ADDENDUM DATED MAY 6, 2003

TO OFFICIAL STATEMENT DATED APRIL 16, 2003

NEW ISSUE **Moody's Rating: Baa2**

$11,705,000

Minnesota Higher Education Facilities Authority

Revenue Bonds, Series Five-R
(College of St. Scholastica, Inc.)

(DTC Book Entry Only)

Dated Date: May 1, 2003 **Interest Due: June 1 and December 1, commencing December 1, 2003**

The Bonds to mature annually on December 1 as follows:

Year	Principal	Interest Rate	Yield	CUSIP 60416H	Year	Principal	Interest Rate	Yield	CUSIP 60416H
2003	$ 175,000	2.500%	1.250%	AA 2	2008	$ 185,000	3.500%	3.100%	AF 1
2004	$ 180,000	2.500%	1.750%	AB 0	2009	$ 200,000	3.500%	3.375%	AG 9
2005	$ 90,000	2.500%	2.000%	AC 8	2010	$ 205,000	3.700%	3.700%	AH 7
2006	$ 175,000	3.000%	2.300%	AD 6	2011	$ 205,000	3.900%	3.900%	AJ 3
2007	$ 185,000	3.250%	2.750%	AE 4	2012	$ 500,000	4.000%	4.000%	AK 0

$1,350,000 5.00% Term Bond due December 1, 2015 at 4.375% 60416H AN 4
$2,935,000 5.00% Term Bond due December 1, 2023 at 5.000% 60416H AW 4
$5,320,000 5.00% Term Bond due December 1, 2032 at 5.050% 60416H BF 0

An underwriting syndicate managed by U.S. Bancorp Piper Jaffray with co-managers RBC Dain Rauscher, Inc.; Wells Fargo Brokerage Services, LLC; Edward D. Jones & Company; Miller Johnson Steichen Kinnard, Inc.; Cronin & Company, Incorporated; Dougherty and Company LLC; and Northern Trust Securities, Inc. has agreed to purchase the Bonds from the Authority for an aggregate price of $11,529,425.00, plus accrued interest to the date of delivery. It is expected that the Bonds will be available for delivery on or about May 14, 2003.

THIS ADDENDUM IS INCORPORATED BY REFERENCE AS OF THE DATE HEREOF INTO THE OFFICIAL STATEMENT OF THE AUTHORITY DATED APRIL 16, 2003, WITH RESPECT TO THE BONDS. TAKEN IN CONJUNCTION WITH SAID OFFICIAL STATEMENT, THIS ADDENDUM SHALL CONSTITUTE A "FINAL OFFICIAL STATEMENT" OF THE AUTHORITY WITH RESPECT TO THE BONDS AS THAT TERM IS DEFINED IN RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

Original Issue Premium

The Bonds shown on the cover with a yield in excess of the rate on the Bonds, the December 1, 2003 through December 1, 2009 maturities and the December 1, 2015 Term Bonds (collectively, the “Premium Bonds”), are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, who are subject to special rules, bondholders from time to time must reduce their federal income tax basis for the Premium Bonds for purposes of determining gain or loss on the sale or payment of such Premium Bonds. Premium generally is amortized on the basis of a bondholder’s constant yield to maturity with semiannually compounding. This might result in taxable gain upon sale of the Premium Bonds, even if they are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes. Bondholders should consult their tax advisors concerning the timing and rate of premium amortization.

Original Issue Discount

The difference between the principal amount of the December 1, 2032 Term Bonds (the "OID Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Such original issue discount accrues actuarially on the constant interest rate basis over the term of each OID Bond and the basis of each OID Bond acquired at the initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.

Under existing laws, regulations, rulings and decisions, such original issue discount constitutes interest to the extent that it 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 the primary offering of the Bonds 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.

If a Bond issued with original issue discount is purchased at any time for a price that is less than the Bond's Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased such bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Such treatment would apply to any purchaser who purchases such Discount Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par.

Owners of Discount Bonds who dispose of such Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase such Discount Bonds in the initial public offering, but at a price different from the Issue Price or purchase Discount Bonds subsequent to the initial public offering should consult their own tax advisors. Owners of Bonds issued with original issue discount should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such Bonds.

Mandatory Redemption of Term Bonds

The Term Bonds maturing on December 1, 2015, December 1, 2023, and December 1, 2032 (the "Term Bonds") are subject to mandatory sinking fund redemption and shall be redeemed in part at par plus accrued interest on the mandatory dates and in the principal amounts as follows:

2015 Term Bond		2023 Term Bond		2032 Term Bond	
2013	$ 525,000	2016	$ 300,000	2024	$ 465,000
2014	540,000	2017	320,000	2025	495,000
2015	285,000*	2018	335,000	2026	520,000
		2019	355,000	2027	550,000
		2020	375,000	2028	585,000
		2021	395,000	2029	620,000
		2022	415,000	2030	655,000
		2023	440,000*	2031	695,000
				2032	735,000*

* *Final Maturity*

The principal amount of the Term Bonds may be reduced through the earlier optional redemption, with any partial optional redemptions of the Term Bonds credited against future mandatory redemption requirements for such Term Bonds in such order as the County shall determine.

Rating

Moody's Investors Service ("Moody's") 99 Church Street, New York, New York, has assigned a rating of “Baa2” to the Bonds. This rating reflects only the opinion of Moody’s. Further information concerning the rating is available from Moody's.

There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Annual Debt Service by Fiscal Year and Coverage Statement

The following table shows (i) the actual debt service on the Bonds for each of the listed Fiscal Years; (ii) the annual debt service of the College for each of the listed Fiscal Years with respect to all other long-term indebtedness outstanding after issuance of the Bonds; (iii) the combined total annual debt service for each of such Fiscal Years; and (iv) the amount of coverage for the combined annual debt service provided by the “income available for debt service” for the Fiscal Year ending June 30, 2002, as further detailed in footnote (d) of the table.

This table is intended merely to show the relationship of Fiscal Year 2002 revenues of the College available for the payment of debt service to a pro forma statement of combined annual debt service of the College based on the actual interest rates and amortization schedule with respect thereto. It is not intended and should not be considered a projection of future revenues, expenses, or debt service coverage of the College. There is no assurance that the future revenues, expenses, and debt service coverage of the College or the respective relationships thereof will correspond to the revenues and expenses or the respective relationships thereof shown by or reflected in the following table.

Annual Debt Service by Fiscal Year and Pro Forma Coverage Statement

Fiscal Year (1)	Actual Debt Service on the Bonds (a) (2)	Estimated Reserve Acct Earnings and Adjustments (3)	Outstanding Long-term Debt Service (4)	Combined Long-term Debt Service (b) (5)	Pro Forma Amount Available for Debt Service (c) (6)	Pro Forma Coverage (times) (d) (7)
2004	$ 770,479	$ 33,583	$ 862,714	$ 1,599,610	$ 2,155,055	1.35
2005	725,068	32,069	859,093	1,552,091	2,155,055	1.39
2006	631,693	32,069	951,030	1,550,653	2,155,055	1.39
2007	712,943	32,069	637,178	1,318,051	2,155,055	1.64
2008	717,311	32,069	635,625	1,320,867	2,155,055	1.63
2009	711,068	32,069	642,163	1,321,161	2,155,055	1.63
2010	719,330	32,069	636,525	1,323,786	2,155,055	1.63
2011	717,038	32,069	638,963	1,323,931	2,155,055	1.63
2012	709,248	32,069	649,563	1,326,741	2,155,055	1.62
2013	990,250	32,069	370,806	1,328,987	2,155,055	1.62
2014	992,125	32,069	368,350	1,328,406	2,155,055	1.62
2015	980,500	176,577	379,713	1,183,636	2,155,055	1.82
2016	704,875	27,011	0	677,864	2,155,055	3.18
2017	705,250	27,011	0	678,239	2,155,055	3.18
2018	709,750	27,011	0	682,739	2,155,055	3.16
2019	708,375	27,011	0	681,364	2,155,055	3.16
2020	711,125	27,011	0	684,114	2,155,055	3.15
2021	712,875	27,011	0	685,864	2,155,055	3.14
2022	713,625	27,011	0	686,614	2,155,055	3.14
2023	713,375	27,011	0	686,364	2,155,055	3.14
2024	717,000	27,011	0	689,989	2,155,055	3.12
2025	719,375	27,011	0	692,364	2,155,055	3.11
2026	725,375	27,011	0	698,364	2,155,055	3.09
2027	725,000	27,011	0	697,989	2,155,055	3.09
2028	728,250	27,011	0	701,239	2,155,055	3.07
2029	734,875	27,011	0	707,864	2,155,055	3.04
2030	739,750	27,011	0	712,739	2,155,055	3.02
2031	742,875	27,011	0	715,864	2,155,055	3.01
2032	749,125	27,011	0	722,114	2,155,055	2.98
2033	753,375	798,761	0	(45,386)	2,155,055	n/a

(a) Estimated based on observed rates as of April 9, 2003.

(b) Column (2) plus column (4) minus column (3).

(c)

Fiscal Year ended June 30, 2002 Increase in Unrestricted Net Assets	$ (128,966)
Plus:	
Depreciation and amortization	1,268,988
Interest Expense	468,480
Net assets released for equipment and buildings	-
Net income generated by housing portion of project	100,000
Unrealized losses on investments	887,564
Less:	
Equipment Acquired, funded through operations and capitalized	(449,879)
Unrealized gains on investments	-
Amount available for Debt Service	$ 2,146,187

(d) Column (6) divided by column (5)

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NEW ISSUE **Moody's Rating: Baa2**

$11,705,000

Minnesota Higher Education Facilities Authority

Revenue Bonds, Series Five-R
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Original Issue Premium

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Original Issue Discount

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Under existing laws, regulations, rulings and decisions, such original issue discount constitutes interest to the extent that it 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 the primary offering of the Bonds 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.

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Owners of Discount Bonds who dispose of such Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase such Discount Bonds in the initial public offering, but at a price different from the Issue Price or purchase Discount Bonds subsequent to the initial public offering should consult their own tax advisors. Owners of Bonds issued with original issue discount should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such Bonds.

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2015 Term Bond		2023 Term Bond		2032 Term Bond	
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		2023	440,000*	2031	695,000
				2032	735,000*

* *Final Maturity*

The principal amount of the Term Bonds may be reduced through the earlier optional redemption, with any partial optional redemptions of the Term Bonds credited against future mandatory redemption requirements for such Term Bonds in such order as the County shall determine.

Rating

Moody's Investors Service ("Moody's") 99 Church Street, New York, New York, has assigned a rating of “Baa2” to the Bonds. This rating reflects only the opinion of Moody’s. Further information concerning the rating is available from Moody's.

There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Annual Debt Service by Fiscal Year and Coverage Statement

The following table shows (i) the actual debt service on the Bonds for each of the listed Fiscal Years; (ii) the annual debt service of the College for each of the listed Fiscal Years with respect to all other long-term indebtedness outstanding after issuance of the Bonds; (iii) the combined total annual debt service for each of such Fiscal Years; and (iv) the amount of coverage for the combined annual debt service provided by the “income available for debt service” for the Fiscal Year ending June 30, 2002, as further detailed in footnote (d) of the table.

This table is intended merely to show the relationship of Fiscal Year 2002 revenues of the College available for the payment of debt service to a pro forma statement of combined annual debt service of the College based on the actual interest rates and amortization schedule with respect thereto. It is not intended and should not be considered a projection of future revenues, expenses, or debt service coverage of the College. There is no assurance that the future revenues, expenses, and debt service coverage of the College or the respective relationships thereof will correspond to the revenues and expenses or the respective relationships thereof shown by or reflected in the following table.

Annual Debt Service by Fiscal Year and Pro Forma Coverage Statement

Fiscal Year (1)	Actual Debt Service on the Bonds (a) (2)	Estimated Reserve Acct Earnings and Adjustments (3)	Outstanding Long-term Debt Service (4)	Combined Long-term Debt Service (b) (5)	Pro Forma Amount Available for Debt Service (c) (6)	Pro Forma Coverage (times) (d) (7)
2004	$ 770,479	$ 33,583	$ 862,714	$ 1,599,610	$ 2,155,055	1.35
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2008	717,311	32,069	635,625	1,320,867	2,155,055	1.63
2009	711,068	32,069	642,163	1,321,161	2,155,055	1.63
2010	719,330	32,069	636,525	1,323,786	2,155,055	1.63
2011	717,038	32,069	638,963	1,323,931	2,155,055	1.63
2012	709,248	32,069	649,563	1,326,741	2,155,055	1.62
2013	990,250	32,069	370,806	1,328,987	2,155,055	1.62
2014	992,125	32,069	368,350	1,328,406	2,155,055	1.62
2015	980,500	176,577	379,713	1,183,636	2,155,055	1.82
2016	704,875	27,011	0	677,864	2,155,055	3.18
2017	705,250	27,011	0	678,239	2,155,055	3.18
2018	709,750	27,011	0	682,739	2,155,055	3.16
2019	708,375	27,011	0	681,364	2,155,055	3.16
2020	711,125	27,011	0	684,114	2,155,055	3.15
2021	712,875	27,011	0	685,864	2,155,055	3.14
2022	713,625	27,011	0	686,614	2,155,055	3.14
2023	713,375	27,011	0	686,364	2,155,055	3.14
2024	717,000	27,011	0	689,989	2,155,055	3.12
2025	719,375	27,011	0	692,364	2,155,055	3.11
2026	725,375	27,011	0	698,364	2,155,055	3.09
2027	725,000	27,011	0	697,989	2,155,055	3.09
2028	728,250	27,011	0	701,239	2,155,055	3.07
2029	734,875	27,011	0	707,864	2,155,055	3.04
2030	739,750	27,011	0	712,739	2,155,055	3.02
2031	742,875	27,011	0	715,864	2,155,055	3.01
2032	749,125	27,011	0	722,114	2,155,055	2.98
2033	753,375	798,761	0	(45,386)	2,155,055	n/a

(a) Estimated based on observed rates as of April 9, 2003.

(b) Column (2) plus column (4) minus column (3).

(c)

Fiscal Year ended June 30, 2002 Increase in Unrestricted Net Assets	$ (128,966)
Plus:	
Depreciation and amortization	1,268,988
Interest Expense	468,480
Net assets released for equipment and buildings	-
Net income generated by housing portion of project	100,000
Unrealized losses on investments	887,564
Less:	
Equipment Acquired, funded through operations and capitalized	(449,879)
Unrealized gains on investments	-
Amount available for Debt Service	$ 2,146,187

(d) Column (6) divided by column (5)

OFFICIAL STATEMENT DATED APRIL 16, 2003

NEW ISSUE **Ratings: Requested from Moody's Investors Service**

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

$11,705,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Five-R
(College of St. Scholastica, Inc.)

(DTC Book Entry Only)

Dated Date: May 1, 2003 **Interest Due: June 1 and December 1, commencing December 1, 2003**

The Bonds to mature annually on December 1 as follows:

Year	Principal	Year	Principal	Year	Principal	Year	Principal
2003	$ 175,000	2011	$ 205,000	2019	$ 355,000	2027	$ 550,000
2004	$ 180,000	2012	$ 500,000	2020	$ 375,000	2028	$ 585,000
2005	$ 90,000	2013	$ 525,000	2021	$ 395,000	2029	$ 620,000
2006	$ 175,000	2014	$ 540,000	2022	$ 415,000	2030	$ 655,000
2007	$ 185,000	2015	$ 285,000	2023	$ 440,000	2031	$ 695,000
2008	$ 185,000	2016	$ 300,000	2024	$ 465,000	2032	$ 735,000
2009	$ 200,000	2017	$ 320,000	2025	$ 495,000		
2010	$ 205,000	2018	$ 335,000	2026	$ 520,000		

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), the Bonds are subject to redemption in whole or in part 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 the Indenture. The Bonds will be subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein.

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

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

Prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% with the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes; however, the initial Purchaser of the Bonds shall be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell (but may offer) any of the Bonds to Minnesota buyers at a price greater than 105% until the Bonds have been re-registered for sale at such higher price by the Department of Commerce, as more fully provided in the Official Terms of Proposal.

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 subject to the opinion as to validity and tax exemption of the Bonds by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Hanft Fride, a Professional Association, Duluth, Minnesota. The Bonds are expected to be available for delivery on or about May 14, 2003.

PROPOSAL RECEIVED: April 30, 2003 (Wednesday) at 10:00 A.M., Central Time
AWARD: April 30, 2003 (Wednesday) by 2:00 P.M., Central Time

SPRINGSTED
Public Finance Advisors

Further information may be obtained from SPRINGSTED Incorporated, Financial Advisor to the Issuer, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101-2887 (651) 223-3000

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

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

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Official Statement and the addendum or addenda described in the preceding paragraph in the amount specified in the Terms of Proposal.

The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a Proposal with respect to the Bonds agrees thereby that if its bid is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

No dealer, broker, salesman or other person has been authorized by the Authority or the College to give any information or to make any representations with respect to the Bonds, other than as contained in the Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the Authority and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE COLLEGE SINCE THE DATE HEREOF.

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

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

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

Marianne T. Remedios, Executive Director

Financial Advisor
Springsted Incorporated

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THE AUTHORITY HAS AUTHORIZED SPRINGSTED INCORPORATED TO RECEIVE PROPOSALS ON THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

OFFICIAL TERMS OF PROPOSAL

$11,705,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES FIVE-R (COLLEGE OF ST. SCHOLASTICA, INC.)

(BOOK ENTRY ONLY)

Proposals for the Series Five-R Bonds will be received by Marianne T. Remedios, Executive Director, Minnesota Higher Education Facilities Authority (the "Authority") or her duly appointed representative on April 30, 2003, until 10:00 A.M., Central Time, at Suite 450, Galtier Plaza, 380 Jackson Street, Saint Paul, Minnesota 55101, telephone (651) 296-4690, after which time they will be opened and tabulated. Consideration for award of the Series Five-R Bonds will be by the Executive Director of the Authority not later than 2:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Springsted will assume no liability for the inability of the bidder to reach Springsted prior to the time of sale specified above. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the Authority to purchase the Bonds regardless of the manner by which the Proposal is submitted.

(a) ***Sealed Bidding.*** Proposals may be submitted in a sealed envelope or by fax (651) 223-3002 to Springsted. Signed Proposals, without final price or coupons, may be submitted to Springsted prior to the time of sale. The bidder shall be responsible for submitting to Springsted the final Proposal price and coupons, by telephone (651) 223-3000 or fax (651) 223-3002 for inclusion in the submitted Proposal.

OR

(b) ***Electronic Bidding.*** Electronic Bids may be submitted through PARITY® For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all Bids submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic Bid in a timely manner and in compliance with the requirements of the Official Terms of Proposal*. Neither the Authority, its agents nor PARITY® shall have any duty or obligation to provide or ensure electronic access to any qualified prospective bidder, and neither the Authority, its agents nor PARITY® shall be responsible for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by PARITY®. The Authority is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY® is not an agent of the Authority.

If any provisions of this Official Terms of Proposal conflict with information provided by PARITY®, this Official Terms of Proposal shall control. Further information about PARITY®, including any fee charged, may be obtained from:

> PARITY®, 40 W. 23rd Street, 5th Floor, New York City, New York 10010, Customer Support, (212) 404-8102.

DETAILS OF THE BONDS

The Bonds will be dated May 1, 2003, as the date of original issue, and will bear interest payable on June 1 and December 1 of each year, commencing December 1, 2003. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature December 1 in the years and amounts as follows:

2003	$ 175,000	2011	$ 205,000	2019	$ 355,000	2026	$ 520,000
2004	$ 180,000	2012	$ 500,000	2020	$ 375,000	2027	$ 550,000
2005	$ 90,000	2013	$ 525,000	2021	$ 395,000	2028	$ 585,000
2006	$ 175,000	2014	$ 540,000	2022	$ 415,000	2029	$ 620,000
2007	$ 185,000	2015	$ 285,000	2023	$ 440,000	2030	$ 655,000
2008	$ 185,000	2016	$ 300,000	2024	$ 465,000	2031	$ 695,000
2009	$ 200,000	2017	$ 320,000	2025	$ 495,000	2032	$ 735,000
2010	$ 205,000	2018	$ 335,000				

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the proposal must specify "Years of Term Maturities" in the spaces provided on the Proposal Form.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

TRUSTEE

Wells Fargo Bank Minnesota, National Association, Minneapolis, Minnesota will act as trustee, registrar and paying agent.

OPTIONAL REDEMPTION

The Authority may elect on December 1, 2012, and on any day thereafter to redeem Bonds due on or after December 1, 2013. Redemption may be in whole or in part and if in part at the option of the Authority and in such manner as the Authority shall determine. If fewer than all Bonds of a maturity are called for redemption, the Authority will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

The Bonds are subject to redemption in whole or in part on any date in certain events of damage, destruction, or condemnation described in a Loan Agreement between the College and the Authority and a Trust Indenture between the Authority and the Trustee, or in whole or in part on any date for which proper notice can be given in the event of a Determination of Taxability as defined therein. All optional redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College pursuant to the Loan Agreement or from other amounts pledged thereto pursuant to the Trust Indenture. Pursuant to the Loan Agreement, Loan Repayments sufficient to pay principal, premium (if any) and interest on the Bonds when due are a general obligation of the College. **The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority, or the State of Minnesota, or the taxing powers of the State, are pledged.** The Authority has no taxing powers. The proceeds will be used, together with other funds of the College, to construct and equip a health and fitness center addition to its existing Athletic Center, to construct and furnish additional apartment style living quarters on the campus of the College, to refund certain outstanding College bonds, to fund a debt service reserve and to pay certain issuance costs.

TYPE OF PROPOSALS

Proposals shall be for not less than $11,529,425 and accrued interest on the total principal amount of the Bonds. Proposals shall be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of $117,050, payable to the order of the Authority. If a check is used, it must accompany such Proposal. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the Authority. Such bond must be submitted to Springsted prior to the opening of the Proposals. The Financial Surety Bond must identify each underwriter whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to a purchaser using a Financial Surety Bond, then that purchaser is required to submit its Deposit to Springsted in the form of a certified or cashier's check or wire transfer as instructed by Springsted not later than 3:30 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Authority to satisfy the Deposit requirement. The Authority will deposit the check of the purchaser, the amount of which will be deducted at settlement and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the Authority. No proposal can be withdrawn or amended after the time set for receiving Proposals unless the Executive Director on behalf of the Authority does not award the Bonds by 2:00 P.M., Central Time, on April 30, 2003. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in level or ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

REOFFERING OF BONDS

The Authority represents that, prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% pursuant to an Order of Registration issued by the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes (the "Minnesota Securities Act"). The purchaser will be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell any of the Bonds in Minnesota at a price or prices higher than 105% without first having obtained an amendment to the Order of Registration permitting the sale of the Bonds at such higher price or prices, provided that this provision shall not prevent the sale of Bonds at higher prices in secondary market trading to the extent permitted by the Minnesota Securities Act. Until such time as the Department enters and makes effective such an amendment to the Order of Registration, the purchaser may make an "offer" but agrees not to make a "sale" (including any contract to sell) of any Bonds to its customers, as such terms are defined in the Minnesota Securities Act, at prices greater than 105%. Without limiting the generality of the foregoing, the purchaser shall agree not to mail or deliver any confirmations to customers or request the payment of funds from customers in Minnesota with respect to any Bonds reoffered at prices greater than 105% until such time as such amendment to the Order of Registration is effective.

If the purchaser represents by letter to the Authority that it is purchasing the Bonds for investment and not with a view to redistribution thereof, the above shall not apply.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Authority's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The Authority reserves the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals with or without cause and without stating any cause, and (iii) reject any proposal which the Authority determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the purchaser, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the College has requested and received a rating on the Bonds from a rating agency, the College will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the purchaser.

CONTINUING DISCLOSURE

The College and Trustee will enter into a Continuing Disclosure Agreement to provide, or cause to be provided, annual financial information, including audited financial statements of the College, and notices of certain material events, as required by SEC Rule 15c2-12.

SETTLEMENT

The Bonds will be delivered on or about May 14, 2003 without cost to the purchaser at a place mutually satisfactory to the Authority and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., of Duluth, Minnesota, and of customary closing papers, including a no-litigation certificate and a certificate pertaining to information in the Official Statement. Certain legal matters will be passed on for the College by Hanft Fride, a Professional Association, Duluth, Minnesota. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the Authority or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the Authority or the College, or their respective agents, the purchaser shall be liable to the Authority and the College for any loss suffered by the Authority or the College by reason of the purchaser's non-compliance with said terms for payment.

OFFICIAL STATEMENT

The Authority has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a deemed-final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the Authority, Springsted Incorporated, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 250 copies of the Official Statement and the addendum or addenda described above. The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated April 16, 2003

BY ORDER OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

/s/ Marianne T. Remedios
Executive Director

OFFICIAL STATEMENT

$11,705,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES FIVE-R
(COLLEGE OF ST. SCHOLASTICA, INC.)

(DTC Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the College of St. Scholastica, Inc., a Minnesota nonprofit corporation (the "College"), owner and operator of an institution of higher education located in Duluth, Minnesota, in connection with the issuance of the Authority's $11,705,000 Revenue Bonds, Series Five-R (College of St. Scholastica, Inc.) (the "Bonds," the "Series Five-R 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 is authorized to issue its obligations to assist institutions of higher education within the State of Minnesota to finance certain projects.

The Bonds are also issued pursuant to the Trust Indenture (the "Indenture") dated as of May 1, 2003 between the Authority and Wells Fargo Bank Minnesota, National Association, Minneapolis, Minnesota as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Issue.

Pursuant to a Loan Agreement (the “Loan Agreement”) dated as of May 1, 2003 between the College and the Authority relating to the Bonds, the Authority is loaning the Bond proceeds to the College and the College will covenant as its general obligation to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The Bond proceeds, along with available College funds and moneys in trustee-held accounts pledged to the payment of Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-N (College of St. Scholastica, Inc.) (the "Series Three-N Bonds" or the “Prior Bonds”), will be used to:

1. acquire, construct, improve and equip various facilities, including a health and fitness center addition and related improvements to Reif Athletic Center;
2. acquire, construct, improve and equip various facilities, including a student housing apartment unit;
3. refund the outstanding principal of the Prior Bonds;
4. fund a debt service reserve; and
5. pay certain issuance costs.

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

In addition to paying a portion of the Project costs, proceeds of the Bonds will be used to fund the Reserve Account and, together with any funds remaining with the Trustee for the Prior Bonds and available therefor, to defease and refund the Prior Bonds. The principal amount of the Prior Bonds being refunded is $1,705,000. See "USE OF PROCEEDS" herein for a more detailed description of the refunding.

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

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

The Bonds shall not be legal or moral obligations of the State of Minnesota nor 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 solely by (a) a pledge by the Authority to the Trustee of amounts payable by the College under the Loan Agreement, and (b) amounts in the Reserve Account and other accounts and funds which will be held by the Trustee and applied to the payment of principal, premium, if any, and interest on the Bonds. The Bonds are not secured by a mortgage on or security interest in any real property or personal property. If an Event of Default occurs, there can be no assurance that security for the Bonds will be sufficient to pay the principal, premium, if any, or interest on the Bonds when due.

Construction Risks

Project construction began in April 2003. The College expects to fully complete the Project by December 31, 2004.

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

Adequacy of Revenues

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

Competition

There is intense competition among institutions of higher education for students both nationally and within the upper Midwest region from which the College draws the majority of its students. Universities and colleges compete principally based on location, 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 College 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 College's unrestricted net assets.

Reliance on Tuition

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

Financial Aid

More than 90% of the College's full-time students who apply for financial aid, or 82% of all full-time students, currently receive some form of financial aid covering at least a portion of tuition and fees and living expenses. See Appendix I, "THE COLLEGE -- Financial Aid" herein. No assurance can be given that federal and state financial aid will continue to be funded at current levels or that the College will continue to fund its internal or institutional student aid at current levels. Curtailment of such aid could cause a decline in enrollment, which could in turn have an adverse effect on the College's revenues.

Damage or Destruction

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

Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the College and computed pro forma debt service coverage is provided in Appendix I under the caption "Annual Debt Service by Fiscal Year and 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 College revenues to satisfy College operations and Bond and other debt service requirements.

Limited Obligation

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Trust Indenture, or the Bonds or the other obligations of the College 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 College under the Loan Agreement and the Reserve Account and other funds, if any, the Trustee holds under the Indenture.

Bankruptcy

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

Other Possible Risk Factors

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

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

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

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

CONTINUING DISCLOSURE

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

THE BONDS

General

The Bonds will be dated May 1, 2003 and will mature annually each December 1, commencing December 1, 2003, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each June 1 and December 1, commencing December 1, 2003.

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.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of

Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

Prior Redemption

Optional Redemption

At the College's request, the Authority may elect to prepay on December 1, 2012 and on any day thereafter Bonds maturing on or after December 1, 2013. Redemption may be in whole or in part and if in part in such order of maturity as the College directs and selected by random means within a maturity. All prepayments shall be at a price of par plus accrued interest.

Extraordinary Optional Redemption

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

Partial Redemption

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

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

Notice of Redemption

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

Determination of Taxability

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

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

USE OF PROCEEDS

Proceeds of the Bonds will be loaned to the College and will, along with available College funds be used to:

1. acquire, construct, improve and equip various facilities, including a health and fitness center addition and related improvements to Reif Athletic Center;
2. acquire, construct, improve and equip various facilities, including a student housing apartment unit;
3. refund the outstanding principal of the Prior Bonds;
4. fund a debt service reserve; and
5. pay certain issuance costs.

These improvements will be located on the College campus in Duluth, Minnesota.

Project Construction

The Health and Recreation Center project, a 59,000 square foot addition to the College's Reif Recreation Center, addresses a long established need for an enhanced indoor student recreational facility. The project will include a six-lane 200 meter running track, four indoor courts, a training room, aerobic and weight training space, and two locker rooms. The project is being designed by TKDA Architects and constructed by Oscar J. Boldt Construction.

The Student Apartment project, a 30,000 square foot structure, will house approximately 96 students in twenty-four apartment units. Each apartment will provide a living room, kitchen, two bedrooms, and a bath within approximately 1,000 square feet of living space. Each apartment will be wired for cable TV and internet access. The plans call for a centrally located gathering space for social activities and two study lounges. The project is being designed and constructed by Oscar J. Boldt Construction.

As of the date of this Official Statement, the College does not have final construction contracts. Based on architectural estimates and construction prices the College has obtained, the College believes that the project can be completed within the cost parameters discussed herein.

Refunding of Prior Bonds

The outstanding Prior Bonds, in the principal amount of $1,705,000, will be redeemed on or about June 1, 2003. The proceeds of the Prior Bonds, in the original principal amount of $3,695,000, were used to finance (i) the acquisition, construction, furnishing and equipping of an approximately 25,000 square foot (three-story) addition to and remodeling of Somers Hall, a residence hall, and (ii) improvement to the campus steam system; all including appurtenant site improvements.

At the Closing Date, Bond proceeds, together with balances in the Prior Bonds Debt Service Reserve Account and other accounts held by the Prior Bonds Trustee will be deposited in the Redemption Account held by the Prior Bonds Trustee. The Prior Bonds Redemption Account will be funded with cash and U.S. Treasury securities sufficient to provide for the defeasance of the entire outstanding principal amount of the Prior Bonds. In accordance with the Indenture for the Prior Bonds, the Prior Bonds will no longer be considered outstanding under that Indenture upon such deposit for prepayment and will be payable solely from the Prior Bonds Redemption Account. From the moneys and investments in the Prior Bonds Redemption Account, the Prior Bonds Trustee on or about June 1, 2003 will pay Prior Bonds interest and fully redeem the outstanding Prior Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of Five-R Bonds	$11,705,000
Accrued Interest	----
Transfers from Prior Bond Debt Service Reserve Fund	375,000
College Contributions	4,047,645
Total Sources:	$16,127,645
Uses of Funds	
Project Construction Costs	$13,137,000
Pay and redeem Prior Bonds	1,756,195
Deposit to Debt Service Reserve Fund	1,000,350
Costs of Issuance	234,100*
Total Uses:	$16,127,645

* In the event Bond issuance costs including Underwriter's discount exceed 2% of the Bond proceeds, such excess shall be paid by the College from other than Bond proceeds.

SOURCE OF PAYMENT FOR THE BONDS

General

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

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

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

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

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

Financial Covenants

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

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

b. At June 30, 2003 and at the end of each Fiscal Year thereafter, Unrestricted Liquid Funds shall be not less than $1,200,000. Within 120 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an Authorized Institution Representative showing the Unrestricted Liquid Funds as of the end of the Fiscal Year. If at the end of any Fiscal Year, Unrestricted Liquid Funds do not equal or exceed $1,200,000, the College shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) additional Unrestricted Liquid Funds at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the College for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

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

For 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 statements of the College, adjusted to: (a) exclude depreciation and amortization expense and include (as a reduction to unrestricted net assets) the cost of current year equipment acquisitions which have been funded through operations and capitalized; (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment and not funded through operations; (c) exclude extraordinary gains or losses; (d) exclude Total Return; and (e) include an amount determined by the College's Endowment Spending Policy.

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

“Endowment Spending Policy” means the spending policy approved from time to time by the College's governing board as applied to endowment funds and long-term investment funds.

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

"Maximum Annual Debt Service," as used above, means the largest total amount of principal and interest on Funded Debt payable by the College in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding and subject to adjustments in accordance with Section 6.14 of the Loan Agreement.

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

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

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

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

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

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which the proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account, except that Bond proceeds in an amount sufficient, along with funds in the Prior Bonds Trustee's possession that may be applied to redeem the Prior Bonds, shall be deposited in the Prior Bonds Redemption Account for the redemption of the Prior Bonds; an amount for costs of issuance, not to exceed two percent of the Bond proceeds, will be deposited into the Construction Account; the amount of the Reserve Requirement will be deposited into the Reserve Account; and accrued interest, if any, will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, 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.

Construction Account

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except those required to be deposited with the Prior Bonds Trustee or into the Bond and Interest Sinking Fund Account and the Reserve Account. In addition, the College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of the College's available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds. Upon receipt of specified documentation, the Trustee will reimburse, or pay for the account of the College, costs incurred in connection with the Project and costs of issuing the Bonds. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Redemption Account or the Bond and Interest Sinking Fund Account under certain conditions. In no event may proceeds of the Bonds be applied to the costs of issuance thereof (including underwriting discount) in an amount in excess of two percent of the proceeds of the Bonds.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. 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 irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time. All amounts paid by the College as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account will be deposited into the Reserve Account in order to maintain the Reserve Account in an amount not less than the Reserve Requirement.

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

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

Redemption Account

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

Amounts on deposit to the credit of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account; second, to create and maintain the

Reserve Requirement in the Reserve Account; and, third, for the redemption of outstanding Bonds at the request or direction of the College for the purchase of outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Authorized Investments

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

GENERAL BOND RESERVE ACCOUNT

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

FUTURE FINANCING

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

THE AUTHORITY

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

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

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $650 million. The Authority has had 135 issues (including refunded and retired issues) totaling $954,758,307, of which $562,699,574 is outstanding as of April 1, 2003. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

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

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

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

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

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

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

FINANCIAL ADVISOR

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

RATING

As noted on the cover hereof, an application for a rating on the Bonds has been requested from Moody's Investors Service ("Moody's") 99 Church Street, New York, New York. If a rating is assigned, it will reflect only the opinion of Moody’s. Further information concerning the rating is available from Moody's.

There is no assurance that such rating, if assigned, will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

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

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the College by Hanft Fride, a Professional Association, Duluth, Minnesota. Mr. William M. Burns, an attorney with Hanft Fride, is a member of the College's Board of Trustees.

TAX EXEMPTION

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

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

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

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

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

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

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

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

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

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

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

THE COLLEGE

The College of St. Scholastica, located in Duluth, Minnesota, is a co-educational, four-year, liberal arts college. The College was founded in 1912 by the Benedictine Sisters Benevolent Association and is shaped by its Benedictine heritage. The College offers programs in the liberal arts and sciences and professional career fields. The entire St. Scholastica community is committed to an educational process that requires students to meet rigorous academic standards, to broaden the scope of their knowledge, and to be accountable to both self and society.

The College serves 2,518 full-time and part-time students. The small community enables each student to participate in academics, extracurricular activities, and recreational activities. The College's 13:1 student-teacher ratio makes it easier to seek individualized help and encouragement.

The College also offers an accelerated degree evening program in the Minnesota cities of Duluth, Brainerd, and St. Paul. The College has consortium agreements through which students may enroll in courses at other colleges in the region. Opportunities to study abroad exist with the College's study center in Louisburgh, Ireland; a Russian language exchange program in Petrozavodsk, Russia; and exchange programs in Leipzig, Germany, and Lille, France.

Graduates of the College have been recognized for their academic and professional preparation. For the year ending June 2002, 99 percent of graduates either secured employment or enrolled in graduate school within six months of graduation. *U.S. News & World Report* magazine's 2003 "America's Best Colleges" rankings put St. Scholastica in the top tier of Midwestern colleges for academic excellence and affordability.

Governance

The current By-Laws provide for a Board of Trustees of not less than 27 persons, including the President of the College, the President of the Benedictine Sisters Benevolent Association, the President of the Student Senate, the Vice-Chair of the Faculty Assembly, the President of the Alumni Association, and a representative of the staff of the College. At all times, at least 25% of the voting Trustees must be members of the Benedictine Sisters Benevolent Association.

Board of Trustees – Officers & Members

* *Not a member of the Board of Trustees*

President

Dr. Larry Goodwin became the eleventh President of the College in 1999. Prior to his appointment as President, he served as Interim President from 1998 to 1999, Dean of Faculty from 1987 to 1998, and also as Vice President for Academic Affairs from 1993 to 1998. Prior to joining the College, Dr. Goodwin was the acting Associate Academic Dean at the College of St. Catherine in St. Paul, Minnesota, where he also taught for ten years. Dr. Goodwin received a Ph.D. in Theology from The University of Chicago in 1976.

Vice President for Academic Affairs/Dean of Faculty

Susan Tarnowski became the Vice President for Academic Affairs and Dean of Faculty at the College in 2001. Prior to joining the College, Dr. Tarnowski was the Interim Associate Dean, College of Arts and Sciences, from 1999-2001 and also the Assistant Dean, College of Arts and

Sciences, from 1995-1999 at the University of Wisconsin, Eau Claire. Dr. Tarnowski holds a Doctor of Philosophy degree in Music/Music Education from the University of Minnesota.

Vice President for Finance

Patrick Flattery, Vice President for Finance, is also the chief financial officer and treasurer for the College. Prior to his joining the College in 1999, Mr. Flattery was the Director of Business and Finance for the Duluth Public Schools in Duluth, Minnesota. Mr. Flattery is a Certified Public Accountant and earned his BA in Accounting in 1978 from the University of Minnesota, Duluth.

Academic Information – Undergraduate Program

The College operates on a conventional semester system. A full-time student is defined as one enrolled for a minimum of 12 semester credit hours; 128 semester credits are required for graduation, of which one third are general education credits.

The academic program consists of three parts: general education requirements, a major, and open electives. The major prepares the student for graduate school or for a profession and is normally selected by the end of the sophomore year. Elective courses allow students to pursue particular interests. The general education program includes a system of area distribution requirements, a First-Year Program, and an upper-division writing course elective.

Admission Requirements

The College seeks to identify and admit students who have a strong probability of success in a demanding curriculum and rigorous academic major. Historically, the student who successfully demonstrates academic aptitude in high school or in a home school curriculum, has above average ACT and/or SAT scores, and ranks in the upper half of his or her senior class is admitted to the College. Transfer students must demonstrate similar success in the college-level environment, with a minimum cumulative GPA of 2.0 for admission consideration. The College welcomes students from differing ethnic, religious, racial, economic, and geographic backgrounds.

Majors and Degrees

The College offers a Bachelor of Arts degree in the following majors: Accounting, Behavioral Arts and Sciences, Biochemistry, Biology, Business Communication, Chemistry, Communication, Computer Science/Information Systems, Applied Economics, Education, Educational Media and Technology, English, Exercise Physiology, Health Information Management, Health Sciences, History, Humanities, International Management, Languages and International Studies, Management, Mathematics, Music, Natural Sciences, Nursing, Occupational Therapy (entry master's program), Ojibwe Language & Cultural Education, Organizational Behavior, Physical Therapy (entry master's program), Psychology, Religious Studies, self-designed major, Social Science/Secondary Education, and Social Work.

Minors are available in most of the major fields as well as in American Indian Studies, Art, French, German, Gerontology, Medieval and Renaissance Studies, Philosophy, Political Science, Russian, self-designed minor, Spanish, Theatre, and Women's Studies.

Graduate Programs

The Colleges offers graduate programs including the Master of Education in Curriculum and Instruction, Master of Education in Educational Media and Technology, Master of Arts in Management, Master of Arts in Nursing, Master of Arts in Occupational Therapy, Master of Arts in Physical Therapy, Master of Arts in Exercise Physiology, and a Master of Arts in Health Information Management.

Campus and Buildings

The College's campus is located on 185 acres on a ridge overlooking Lake Superior in a residential area of Duluth, Minnesota.

Tower Hall, constructed in the years 1912-26, served all the needs of the College in its early years, including student housing. Today the campus consists of the Mitchell Auditorium, including a 500-seat music hall; the Science Center, which features a 1997 $4 million expansion; Our Lady Queen of Peace Chapel; the Myles Reif Recreation Center; the College Library; the St. Scholastica Theatre; Tower Hall; and Somers Residence Hall that also includes a wing of residence hall suites. Five apartment complexes – Grove, Birch, Maple, Pine, and Willow – provide additional on campus student housing.

Adjoining the campus are the St. Scholastica Monastery, the home of the Benedictine Sisters; the Benedictine Health Center, which serves the needs of the Duluth area and provides many health science and behavioral arts and sciences students with opportunity to obtain practical experience; and Westwood, a continuous care facility for senior citizens.

Housing

The College currently has 681 beds available on campus. For the 2002-2003 academic year, an average of 723 beds were occupied, resulting in a 106.2% occupancy rate. Increases in enrollment in the 2002-2003 academic year required special arrangements to deal with student overflow housing. The Project funded by the Bonds includes removal of existing housing facilities totaling 48 beds to make room for construction of the health and fitness center, but also includes the construction of a student housing apartment unit, which will add 96 beds for a net gain of 48 beds on the College's campus.

Student Body

The College's actual head count enrollment and full-time equivalent fall enrollment is:

Year - Fall of	Head Count	FTE	Undergraduate FTE
1998	2,069	1,736	1,218
1999	2,084	1,830	1,235
2000	2,062	1,837	1,222
2001	2,231	2,007	1,224
2002	2,518	2,323	1,423

The average ACT score for first year students is 24 as of the most recent academic year.

Undergraduate applications, acceptances and matriculations:

	1998	1999	2000	2001	2002
Applications	615	695	825	958	1,055
Acceptances	559	610	764	841	927
Matriculations	245	276	307	298	383

Graduation rate for first year students graduating in four years:

Entering Year	4-year Graduation rate
1994	49.2%
1995	54.6%
1996	47.0%
1997	57.6%
1998	53.8%

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

Fall 1997 to Fall 1998	82.3%
Fall 1998 to Fall 1999	83.0%
Fall 1999 to Fall 2000	75.5%
Fall 2000 to Fall 2001	80.3%
Fall 2001 to Fall 2002	84.0%

Tuition and Fees

The College meets the costs of its educational programs primarily through tuition and fees. The following table lists the schedule of charges for a full-time resident student for the past five years:

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Annual Tuition	$ 14,970	$ 15,420	$ 16,190	$ 17,080	$ 18,106
Housing:					
Somers Residence Hall:					
Double room (with board)	4,134	4,760	4,952	5,198	5,406
Suite (with board)	4,353	4,676	4,864	5,108	5,312
Apartments:					
Grove Apartments	2,031	2,268	2,380	2,500	2,600
Pine Apartments	2,271	2,520	2,646	2,780	2,890
Maple, Willow, and Birch Apartments	2,394	2,656	2,788	2,930	3,046
Health Service Fee	90	90	100	100	110
Total for Student in Somers Hall (double room w/board)	$ 19,194	$ 20,270	$ 21,242	$ 22,378	$ 23,622

In addition, students taking certain courses are charged laboratory fees.

2002/2003 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Comprehensive Fees)

COMPREHENSIVE CHARGES FOR 2002-2003
AT MINNESOTA'S PRIVATE COLLEGES

COLLEGE/UNIVERSITY	Tuition and Required Fees	Room and Board	Comprehensive Charges*
Carleton College	$ 26,910	$ 5,535	$ 32,445
Macalester College	$ 23,772	$ 6,516	$ 30,288
St. Olaf College	$ 22,200	$ 4,750	$ 26,950
Minneapolis College of Art & Design	$ 21,624	$ 5,200	$ 26,824
Gustavus Adolphus College	$ 20,450	$ 5,170	$ 25,620
University of St. Thomas	$ 19,468	$ 5,858	$ 25,326
Hamline University	$ 19,213	$ 5,846	$ 25,059
College of Saint Benedict	$ 19,226	$ 5,789	$ 25,015
Saint John's University	$ 19,226	$ 5,554	$ 24,780
Bethel College	$ 17,800	$ 6,200	$ 24,000
Augsburg College	$ 18,193	$ 5,690	$ 23,883
College of St. Scholastica	**$ 18,216**	**$ 5,406**	**$ 23,622**
College of St. Catherine	$ 18,362	$ 5,170	$ 23,532
Concordia University, St. Paul	$ 17,326	$ 5,530	$ 22,856
Saint Mary's University of Minnesota	$ 15,675	$ 4,940	$ 20,615
Concordia College, Moorhead	$ 15,635	$ 4,310	$ 19,945
Bethany Lutheran College	$ 12,520	$ 4,688	$ 17,208
Average:	$ 19,166	$ 5,421	$ 24,587

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

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

Source: *The Minnesota Private College Council*

Financial Aid

More than 90 percent of full-time students at the College who apply for financial aid receive some form of aid; the average award is more than $15,000. The following table is a five-year trend of financial aid by category received from both College and non-College funds:

Source	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
Federal:	$ 1,027,138	$ 1,195,720	$ 1,191,149	$ 1,457,225	$ 1,792,905
State	1,995,164	2,192,477	2,294,228	2,491,636	3,105,535
College	4,272,475	5,231,613	6,377,804	6,761,411	7,691,355
Private	509,804	510,815	625,210	659,454	741,614
Total	$ 7,804,581	$ 9,130,625	$ 10,488,391	$ 11,369,726	$ 13,331,409
Loans	$ 10,263,691	$ 10,264,987	$ 10,422,204	$ 12,182,735	$ 14,296,636
Workstudy	815,290	796,177	761,529	675,676	858,693
Grand Total	$ 18,883,562	$ 20,191,789	$ 21,672,124	$ 24,228,137	$ 28,486,738
Number of full-time students receiving financial aid	997	970	979	1102	1004

Faculty and Staff

The College employs a total of 467 persons. Of these, 198 are faculty with 121 being full-time and 77 part-time. Average salaries by full-time faculty rank are:

Rank	Number	Average Salary	Percent Tenured
Professor	16	$ 65,314	100%
Associate Professor	30	$ 56,975	87%
Assistant Professor	59	$ 45,673	11%
Instructor	16	$ 36,646	0%

The College has entered into two collective bargaining agreements with the International Union of Operating Engineers, Local No. 70, covering the wages, hours, and working conditions for its maintenance and janitorial employees. The current three-year agreements cover approximately twenty-two employees and expire June 30, 2003. Negotiations have commenced for the next contract period. The College has never experienced an employee work stoppage.

Pension Plans

The College participates in the Teachers Insurance and Annuity Association and College Retirement Equities Fund program (TIAA-CREF), which covers faculty and staff employees working more than 1,000 hours per year. Benefits are based upon amounts accumulated for the account of each individual employee at date of retirement. For the fiscal year ending June 30, 2002, the College contributed $869,717.

Investments

Following is a five-year history of the ending fund balances of the College's Permanently Restricted Net Assets held as endowment funds and Unrestricted Net Assets held as long-term investments (quasi-endowment funds) at market value:

Fiscal Year Ending June 30	Endowment	Long-Term Investment (Quasi-Endowment)	Total
2001-2002	$ 9,551,235	$ 5,872,947	$ 15,424,182
2000-2001	$ 8,474,639	$ 7,523,275	$ 15,997,914
1999-2000	$ 7,893,083	$ 9,256,784	$ 17,149,867
1998-1999	$ 7,372,696	$ 7,887,087	$ 15,259,783
1997-1998	$ 6,990,864	$ 7,046,244	$ 14,037,108

The fund balances described above reflect a portion of the College's Total Net Assets and are the funds that are subject to the College's Endowment Spending Policy. The College's Endowment Spending Policy has followed the total return concept for its endowment funds and long-term investment funds. Under this concept, endowment income and long-term investment income to be distributed and spent for operational purposes is established as a percentage of the five-year average of year-end value of that portion of Total Net Assets described above. This percentage is determined annually by the Board of Trustees, and for fiscal years 2001 and 2002 the percentages were 5.5% and 5.5%, respectively. Based on this formula and spending rate, the total distributable income for the years ended May 31, 2001 and 2002 was $795,342 and $806,743, respectively.

Gifts and Grants

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

Fiscal Year Ending June 30	Unrestricted	Temporarily Restricted	Permanently Restricted
2001-2002	$ 4,138,153	$ 775,539	$3,056,491
2000-2001	$ 3,068,038	$1,439,824	$ 709,815
1999-2000	$ 3,721,784	$ 920,070	$ 401,437
1998-1999	$ 3,471,922	$ 833,729	$ 389,396
1997-1998	$ 2,839,770	$ 802,742	$ 252,207

Capital Campaign

The College Board of Trustees approved a comprehensive capital campaign in early 2001. During its formative phase, the College has recruited key volunteers across the nation from its current and former trustees, alumni and alumnae leadership, parents, and friends. The campaign goals are to increase current annual giving programs, secure current and restricted gifts for capital needs, and strengthen endowment, as well as to significantly increase participation in the College's estate gift planning program.

The College is in the latter stages of the quiet phase of the campaign, during which leadership gifts and pledges are being raised. The size of the campaign was originally $28 million; this amount was recently increased to $31 million by the Board of Trustees. As of the end of February 2003, the College had raised $16.7 million towards its goal. The campaign is expected to enter the public phase in June 2003.

Presentation of Financial Statements

Appendix VI sets forth the financial statements of the College for fiscal years ended June 30, 2002 and 2001, audited by Virchow, Krause & Company, LLP, Certified Public Accountants, Minneapolis, Minnesota and prepared in accordance with generally accepted accounting principles (GAAP). The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

Summaries of Unrestricted Funds Revenues, Expenditures and Transfers

The table on the next page sets forth the statement of activities (unrestricted portion only) prepared in accordance with GAAP for the Fiscal Years 1998 through 2002. For more complete information of the College for the Fiscal Years ended June 30, 2002 and 2001, see Appendix VI of this Official Statement.

COLLEGE OF ST. SCHOLASTICA, INC.
Statement of Unrestricted Activities

For the Years Ended June 30,

	1998	1999	2000	2001	2002
REVENUES, GAINS AND OTHER SUPPORT					
Tuition & Fees	$22,282,642	$23,400,596	$24,718,539	$26,664,467	$30,296,460
Less: Scholarships and grants	(5,071,083)	(6,122,959)	(7,379,666)	(7,939,301)	(8,945,817)
Net tuition and fees	17,211,559	17,277,637	17,338,873	18,725,166	21,350,643
Government grants	2,314,629	2,451,788	2,585,468	2,445,763	3,679,581
Private gifts	525,141	1,020,134	1,136,316	622,275	458,572
Endowment income	604,932	94,872	157,780	(2,068,156)	(887,564)
Contributed services, net of expenses	329,108	139,292	147,659	109,343	114,746
Other sources	615,819	652,495	670,492	746,794	1,006,029
Investment income	232,263	300,905	415,614	519,397	251,443
Sales of services of auxiliary enterprises	2,987,376	3,130,850	3,441,234	3,337,157	3,595,085
	24,820,827	25,067,973	25,893,436	24,437,739	29,568,535
Net assets released from restrictions	2,662,017	1,682,165	1,987,180	1,342,593	972,710
Total Revenues, Gains and Other Support	27,482,844	26,750,138	27,880,616	25,780,332	30,541,245
EXPENSES AND LOSSES					
Program expenses					
Instruction	13,981,840	11,140,305	11,539,867	12,570,882	15,128,666
Public service	2,046,471	2,170,385	2,111,428	1,953,379	2,150,363
Academic support	2,960,012	2,783,239	2,729,886	2,831,105	3,054,833
Student services	3,662,444	3,367,029	3,537,823	3,702,368	4,342,562
Auxiliary enterprises	2,849,080	2,869,907	2,952,591	2,823,952	2,932,313
Support expenses					
Institutional support	2,229,752	2,663,044	3,046,318	2,832,501	3,061,474
Allocable expenses					
Operation and maintenance of plant	1,895,439	1,848,712	1,830,685	1,895,612	1,903,623
Interest expense	749,591	717,856	676,761	615,057	468,480
Depreciation expense	1,573,051	1,574,537	1,356,941	1,247,515	1,260,863
Amortization expense	13,144	11,938	11,938	11,096	8,125
Less: Allocated expenses	(4,231,225)	(4,153,043)	(3,876,325)	(3,769,280)	(3,641,091)
Loss on disposal of plant facilities	16,111	10,727	18,095	7,302	0
Total Expenses and Losses	27,745,710	25,004,636	25,936,008	26,721,489	30,670,211
Increase (Decrease) in Net Assets Before Extraordinary Loss	(262,866)	1,745,502	1,944,608	(941,157)	(128,966)
Extraordinary Loss				(133,441)	
Increase (Decrease) in Net Assets	(262,866)	1,745,502	1,944,608	(1,074,598)	(128,966)
NET ASSETS -- Beginning of Year	27,008,343	26,745,477	28,490,979	30,435,587	29,360,989
NET ASSETS -- END OF YEAR	**$26,745,477**	**$28,490,979**	**$30,435,587**	**$29,360,989**	**$29,232,023**

Source: Audited financial statements of the College

Long-Term Debt of the College

The College's total long-term debt outstanding as of March 31, 2003, and adjusted to include the Bonds, is as follows:

1) $3,695,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-N, dated March 1, 1993; interest rates from 5.40% to 6.20%; final maturity due December 1, 2012; $1,705,000 is outstanding. The full faith and credit of the College and a debt service reserve account secure the bonds. These bonds will be redeemed by the Bond proceeds.
2) $2,000,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-E, dated April 1, 1996; interest rates from 4.25% to 5.35%; final maturity due March 1, 2006; $700,000 is outstanding. The full faith and credit of the College secure the bonds.
3) $5,960,000 Minnesota Higher Education Facilities Authority Revenue Refunding Bonds, Series Five-J, dated May 1, 2001; interest rates from 4.625% to 5.25%; final maturity due December 1, 2014; $5,250,000 is outstanding. The full faith and credit of the College secure the bonds.
4) The Bonds -- at $11,705,000.

As of March 31, 2003 the College's total long-term debt outstanding was $7,655,000. Proceeds from the Bonds and other funds (see "USE OF PROCEEDS" herein) will redeem the Series Three-N Bonds (the "Prior Bonds") in the total outstanding principal amount of $1,705,000. The College's total long-term debt after redeeming the Prior Bonds and issuing the Bonds will be $17,655,000.

Annual Debt Service by Fiscal Year and Coverage Statement

The following table shows (i) the estimated debt service on the Bonds for each of the listed Fiscal Year; (ii) the annual debt service of the College for each of the listed Fiscal Years with respect to all other long-term indebtedness outstanding after issuance of the Bonds; (iii) the combined total annual debt service for each of such Fiscal Years; and (iv) the amount of coverage for the combined annual debt service provided by the “income available for debt service” for the Fiscal Year ending June 30, 2002, as further detailed in footnote (d) of the table.

This table is intended merely to show the relationship of Fiscal Year 2002 revenues of the College available for the payment of debt service to a pro forma statement of combined annual debt service of the College based on an assumed interest rate and amortization schedule with respect thereto. It is not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the College. There is no assurance that the future revenues, expenses, debt service and debt service coverage of the College or the respective relationships thereof will correspond to the revenues, expenses and debt service or the respective relationships thereof shown by or reflected in the following table.

Annual Debt Service by Fiscal Year and Pro Forma Coverage Statement

Fiscal Year (1)	Estimated Debt Service on the Bonds (a) (2)	Estimated Reserve Acct Earnings and Adjustments (3)	Outstanding Long-term Debt Service (4)	Combined Long-term Debt Service (b) (5)	Pro Forma Amount Available for Debt Service (c) (6)	Pro Forma Coverage (times) (d) (7)
2004	$ 830,579	$ 35,465	$ 862,714	$ 1,657,828	$ 2,155,055	1.30
2005	781,288	33,866	859,093	1,606,514	2,155,055	1.34
2006	688,093	33,866	951,030	1,605,256	2,155,055	1.34
2007	769,254	33,866	637,178	1,372,565	2,155,055	1.57
2008	773,394	33,866	635,625	1,375,153	2,155,055	1.57
2009	766,641	33,866	642,163	1,374,938	2,155,055	1.57
2010	773,930	33,866	636,525	1,376,589	2,155,055	1.57
2011	770,321	33,866	638,963	1,375,418	2,155,055	1.57
2012	761,199	33,866	649,563	1,376,895	2,155,055	1.57
2013	1,039,910	33,866	370,806	1,376,850	2,155,055	1.57
2014	1,040,816	33,866	368,350	1,375,300	2,155,055	1.57
2015	1,030,118	224,205	379,713	1,185,625	2,155,055	1.82
2016	754,834	27,204	0	727,630	2,155,055	2.96
2017	755,130	27,204	0	727,926	2,155,055	2.96
2018	759,160	27,204	0	731,956	2,155,055	2.94
2019	756,963	27,204	0	729,758	2,155,055	2.95
2020	758,589	27,204	0	731,385	2,155,055	2.95
2021	758,874	27,204	0	731,670	2,155,055	2.95
2022	757,793	27,204	0	730,588	2,155,055	2.95
2023	755,310	27,204	0	728,106	2,155,055	2.96
2024	756,370	27,204	0	729,166	2,155,055	2.96
2025	755,914	27,204	0	728,710	2,155,055	2.96
2026	758,670	27,204	0	731,466	2,155,055	2.95
2027	754,743	27,204	0	727,538	2,155,055	2.96
2028	754,248	27,204	0	727,043	2,155,055	2.96
2029	756,900	27,204	0	729,696	2,155,055	2.95
2030	757,558	27,204	0	730,353	2,155,055	2.95
2031	756,056	27,204	0	728,852	2,155,055	2.96
2032	757,244	27,204	0	730,040	2,155,055	2.95
2033	756,131	804,467	0	(48,335)	2,155,055	n/a

(a) Estimated based on observed rates as of April 9, 2003.

(b) Column (2) plus column (4) minus column (3).

(c)

Fiscal Year ended June 30, 2002 Increase in Unrestricted Net Assets	$ (128,966)
Plus:	
Depreciation and amortization	1,268,988
Interest Expense	468,480
Net assets released for equipment and buildings	-
Net income generated by housing portion of project	100,000
Unrealized losses on investments	896,432
Less:	
Equipment Acquired, funded through operations and capitalized	(449,879)
Unrealized gains on investments	-
Amount available for Debt Service	$ 2,155,055

(d) Column (6) divided by column (5)

PROPOSED FORM OF LEGAL OPINION

$11,705,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES FIVE-R
(COLLEGE OF ST. SCHOLASTICA, INC.)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book-entry) Revenue Bonds, Series Five-R (College of St. Scholastica, Inc.), in the aggregate principal amount of $11,705,000 (the "Bonds"), dated May 1, 2003. The Bonds mature on December 1 in the years 2003 through 20_____ and on December 1, 20_____ and 20_____, and bear interest at the interest rates per annum specified in the Indenture (defined below) for each maturity subject to an increase in such interest rates in the event of a Determination of Taxability. The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as provided in the Indenture.

The Bonds are issued for the purpose of funding a loan from the Authority to the College of St. Scholastica, Inc. (the "College"), a Minnesota nonprofit corporation, located in Duluth, Minnesota, in order to finance (i) the refunding of an outstanding series of bonds namely, the Authority's $3,695,000 Revenue Bonds, Series Three-N (College of St. Scholastica, Inc.) and (ii) a project consisting of the construction, acquisition, equipping and improvement of educational facilities, as further described in the Loan Agreement. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College and the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee") each dated as of May 1, 2003, one or more opinions of Hanft Fride, a Professional Association, as counsel to the College, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Hanft Fride, a Professional Association, as to the Loan Agreement having been duly authorized and executed and being binding upon the College, as to the corporate organization, tax-exempt status, good standing and powers of the College, and as to title to the Project Site (as defined in the Loan Agreement and Indenture), all without examining the records of the College or original title records or abstracts of title.

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

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

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

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

3. The Bonds are secured by the assignment of the loan repayments payable by the College under the Loan Agreement to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payment held by the Trustee, as assignee, under the Loan Agreement.

4. Assuming compliance with certain covenants in the Loan Agreement and Indenture, under existing laws, regulations, rulings and decisions as presently construed, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in taxable income of individuals, estates and trusts for purposes of Minnesota income taxation. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds, however, is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

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

Dated: May _____, 2003

Respectfully submitted,

ANNUAL REPORT INFORMATION

The Annual Report Date will be 270 days after each fiscal year end, commencing with the fiscal year ended June 30, 2003. 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 Aid
        - Faculty and Staff
        - Investments

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

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

    d. An update of footnote (d) on the Annual Pro Forma Debt Service by Fiscal Year and Pro Forma Coverage Statement – College of St. Scholastica provided in the Official Statement.

DEFINITION OF CERTAIN TERMS

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

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

Authority: The Minnesota Higher Education Facilities Authority.

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

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

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

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

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

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

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

Bond Resolution: The Series Resolution of the Authority adopted on April 16, 2003, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-R (College of St. Scholastica, Inc.) and any Additional Bonds.

BSBA: The Benedictine Sisters Benevolent Association, a Minnesota nonprofit corporation having its principal office in Duluth, Minnesota.

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

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

College: College of St. Scholastica, Inc., a Minnesota nonprofit corporation, its successors and assigns.

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

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

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

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

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

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

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

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

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

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank Minnesota, National Association, Minneapolis, Minnesota, as Trustee, dated as of May 1, 2003, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: The College of St. Scholastica, a Minnesota institution of higher education with its main campus located in Duluth, Minnesota and owned and operated by the College.

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

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

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

Lease: That certain Lease dated June 11, 1987 between the College and BSBA, which Lease is automatically renewable at the College's option for successive ninety-five year terms, as restated and amended on June 1, 1989 and as amended as of June 1, 1991, as of February 1, 1993 and as of May 1, 2001, and supplemented by those certain Agreements dated June 1, 1989, June 1, 1991, February 1, 1993, May 1, 2001 and May 1, 2003, as from time to time hereafter amended or supplemented.

Loan Agreement: The Loan Agreement between the Authority and the College relating to the Bonds, dated as of May 1, 2003, as amended or supplemented from time to time.

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

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

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

Prior Bonds: The Series Three-N Bonds.

Prior Bonds Project: The Series Three-N Project.

Project: The Project consists of the following: (i) acquiring, constructing, improving and equipping various facilities, including a health and fitness center addition referred to as the Wellness Center and related improvements to Reif Athletic Center; and (ii) acquiring, constructing, improving and equipping various facilities, including a student housing apartment unit.

Project Buildings: The health and fitness center addition and related improvements to Reif Athletic Center and the student housing apartment unit constructed, furnished, renovated, and/or equipped by the proceeds of the Bonds, and an addition to Somers Hall and related improvements to Somers Hall, constructed or improved with proceeds of the Prior Bonds.

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

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

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

Project Site: Those portions of land described on Exhibit A to the Loan Agreement, which are owned or leased by the College, and on which any Project Buildings are or will be located or otherwise to be improved as part of the Project or the Prior Bonds Project.

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

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

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

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

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

Series Five-R Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-R (College of St. Scholastica, Inc.).

Series Three-N Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-N (College of St. Scholastica, Inc.).

Series Three-N Project: Use of the Series Three-N Bond proceeds (i) to acquire, construct, furnish and equip an approximately 25,000 square foot (three-story) addition to and remodeling of Somers Hall, a residence hall, and (ii) to improve the campus steam system; all including appurtenant site improvements.

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

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

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The College represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than December 31, 2004, subject only to “force majeure,” as provided in the Loan Agreement. The College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized “project” under the Act or will adversely affect the tax exempt status of interest on the Bonds and an opinion of counsel to such effect is furnished. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds, including investment earnings in the Construction Account.

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

Loan Repayments

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

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

Sinking Fund Account of certain investment earnings and certain excess funds); and

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

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

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

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

(f) at least five (5) business days prior to each December 1, commencing December 1, _______, into the Bond and Interest Sinking Fund Account, the amount, if any, as shall be necessary and sufficient to redeem on the next succeeding December 1, at par plus accrued interest, the amount of the Bonds specified in Section 5.01 of the Indenture.

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

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

Operating Expenses and Liens

The College 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 College 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 the Trustee shall notify the College that, in the opinion of Independent Counsel, by nonpayment of any such items the Project Facilities or any part thereof will be subject to loss or forfeiture, in which event the College shall promptly pay and cause to be satisfied and discharged all such unpaid items.

Taxes and Other Governmental Charges

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

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

Insurance

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

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

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

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

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

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

Damage or Destruction

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

If the Bonds are redeemed, the available Net Proceeds or (if less) the pro rata portion in respect of any Project Building shall be used for redemption or purchase of outstanding Bonds. "Pro rata portion" means the following percentages of the principal amount of outstanding Bonds:

(i) 43% of the principal amount of Outstanding Bonds in the case of the student apartment residence facility; and

(ii) 57% of the principal amount of Outstanding Bonds in the case of the Wellness Center.

Condemnation

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

If the Bonds are to be redeemed, the available Net Proceeds (or if less, the pro rata portion) in respect to any Project Facilities which the College elects not to repair, rebuild or restore shall be used for redemption or purchase of outstanding Bonds. For purposes of this provision, "pro rata portion" shall be defined as set forth above under "Damage or Destruction."

Removal or Release of Project Equipment and Building Equipment

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

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

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

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

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

Indemnification

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

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

Existence and Accreditation of College

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

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

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

Institution to be Nonsectarian

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

Federal Income Tax Status

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

Determination of Taxability

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

Other Covenants

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

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

Events of Default

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

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

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

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

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

(e) If the College shall default (as defined in the Lease) under the Lease, or if any portion of the Lease shall be terminated by the College or BSBA other than in connection with (i) the redemption of Outstanding Bonds, in whole or in part, pursuant to Section 5.08 or 5.09 of the Loan Agreement for Somers Hall; or (ii) the redemption in whole or in part of the Authority's outstanding Revenue Bonds, Series Five-J (College of St. Scholastica, Inc.), dated May 1, 2001, pursuant to Section 5.08 or 5.09 of that certain Loan Agreement dated as of May 1, 2001 between the Authority and the College for Tower Hall inclusive of the Auditorium and the Student Union; or

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

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

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

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

Remedies on Default

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

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

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

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

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

Amendments

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

THE INDENTURE

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

Granting Clauses

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

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

(b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture (but excluding all moneys and investments in the Escrow Fund) 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

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

Accounts

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

Trustee's Right to Payment

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

Additional Bonds

In addition to the Bonds, the Indenture permits the issuance of one or more series of Additional Bonds by the Authority, acting at the request of the College, equally and ratably secured on a parity with the Bonds to provide funds for the following purposes:

(i) completion of the Project, (ii) refunding of all or any series or portion of a series of then outstanding Bonds, (iii) improvements or alterations, repairs or replacement of the Project Facilities, or (iv) other project or projects as authorized by the Act.

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

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

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

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

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

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

Remedies

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

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

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

Concerning the Trustee

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

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the College shall:

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

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

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

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

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

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

Supplemental Indentures

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

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

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

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

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

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

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

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

Amendments to the Loan Agreement

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

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

Registration

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

THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions of the Continuing Disclosure Agreement. This summary does not purport to be complete and reference is made to the full text of the Continuing Disclosure Agreement for a complete recital of its terms.

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

The College has covenanted for the benefit of holders of the Bonds to provide certain financial information and operating date by not later than 270 days following the end of the College's fiscal year commencing with fiscal year ending June 30, 2003, and to provide notices of the occurrence of certain enumerated events, if material.

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

Definitions

"Annual Report" means, with respect to the Reporting Party, a document or set of documents which contains (or includes by reference as provided in Section 2 hereof) financial and operating data with respect to the Reporting Party described in Exhibit "A" of the Continuing Disclosure Agreement.

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

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

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

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

"Participating Underwriter" shall mean ______________________________.

"Reporting Party" shall mean, subject to release as provided in "Termination" below, the College; together with any successors or assigns as provided in Section 4 hereof.

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

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934, as in effect on the date hereof.

“State Repository” shall mean any public or private repository or entity designated by the State of Minnesota as a state repository for the purpose of the Rule. As of the date of the Continuing Disclosure Agreement.

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

Provisions of Annual Report

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

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

Reporting of Listed Events

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

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

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

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

Termination of Reporting Obligation

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

Amendment

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

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

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

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

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

Additional Information

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

Default

In the event of a failure of the Reporting Party to provide a timely Annual Report or to report the occurrence of a Listed Event, the Trustee or any Holder of Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Reporting Party to provide the reports. In the event of a failure of the Reporting Party to comply with provisions (with regard to the Annual Report and Reporting of Listed Events) or a challenge to the adequacy of any report, the Trustee may (and, at the request the Holders of at least 51% of the aggregate principal amount of Bonds then outstanding, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Reporting Party to comply with its obligations under the Continuing Disclosure Agreement.

Beneficiaries

This Agreement shall inure solely to the benefit of the parties hereto, the Participating Underwriter and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

COLLEGE OF ST. SCHOLASTICA, INC.
FINANCIAL STATEMENTS INCLUDING
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2002 AND 2001

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
College of St. Scholastica, Inc.
Duluth, Minnesota

We have audited the accompanying statements of financial position of the College of St. Scholastica, Inc. as of June 30, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College of St. Scholastica, Inc. at June 30, 2002 and 2001 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Virchow, Krause & Company, LLP

Minneapolis, Minnesota
August 14, 2002

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2002 and 2001

ASSETS

	2002	2001
Cash and cash equivalents	$ 5,143,797	$ 5,433,842
Student accounts receivable, net of allowance for doubtful accounts of $182,300 and $144,000	1,072,813	761,754
Grants receivable	18,079	3,882
Contributions receivable	2,679,245	728,911
Other receivables	518,059	467,811
Inventories	41,476	40,578
Prepaid expenses and other assets	100,789	13,640
Real estate held for sale	22,000	22,000
Student notes receivable, net of allowance for doubtful notes of $156,900 and $149,100	4,456,149	4,395,084
Investments held by trustee	1,174,929	1,241,055
Investments	16,253,249	16,262,799
Debt acquisition costs	103,832	111,957
Property, plant and equipment	27,339,876	27,055,648
TOTAL ASSETS	$ 58,924,293	$ 56,538,961

LIABILITIES AND NET ASSETS

	2002	2001
LIABILITIES		
Accounts payable	$ 721,382	$ 520,780
Accrued liabilities	1,387,715	1,535,756
Deposit accounts	612,054	399,234
Deferred revenue	1,246,401	1,027,912
Bonds and capital leases payable	8,580,000	9,549,255
Annuities payable	58,506	59,759
Funds held for others	129,359	141,076
U.S. government grants refundable	3,883,021	3,819,184
Other grants refundable	401,306	332,396
Total Liabilities	17,019,744	17,385,352
NET ASSETS		
Unrestricted	29,232,023	29,360,989
Temporarily restricted	1,032,541	1,200,868
Permanently restricted	11,639,985	8,591,752
Total Net Assets	41,904,549	39,153,609
TOTAL LIABILITIES AND NET ASSETS	$ 58,924,293	$ 56,538,961

See accompanying notes to financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2002
With Comparative Totals for 2001

	2002 Unrestricted	2002 Temporarily Restricted	2002 Permanently Restricted	2002 Total	2001 Total
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and fees	$ 30,296,460			$ 30,296,460	$ 26,664,467
Less: Scholarships and grants	(8,945,817)			(8,945,817)	(7,939,301)
Net tuition and fees	21,350,643			21,350,643	18,725,166
Government grants	3,679,581			3,679,581	2,445,763
Private gifts	458,572	$ 775,539	$ 3,056,491	4,290,602	2,771,914
Endowment income (loss)	(887,564)	28,844		(858,720)	(1,499,576)
Contributed services, net of expenses of $425,491 in 2002 and $386,916 in 2001	114,746			114,746	109,343
Other sources	1,006,029			1,006,029	746,794
Investment income	251,443			251,443	519,397
Sales and services of auxiliary enterprises	3,595,085			3,595,085	3,337,157
Adjustment in actuarial liability for annuities payable			(8,258)	(8,258)	(14,146)
	29,568,535	804,383	3,048,233	33,421,151	27,141,812
Net assets released from restrictions	972,710	(972,710)			
Total Revenues, Gains and Other Support	30,541,245	(168,327)	3,048,233	33,421,151	27,141,812
EXPENSES AND LOSSES					
Program expenses					
Instruction	15,128,666			15,128,666	12,570,882
Public service	2,150,363			2,150,363	1,953,379
Academic support	3,054,833			3,054,833	2,831,105
Student services	4,342,562			4,342,562	3,702,368
Auxiliary enterprises	2,932,313			2,932,313	2,823,952
Support expenses					
Institutional support	3,061,474			3,061,474	2,832,501
Allocable expenses					
Operation and maintenance of plant	1,903,623			1,903,623	1,895,612
Interest expense	468,480			468,480	615,057
Depreciation expense	1,260,863			1,260,863	1,247,515
Amortization expense	8,125			8,125	11,096
Less: Allocated expenses	(3,641,091)			(3,641,091)	(3,769,280)
Loss on disposal of plant facilities					7,302
Total Expenses and Losses	30,670,211			30,670,211	26,721,489
Change in Net Assets Before Extraordinary Loss	(128,966)	(168,327)	3,048,233	2,750,940	420,323
Extraordinary loss					(133,441)
Change in Net Assets	(128,966)	(168,327)	3,048,233	2,750,940	286,882
NET ASSETS - Beginning of Year	29,360,989	1,200,868	8,591,752	39,153,609	38,866,727
NET ASSETS - END OF YEAR	$ 29,232,023	$ 1,032,541	$ 11,639,985	$ 41,904,549	$ 39,153,609

See accompanying notes to financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and fees	$ 26,664,467			$ 26,664,467
Less: Scholarships and grants	(7,939,301)			(7,939,301)
Net tuition and fees	18,725,166			18,725,166
Government grants	2,445,763			2,445,763
Private gifts	622,275	$ 1,439,824	$ 709,815	2,771,914
Endowment income (loss)	(1,902,155)	402,579		(1,499,576)
Contributed services, net of expenses of $386,916 in 2001	109,343			109,343
Other sources	746,794			746,794
Investment income	519,397			519,397
Sales and services of auxiliary enterprises	3,337,157			3,337,157
Adjustment in actuarial liability for annuities payable			(14,146)	(14,146)
	24,603,740	1,842,403	695,669	27,141,812
Net assets released from restrictions	1,176,592	(1,176,592)		
Total Revenues, Gains and Other Support	25,780,332	665,811	695,669	27,141,812
EXPENSES AND LOSSES				
Program expenses				
Instruction	12,570,882			12,570,882
Public service	1,953,379			1,953,379
Academic support	2,831,105			2,831,105
Student services	3,702,368			3,702,368
Auxiliary enterprises	2,823,952			2,823,952
Support expenses				
Institutional support	2,832,501			2,832,501
Allocable expenses				
Operation and maintenance of plant	1,895,612			1,895,612
Interest expense	615,057			615,057
Depreciation expense	1,247,515			1,247,515
Amortization expense	11,096			11,096
Less: Allocated expenses	(3,769,280)			(3,769,280)
Loss on disposal of plant facilities	7,302			7,302
Total Expenses and Losses	26,721,489			26,721,489
Change in Net Assets Before Extraordinary Loss	(941,157)	665,811	695,669	420,323
Extraordinary loss	(133,441)			(133,441)
Change in Net Assets	(1,074,598)	665,811	695,669	286,882
NET ASSETS - Beginning of Year	30,435,587	535,057	7,896,083	38,866,727
NET ASSETS - END OF YEAR	$ 29,360,989	$ 1,200,868	$ 8,591,752	$ 39,153,609

See accompanying notes to financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2002 and 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,750,940	$ 286,882
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Extraordinary loss		133,441
Depreciation	1,260,863	1,247,515
Amortization	8,125	11,096
Loss on disposal of property		7,302
Losses on endowment investments	1,112,816	1,951,362
Actuarial adjustment of annuities payable	3,981	9,237
Increase (decrease) in allowance for student notes receivable	7,776	(22,622)
Loan cancellations and write-offs	92,373	128,624
Change in assets and liabilities		
Student accounts receivable	(311,059)	(264,366)
Grants receivable	(14,197)	55,222
Contributions receivable - operations	51,677	(623,687)
Other receivables	(50,248)	(69,000)
Inventories	(898)	(3,544)
Prepaid expenses and other assets	(87,149)	(11,205)
Accounts payable	143,628	95,411
Accrued liabilities	(148,041)	46,651
Deposit accounts	212,820	37,159
Deferred revenue	218,489	309,985
Funds held for others	(11,717)	(22,238)
Contributions restricted for long-term investment and plant	(3,090,624)	(683,780)
Net Cash Flows from Operating Activities	2,149,555	2,619,445
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of endowment investments	(6,630,017)	(10,236,334)
Sales of endowment investments	5,525,421	9,167,768
(Purchases) sales of other investments, net	1,330	(85,079)
Withdrawals from deposits with trustee, net	66,126	48,918
Purchases of property, plant, and equipment	(1,488,117)	(670,672)
Disbursements of loans to students	(776,194)	(771,648)
Repayments of loans from students	614,980	540,841
Net Cash Flows from Investing Activities	(2,686,471)	(2,006,206)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on indebtedness	(969,255)	(844,673)
Contributions received restricted for long-term investment and plant	1,088,613	582,556
Increase in refundable governmental grants	132,747	101,736
Increase in annuities payable from new gifts		53,395
Payments to annuitants	(5,234)	(2,873)
Net Cash Flows from Financing Activities	246,871	(109,859)
Net Change in Cash and Cash Equivalents	(290,045)	503,380
CASH AND CASH EQUIVALENTS - Beginning of Year	5,433,842	4,930,462
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,143,797	$ 5,433,842
Supplemental disclosure of cash flow information		
Interest paid	$ 495,786	$ 618,938
Noncash investing and financing activities		
Equipment acquired through accounts payable	$ 165,780	$ 108,806
Proceeds from bond issuance - Series Five-J		$ 5,960,000
Bond reserve funds used for principal and interest payments on refunded bonds, net		296,181
Less uses of bond proceeds and reserve funds		
Payment on refinanced debt		(5,930,000)
Payment on interest expense through date of refinancing		(187,123)
Payment for debt acquisition costs		(80,592)
		58,466
Deferred debt acquisition costs on refinanced bonds written-off		74,975
Loss on refinancing		$ 133,441

See accompanying notes to financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The College of St. Scholastica, Inc., an independent liberal arts college, offers accredited bachelor's and master's degree programs. The accounting policies of the College of St. Scholastica, Inc. (the "College") reflect practices common to universities and colleges and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

General - The College 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 College as a whole and 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 College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

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

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily Restricted Net Assets - With respect to temporarily restricted net assets, the College 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 College 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.

Investments Held by Trustee - Investments held by trustee include amounts restricted for debt service as required by the related trust indentures.

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

Debt Acquisition Costs - Costs of bond issuance are deferred and amortized on a straight-line basis over 15 years.

Physical Plant and Equipment - Physical plant assets are stated at cost at date of acquisition less accumulated depreciation. The College depreciates its assets on the straight-line basis over estimated useful lives as follows: buildings, 40 - 60 years; automotive - 5 years; equipment - 5 years; and library books - 10 years. Normal repair and maintenance expenses are charged to operations as incurred. The College capitalizes physical plant additions in excess of $5,000.

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

Grants to Specified Students - Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the College. The amounts of such grants were $3,088,123 and $1,297,469, respectively, during the year ended June 30, 2002. The amounts of such grants were $2,464,042 and $966,381, respectively, during the year ended June 30, 2001.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - The Internal Revenue Service has determined that the College is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax. However, any unrelated business income may be subject to taxation.

Contributed Services - Services provided for the College by persons subject to religious vows of poverty are recorded as contributed services. The computation of the value of the contribution of those services represents the difference between the amounts paid to or on behalf of the religious personnel and the comparable compensation that would be paid to a lay person.

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.

Pension Plans - All employees of the College of St. Scholastica, Inc. meeting age and service requirements are covered under two contributory defined contribution retirement plans. Pension expense totaled $869,717 and $777,911 for the years ended June 30, 2002 and 2001, respectively.

Employee Medical Plan - The College provides medical benefits through a self-insurance plan which is available to all employees of the College for certain medical expenses. Estimates for claims incurred but not reported have been accrued by the College.

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.

Fund-Raising and Advertising Expenses - Fund-raising expenses approximated $861,500 and $774,200 for the years ended June 30, 2002 and 2001, respectively. Advertising expenses approximated $651,600 and $381,900 for the years ended June 30, 2002 and 2001, respectively. The College expenses advertising costs at the time incurred.

Reclassifications - Certain amounts appearing in the 2001 financial statements have been reclassified to conform with 2002 presentation.

NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Permanently restricted net assets consist of the following at June 30, 2002 and 2001:

	2002	2001
Endowment funds	$ 9,551,235	$ 8,474,639
Annuity, life income and similar funds	11,431	19,689
Contributions receivable	2,077,319	97,424
	$ 11,639,985	$ 8,591,752

NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES (Continued)

Temporarily restricted net assets consist of the following at June 30, 2002 and 2001:

	2002	2001
Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other departmental support	$ 420,365	$ 569,381
Acquisition of buildings and equipment	10,250	
Contributions receivable	601,926	631,487
	$ 1,032,541	$ 1,200,868

At June 30, 2002 and 2001, the College's unrestricted net assets were allocated as follows:

	2002	2001
Operations	$ 1,026,909	$ 762,297
Long-term investment (quasi-endowment funds)	5,872,947	7,523,275
Loans to students	741,521	717,083
Retirement of indebtedness	1,141,089	1,179,909
Replacement of plant facilities	1,585,849	1,550,331
Net investment in plant	18,863,708	17,628,094
	$ 29,232,023	$ 29,360,989

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows for the years ended June 30, 2002 and 2001:

	2002	2001
Acquisition of land, building and equipment		$ 1,000
Scholarships, instruction and other departmental support	$ 972,710	1,175,592
	$ 972,710	$ 1,176,592

These assets were reclassified to unrestricted net assets.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at June 30, 2002 and 2001:

	2002	2001
Temporarily restricted - operations	$ 297,145	$ 519,490
Temporarily restricted - scholarships and other departmental support	380,018	207,528
Temporarily restricted - plant projects	36,150	7,800
Permanently restricted - endowment	2,358,025	117,000
Gross unconditional promises to give	3,071,338	851,818
Less: Allowance	(31,135)	
Unamortized discount	(360,958)	(122,907)
Net Unconditional Promises Receivable	$ 2,679,245	$ 728,911

Amounts due in:	
Less than one year	$ 1,074,256
One to five years	1,993,082
More than five years	4,000
	$ 3,071,338

Promises due in more than one year were discounted at an interest rate of 8% at June 30, 2002 and 2001. Promises due in less than one year were not discounted.

NOTE 5 - INVESTMENTS HELD BY TRUSTEE

The following summarizes the College's investments held by trustee at June 30, 2002 and 2001:

	2002		2001	
	Fair Value	Cost	Fair Value	Cost
Cash and short-term investments	$ 311,721	$ 311,721	$ 979,076	$ 979,076
Federal government obligations	863,208	844,006	261,979	257,119
	$ 1,174,929	$ 1,155,727	$ 1,241,055	$ 1,236,195

NOTE 6 - INVESTMENTS

The following summarizes the College's investments at June 30, 2002 and 2001:

	2002		2001	
	Fair Value	Cost	Fair Value	Cost
Cash and short-term investments	$ 1,116,003	$ 1,116,003	$ 2,804,029	$ 2,804,029
Mutual funds - Equity funds	9,341,706	11,652,904	8,683,810	9,864,371
Mutual funds - Bond funds	2,180,303	2,041,082	4,741,176	4,773,053
Limited partnerships	3,601,425	3,508,345	28,153	
Other	13,812	15,833	5,631	5,834
	$ 16,253,249	$ 18,334,167	$ 16,262,799	$ 17,447,287

NOTE 6 - INVESTMENTS (Continued)

The investments were allocated as follows:

	2002		2001	
	Fair Value	Cost	Fair Value	Cost
Endowment	$ 16,169,500	$ 18,241,143	$ 16,177,720	$ 17,359,167
Annuity	69,937	77,191	79,448	82,286
Unrestricted	13,812	15,833	5,631	5,834
	$ 16,253,249	$ 18,334,167	$ 16,262,799	$ 17,447,287

Total investment return on endowment funds for the years ended June 30, 2002 and 2001 follows:

	2002	2001
Dividends and interest, net of fees of $10,682 in 2002 and $33,774 in 2001	$ 254,096	$ 451,786
Net realized and unrealized losses on investments reported at fair value	(1,112,816)	(1,951,362)
	$ (858,720)	$ (1,499,576)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at June 30, 2002 and 2001:

	2002	2001
Land and land improvements	$ 697,821	$ 396,763
Buildings	36,324,027	35,529,873
Equipment, furniture and fixtures	4,357,066	4,414,955
Library books and materials	4,068,203	3,939,243
Automotive equipment	444,206	420,045
	45,891,323	44,700,879
Less: Accumulated depreciation	(18,551,447)	(17,645,231)
	$ 27,339,876	$ 27,055,648

NOTE 8 - EARLY RETIREMENT AND TERMINATION BENEFITS

The College has provided early retirement and termination benefits to certain faculty and staff. During the year ended June 30, 2001, additional costs associated with these benefits were incurred totaling $183,146. No additional costs were incurred during the year ended June 30, 2002. The obligation is included in accrued liabilities on the statement of financial position and totaled $161,265 and $311,879 for the years ended June 30, 2002 and 2001, respectively.

NOTE 9 - BONDS PAYABLE

The following is a summary of bonds payable outstanding at June 30, 2002 and 2001:

	Original Amount	2002	2001
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-N	$ 3,695,000	$ 1,975,000	$ 2,235,000
Minnesota Higher Education Facilities Authority Revenue Refunding Bonds, Series Five-J	5,960,000	5,615,000	5,960,000
Minnesota Higher Education Facilities Authority Multi-Annual Revenue Bonds, Series Four-E	2,000,000	900,000	1,100,000
College of St. Scholastica Dormitory and Dining Hall Bonds of 1962	2,000,000	90,000	180,000
		$ 8,580,000	$ 9,475,000

The College has loans outstanding with the Minnesota Higher Education Facilities Authority (the Authority) in connection with revenue bonds issued by the Authority:

- The Series Three-N Revenue Bonds were issued during fiscal 1993 to finance construction of an addition to Somers Hall, remodeling of Somers Hall and the expansion and conversion of the steam plant. The bonds have interest rates varying from 5.40% to 6.20% and mature in amounts from $125,000 to $270,000 payable on December 1 through 2012. The bonds are secured in part by a debt service reserve account.

- The Series Five-J Revenue Refunding Bonds were issued during fiscal 2001 to finance the refunding of the outstanding principal balances of the Series Two-T and Three-E Revenue Bonds. The outstanding Series Two-T Revenue Bonds, in the principal amount of $3,540,000, were redeemed in December 2001. The outstanding Series Three-E Revenue Bonds, in the principal amount of $2,390,000, were redeemed in June 2001. The Series Two-T Revenue Bonds were issued to finance the construction of Birch, Maple and Willow apartments, certain renovation of Tower Hall and the installation of new telephone and computer systems. The Series Three-E Revenue Bonds were issued to finance the construction of the Auditorium and Student Union, the Tower Hall addition and the Theater renovation and expansion. The advance refunding of the Series Two-T and Three-E Revenue Bonds resulted in an extraordinary loss of $133,441. The Series Five-J bonds have interest rates varying from 4.625% to 5.250% and mature in annual installments of $365,000 to $490,000 on December 1 through 2008 with payments of $1,630,000 and $1,035,000 due December 1, 2011 and 2014, respectively. The term bonds maturing in the years 2011 and 2014 are subject to annual sinking fund payments on December 1 in the years 2009 through 2014 in amounts varying from $325,000 to $580,000. The bonds are secured in part by a debt service reserve account.

- The Series Four-E Revenue Bonds were issued during fiscal 1996 to finance the construction of the Science Building addition. The bonds have interest rates varying from 5.25% to 5.35% and mature in amounts from $200,000 to $300,000 payable on March 1 through 2006. The bonds are secured by the general obligation of the College.

- The bonds issued under the Authority include certain financial covenants which include meeting a Revenue/Expenditure Test, as defined, for at least two of preceding three complete fiscal years, require that the Board-controlled unrestricted liquid funds shall not be less than $1,200,000 and which limit the College's ability to incur additional long-term debt.

NOTE 9 - BONDS PAYABLE (Continued)

The College of St. Scholastica Dormitory and Dining Hall Bonds of 1962 have an interest rate of 3.5% and will fully mature with a final payment of $90,000 payable on October 1, 2002. The bonds, which are payable to the United States Government, are secured by a first mortgage on the Somers Hall complex.

The maturities of all long-term debt for each of the five years subsequent to June 30, 2002 approximate: $925,000; $700,000; $735,000; $865,000 and $590,000 respectively.

NOTE 10 - CAPITAL LEASES PAYABLE

During the year ended June 30, 1999, the College entered into six capital leases with General Motors Acceptance Corporation (GMAC) Financial Services totaling $118,580 for the purchase of six automobiles. The interest rates were 5.25% on five leases and 2.50% on the sixth. The leases were payable on a monthly basis over a three-year period with the final payment being a balloon payment made during fiscal 2002. The total balance outstanding on the lease obligations as of June 30, 2001 was $74,255.

NOTE 11 - OPERATING LEASES

In 1987, the College entered into a lease agreement with the Benedictine Sisters Benevolent Association (B.S.B.A.) to lease facilities currently used by the College for administration offices, classrooms and other educational purposes. The property includes Tower Hall and certain other facilities or areas to be used by the College or on a shared basis with the B.S.B.A. The lease term is 99 years for a fee of $1 per year. In 1989, in consideration of a $1,000,000 payment by the College, the lease was amended and supplemented by adding additional portions of Tower Hall and land. Additional property was leased to the College on a comparable basis, without additional consideration, in 1993 to facilitate further remodeling and expansion of College facilities. The lease will automatically renew for 50 years if no default, cancellation or termination has occurred by a date one year prior to expiration, but will terminate no later than January 1, 2136. The cost of operating the leased buildings, shared by the College and the B.S.B.A., is related to their respective use. The B.S.B.A. will not subject Tower Hall to indebtedness in addition to amounts outstanding as of March 16, 1974.

The College has operating leases for computer equipment, copiers and building space. Rental expense associated with these operating leases totaled $680,400 and $528,700 for years ended June 30, 2002 and 2001, respectively. Subsequent to June 30, 2002, the College entered into additional operating leases for equipment. Future minimum lease payments for the five years subsequent to June 30, 2002, including the leases entered into after June 30, 2002, approximate: $859,100; $693,800; $549,000; $288,800 and $18,400, respectively.

NOTE 13 - CONCENTRATIONS OF CREDIT RISK

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

PROPOSAL FORM **SALE DATE:** April 30, 2003

TO: Ms. Marianne T. Remedios, Executive Director
Minnesota Higher Education Facilities Authority
Galtier Plaza, Suite 450
380 Jackson Street
St. Paul, MN 55101
(651) 296-4690

RE: $11,705,000 Revenue Bonds, Series Five-R (College of St. Scholastica, Inc.)

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of $_____________________ (Note: This amount may not be less than $11,529,425) and accrued interest to the date of delivery.

______%	2003	______%	2009	______%	2015	______%	2021	______%	2027
______%	2004	______%	2010	______%	2016	______%	2022	______%	2028
______%	2005	______%	2011	______%	2017	______%	2023	______%	2029
______%	2006	______%	2012	______%	2018	______%	2024	______%	2030
______%	2007	______%	2013	______%	2019	______%	2025	______%	2031
______%	2008	______%	2014	______%	2020	______%	2026	______%	2032

Designation of Term Maturities

Years of Term Maturities ____________ ____________
____________ ____________
____________ ____________

In making this offer we accept all of the terms and conditions of the Terms of Proposal published in the Official Statement dated April 16, 2003. In the event of failure to deliver these Bonds in accordance with the Terms of Proposal as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Subject to any applicable exemption in the Rule, this offer to purchase/bid is subject to the Authority's covenant and agreement to take all steps necessary to assist us in complying with SEC Rule 15c2-12, as amended.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $____________________________

TRUE INTEREST COST: ______________ %

Account Members

____
Account Manager

BY: ____________________________

Phone: __________________________

The foregoing offer is hereby accepted by the Issuer on the date of the offer by its following officer duly authorized and empowered to make such acceptance.

____
Executive Director

_____ SURE-BID _____ Good Faith Check Submitted