other receivables are due from a variety of sources concentrated primarily in the midwestern United States. In addition, the University's students 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.

NOTE 16 - SPLIT-INTEREST AGREEMENTS

The University has arrangements with donors classified as charitable lead trusts, charitable remainder trusts, and future interest in residence. In general, under these arrangements the University or an external trustee receives a gift from a donor in which the University has an interest. Either the University or the trustee agree to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. The University or the trustee invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the University or distributed to the University by the trustee as unrestricted, temporarily restricted or permanently restricted net assets, or in some instances, distributed to third-party beneficiaries.

When a gift is received by the University under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the University or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age of the donor. The University used interest rates of between 3.6% and 8.0% in making the calculations at May 31, 2009 and 2008. If the gift is received by an external trustee, the University records the estimated present value of the future cash flows to be received by the University.

The University received $18,150 of gift value relating to split-interest agreements during the year ended May 31, 2008. The University did not receive any gifts relating to split-interest agreements during the year ended May 31, 2009. Total assets held by the University under split-interest agreements are as follows at May 31, 2009 and 2008:

	2009	2008
Future interest in residence	$ 230,109	$ 222,000
Funds held in trust by others	272,525	367,400
Gift annuities	285,885	408,335
	$ 788,519	$ 997,735

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