OFFICIAL STATEMENT DATED DECEMBER 9, 2004

NEW ISSUE **Rating: Moody's AAA / VMIG1**

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 and corporations. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code. (See "TAX EXEMPTION.")

$12,000,000
Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Six-A
(College of St. Scholastica, Inc.)

(DTC Book Entry Only)

Dated Date: Date of Issue **Price: 100%** **Maturity Date: December 1, 2034**
CUSIP: 60416H EE 0

This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date or with respect to other information herein after the initial offering.

The Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority") payable solely from Loan Repayments made by or on behalf of the College of St. Scholastica, Inc., a Minnesota non-profit corporation (the "College"), and, during the Variable Rate Period, drawings on the Letter of Credit.

The Bonds will be issued as fully registered bonds without coupons in minimum denominations of $100,000 and any larger amount which is an integral multiple of $5,000 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 denominations set forth above and Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein.)

During the Variable Rate Period, payment of principal of and 46 days of interest on the Bonds at the Maximum Rate will be secured by an irrevocable, transferable, direct-pay Letter of Credit issued by

M&I Marshall & Ilsley Bank

(the "Bank") or by any provider of an Alternate Letter of Credit. During the Variable Rate Period, if the College provides an Alternate Letter of Credit as more fully described herein, then the Bonds shall be subject to mandatory tender on the effective date of substitution of the Alternate Letter of Credit.

The Bonds are subject to redemption prior to maturity as described herein.

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

The Bonds will bear interest from their date of issuance and delivery at a Variable Rate which initially shall be a Daily Rate, and the interest rate on the Bonds may be converted at the option of the College to a Weekly Rate or a Flexible Rate, each as determined by the Remarketing Agent as described herein. Interest on the Bonds shall be payable on each Variable Rate Interest Payment Date for the immediately preceding Interest Accrual Period. Interest shall be computed on the basis of a 365- or 366-day year and actual days elapsed. At the option of the College and upon the conditions set forth in the Indenture, the interest rate on the Bonds may be converted to the Fixed Rate. Prior to the Conversion Date and the establishment of a Fixed Rate, Owners of the Bonds have the right to tender their Bonds for purchase by presentation to Wells Fargo Bank, National Association (the "Trustee" and the "Tender Agent") at certain times upon prior written notice as described herein at a purchase price equal to 100% of the principal amount thereof plus (unless the purchase date is an Interest Payment Date) accrued interest thereon, as more fully described herein. The initial Remarketing Agent is Piper Jaffray & Co.

BONDHOLDERS ARE REQUIRED TO TENDER AND SELL THEIR BONDS ON A MANDATORY TENDER DATE AT A PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS ACCRUED INTEREST THEREON, or, if the mandatory tender relates to the provision of an alternate letter of credit, may elect not to tender or sell, ALL AS MORE FULLY DESCRIBED HEREIN. A Mandatory Tender Date occurs on the effective date of the substitution of any Alternate Letter of Credit, on the Conversion Date, on specified dates following failure to extend the Letter of Credit and upon failure to provide an Alternate Letter of Credit, or on any Proposed Conversion Date if there was a failure of the conditions to conversion but no notice of cancellation of conversion was given. Any Bond to be purchased which is not timely delivered to the Tender Agent on the Mandatory Tender Date or the Optional Tender Date and as to which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof shall be "deemed tendered" for purposes of the Indenture and shall be deemed no longer outstanding and shall cease to accrue interest on such Tender Date.

The Bonds are being offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and 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, for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota, and for the Bank by Winthrop & Weinstine, P.A., Minneapolis and Saint Paul, Minnesota. It is expected that the Bonds in definitive form will be available for delivery to the Underwriter through the facilities of DTC on or about December 9, 2004.

Piper Jaffray & Co.

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

Any addendum to this Official Statement shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

No dealer, broker, sales representative or other person has been authorized by the Authority, the College, the Underwriter, or the Bank (as defined herein) to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the College or the Underwriter. The information contained herein, except as it relates to the Authority, DTC and the Bank, has been obtained from the College and is not guaranteed as to accuracy or completeness. Except for information concerning the Authority contained in this Official Statement, such information is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Bank 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 of such documents have not been included as appendices hereto, they will be furnished on request.

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

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

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

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

The CUSIP number for the Bonds is included on the cover of this Official Statement for convenience of the owners and prospective investors. The CUSIP number for the Bonds has been assigned by an organization unaffiliated with the Authority. The Authority is not responsible for the selection of the CUSIP number and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth on the cover of this Official Statement. No assurance can be given that the CUSIP number for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

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$12,000,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

VARIABLE RATE DEMAND REVENUE BONDS, SERIES SIX-A

(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 non-profit corporation and the owner of an institution of higher education with its campus located in Duluth, Minnesota, (the "College") in connection with the issuance of the Authority's $12,000,000 Variable Rate Demand Revenue Bonds, Series Six-A (College of St. Scholastica, Inc.) (the "Bonds" or the "Issue").

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

The Bonds are being issued pursuant to the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will initially also act as Tender Agent for the Issue.

Pursuant to a Loan Agreement between the College and the Authority relating to the Bonds, the College will covenant as a general obligation of the College to make payments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due and to pay the Purchase Price of the Bonds on any Tender Date. The proceeds of the Bonds will be loaned to the College by the Authority and, along with College funds, will be used to:

1. construct and furnish a two-building, 290-bed apartment-style residence facility; and
2. pay issuance costs.

See "USE OF PROCEEDS" herein for a more detailed description of the project.

The Bonds are secured by a pledge of the Loan Repayments, which is a general obligation of the College, and, prior to the Conversion Date, draws under a Letter of Credit, as further described herein.

At the time of the issuance of the Bonds, an irrevocable, transferable, direct pay letter of credit (the "Original Letter of Credit," which term includes any extensions thereof or, together with an alternate letter of credit delivered in accordance with the provisions of the Indenture and the Loan Agreement, the "Letter of Credit") will be delivered by M&I Marshall & Ilsley Bank, (the "Bank"), to the Trustee, which will be authorized to draw an amount equal to the aggregate principal amount of the Bonds plus 46 days of interest to accrue thereon (assuming a maximum interest rate (the "Maximum Rate") on the Bonds during the Variable Rate Period of 12% per annum). If the Original Letter of Credit is not renewed or replaced prior to its stated expiration date (December 9, 2009), unless terminated earlier pursuant to the terms thereof, the Bonds are required to be tendered or converted to bear interest at a Fixed Rate. The College has agreed in the Loan Agreement to maintain with the Trustee at all times during the Variable Rate Period, as hereinafter defined, a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon calculated at the Maximum Rate for a period equal to 46 days (or such other period as the rating agency then rating the Bonds may require to maintain the rating on the Bonds at a rating equal to the Bank's rating).

The Original Letter of Credit is to be issued pursuant to a Reimbursement Agreement dated as of December 1, 2004 (the "Reimbursement Agreement"), between the College and the Bank. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

For information concerning the Bank, including certain financial information, see Appendix VI hereto.

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 III and IV for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

EXCEPT AS EXPRESSLY PROVIDED HEREIN, THIS OFFICIAL STATEMENT PROVIDES INFORMATION RELEVANT TO THE BONDS ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT AND, WITH RESPECT TO THE TERM OF THE ORIGINAL LETTER OF CREDIT, INVESTORS ARE CAUTIONED THAT IT BEARS A STATED EXPIRATION DATE OF DECEMBER 9, 2009, THOUGH BY ITS TERMS IT MAY BE TERMINATED SOONER OR EXTENDED. SEE "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" HEREIN.

This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date or with respect to other information herein after the initial offering. This Official Statement must not be used or relied upon by a Holder or purchaser of Bonds in connection with the remarketing of Bonds, the optional tender of Bonds by a Holder, the provision of an Alternate Letter of Credit or conversion of the Bonds to a Fixed Rate.

RISK FACTORS

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

Risk of Insufficient Collateral

The Bonds are secured by (a) during the Variable Rate Period, the Letter of Credit; (b) a pledge by the Authority to the Trustee of amounts payable by the College under the Loan Agreement (except for certain fees and expenses payable to the Trustee and the Authority); and (c) money and investments held by the Trustee under the Indenture (except any money and investments required to be paid to the United States Treasury).

The Bonds are initially secured by the Original Letter of Credit issued by the Bank, and the purchasers of the Bonds are expected to rely thereon in deciding whether to purchase, hold, or sell the Bonds. See “Rating” herein. However, if for any reason the Bank fails to honor a drawing on the Original Letter of Credit and the College fails to make payment due on the Bonds, the Bonds will be accelerated and may be paid in whole or in part out of the College's Loan Repayments. In addition, failure of the College to comply or otherwise satisfy certain terms, covenants, and conditions contained in the Reimbursement Agreement (including the incorporation by reference therein of the Events of Default under the Pledge Agreement, the Loan Agreement and the Indenture) would entitle the Bank to cause the Trustee to accelerate the Bonds and draw on the Letter of Credit. See “THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT.”

The Bonds are not secured by a mortgage or lien on, or a security interest in, any property of the College.

Letter of Credit

The ability of the Bank to honor drawings on the Letter of Credit will depend solely on the Bank's general credit. There can be no assurance that the Bank will be able to meet its obligations under the Original Letter of Credit. Certain information with respect to the Bank is set forth in Appendix VI. Such information was provided by the Bank and no representation is made as to the adequacy, accuracy or completeness thereof.

The Original Letter of Credit expires December 9, 2009, subject to extension, at the option of the Bank, as provided in the Reimbursement Agreement, but in no event beyond December 9, 2019. No assurances can be given that the College will be able to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit to secure the Bonds at their stated interest rates and original terms until and including the final stated maturity of the Bonds. In the event of a failure to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit, the Bondholders will be required under the Indenture to tender their Bonds to the Trustee for mandatory purchase from the proceeds of a draw under the Letter of Credit, at a purchase price equal to the principal amount thereof. Interest owing on the Bonds as of such date will be paid as on any other Interest Payment Date.

Redemption, Acceleration, or Purchase Prior to Maturity

In considering whether the Bonds might be redeemed prior to maturity, Bondholders should consider the information included in this Official Statement under the heading “THE BONDS – Redemption.” The Bonds may be called for redemption prior to maturity on any Interest Payment Date at the College’s option or in certain instances of damage or destruction or condemnation of the Project Facilities. The College has agreed in the Reimbursement Agreement that it will not permit the aggregate outstanding principal amount of Bonds to exceed certain amounts set forth in the Reimbursement Agreement and that it will make optional redemption of Bonds to the extent necessary to satisfy that requirement. See “THE BONDS – Redemption – Optional Redemption Prior to Conversion to Fixed Rate.” This agreement may be modified by the Bank and the College without the consent of the Bondholders, the Trustee or the Authority. The Bonds shall be subject to mandatory tender if the College fails to replace the Letter of Credit prior to its Termination Date or the Bank fails to extend the Letter of Credit. In addition, if certain Events of Default occur under the Loan Agreement, the Indenture or the Reimbursement Agreement, the Bank has the right, in its sole discretion, to require that the Bonds be accelerated. The Bonds are subject to mandatory tender for purchase upon the effective date of any Alternate Letter of Credit, the conversion to Fixed Rates, certain events prior to a Termination Date of the Letter of Credit or failure of conditions on a proposed conversion to Fixed Rates (See “THE BONDS – Mandatory Tender”). The effect of such an acceleration or purchase on Bondholders would be similar to that of early redemption at par. See “THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT – The Reimbursement Agreement” herein and “THE LOAN AGREEMENT – Events of Default” and “THE INDENTURE – Events of Default” in APPENDIX IV – SUMMARY OF DOCUMENTS. The Reimbursement Agreement requires the College to reimburse the Bank for drawings on the Letter of Credit, with the failure to make timely reimbursement (and certain other events of default) resulting in an acceleration of the Bonds at the Bank’s option. The College’s ability to reimburse the Bank from time to time is dependent upon, among other things, the College's ability to receive sufficient unrestricted revenues in excess of expenditures. The amount of future unrestricted revenue may be limited by a number of factors, including competition and adverse general economic conditions.

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 Indenture, the Reimbursement Agreement or the other College obligations. During the Variable Rate Period, the Bonds are payable solely from drawings under the Letter of Credit or any Alternate Letter of Credit and from payments the College makes pursuant to the Loan Agreement in amounts sufficient to pay, when due, the principal of and interest on and the purchase price of the Bonds.

Bankruptcy and Receivership

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

CONTINUING DISCLOSURE

The Bonds are exempt from continuing disclosure requirements of Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Consequently, the College has not agreed and is not required to provide annual financial information, notices of certain material events or any other disclosure with regard to the Bonds which the Rule might otherwise require. However, certain continuing disclosure information may be available from national repositories pursuant to continuing disclosure agreements relating to other outstanding College obligations. The College has never failed to comply with any previous agreements under the Rule to provide annual reports or notices of material events. The College will enter into an undertaking for continuing disclosure following a conversion of the Bonds to a Fixed Rate.

THE BONDS

The sole purpose of this section is to describe terms and provisions of the Bonds before the Conversion Date, while the Bonds bear interest at the Variable Rate, and must not be relied upon following the Conversion Date.

General

The Bonds will be dated the date of initial delivery thereof and will mature December 1, 2034. Interest will be payable on the first Business Day of each month ("Interest Payment Date") commencing January 3, 2005.

The Bonds are issuable only as fully-registered bonds without coupons (initially in Book Entry Form), in denominations of $100,000 and any integral multiple of $5,000 in excess thereof. Purchase of Bonds may be only in book-entry form in the authorized denominations set forth above.

The Bonds will bear interest at Variable Rates established by the Remarketing Agent, as described under the caption "THE BONDS – Setting of Variable Interest Rates." From the Issue Date to but not including the next Business Day, the Bonds will bear interest at a Daily Rate to be determined by the Remarketing Agent on the Issue Date. Thereafter, each Daily Rate Period will last from each Business Day to, but not including, the next Business Day (unless the Bonds are earlier converted to another Variable Rate or to a Fixed Rate or are redeemed). Interest will be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. The Bonds are subject to optional and mandatory tender. See "THE BONDS – Optional and Mandatory Tender" herein. The Bonds may be converted to a Fixed Rate as described herein under the caption "THE BONDS – Conversion to a Fixed Rate."

Setting of Variable Interest Rates

The College has appointed Piper Jaffray & Co. to serve as the Remarketing Agent (the "Remarketing Agent") who will determine pursuant to the Remarketing Agreement the interest rate on the Bonds for each Variable Rate Period ending prior to the Conversion Date. The College or the Remarketing Agent may terminate the Remarketing Agreement effective upon the later of 30 days' notice or the effective date of appointment of a successor Remarketing Agent.

The Variable Rate will be the minimum interest rate which, in the sole judgment of the Remarketing Agent, would enable the Remarketing Agent to sell outstanding Bonds on the first day of the applicable Variable Rate Period at a price equal to the principal amount thereof (plus accrued interest, if any). If the Remarketing Agent fails to determine the Variable Rate while the Bonds are in the Daily Rate or the Weekly Rate, or if a Variable Rate cannot then legally be determined, the Variable Rate for such period will remain as the last Variable Rate of which the Remarketing Agent notified the Trustee. If the Remarketing Agent fails to determine the Flexible Rate and the Flexible Rate Period at the appropriate time and date, the Bonds will bear interest at a Daily Rate equal to 100% of the prime 30-day commercial paper rate as provided in the Indenture until the Remarketing Agent again determines a variable rate.

The Daily Rate will be determined by the Remarketing Agent on each Business Day and provided to the Trustee by Electronic Notice by 9:00 A.M. Central time on the same day.

The College may from time to time direct the Authority to change all of the Bonds from one type of Variable Rate mode to another. Besides the Daily Rate Period, Variable Rate Periods the College may select are the Weekly Rate Period and the Flexible Rate Period.

Weekly Rate Periods commence on each date on which the Variable Rate is changed to the Weekly Rate and end on Wednesday of the following week. Weekly Rate Periods thereafter commence on each Thursday and end on the following Wednesday. The Weekly Rate will be determined by the Remarketing Agent on the Business Day preceding the commencement date thereof and provided to the Trustee by Electronic Notice by 4:00 P.M. Central time on the same day.

Flexible Rate Periods commence on each date on which the Variable Rate is changed to the Flexible Rate and end on the dates the Remarketing Agent determines, which will be no more than 270 days from the date such Flexible Rate Period commences. No Flexible Rate Period may extend beyond the Termination Date of the Letter of Credit, the Conversion Date, or the Maturity Date. The Flexible Rate will be determined by the Remarketing Agent on the second Business Day preceding the commencement thereof and provided to the Trustee by Electronic Notice by 12:00 P.M. Central time on the same day.

The College must notify the Trustee of any proposed change from one Variable Rate Period to another at least seven Business Days before the Trustee must give such notice to affected Holders. The Trustee must notify Holders of any proposed change in the Variable Rate mode at least 20 days prior to the proposed effective date of the new Variable Rate mode. The College is not limited in the number of such changes it may effect.

The Remarketing Agent will notify the Trustee, the College, the Tender Agent, and the Bank of its determination of each Variable Rate. The Remarketing Agent's interest rate determination shall be conclusive and binding on the Holders, the College, the Authority, the Bank, the Tender Agent and the Trustee.

The interest rate on any Bond before the Conversion Date may not exceed 12% per annum (the "Maximum Rate").

See also "THE BONDS – Conversion to a Fixed Rate" herein.

Optional and Mandatory Tender

<u>Optional Tender</u>

Prior to the Conversion Date, a Holder may tender Bonds (and a Beneficial Owner may tender its beneficial ownership interest in Bonds) to the Tender Agent for purchase at the principal amount thereof plus accrued interest (the "Purchase Price") upon Notice of tender ("Optional Tender Notice") given to the Tender Agent:

(i) while Bonds are in the Daily Rate Period, not later than 9:30 A.M. Central time on any Business Day for purchase on the same day;

(ii) while Bonds are in the Weekly Rate Period, not later than 9:30 A.M. Central time on any Business Day for purchase on a Business Day not less than seven (7) days after the date the Tender Agent receives the Optional Tender Notice;

(iii) while Bonds are in the Flexible Rate Period not later than 12:30 P.M. Central time on the last Business Day of the existing Flexible Rate Period for purchase on the first Business Day of the next Flexible Rate Period.

An Optional Tender Notice that is delivered to the Tender Agent at its principal office at or before the times stated immediately above on any Business Day shall be deemed delivered on such Business Day and if such Notice is delivered after such times it shall be deemed to be delivered on the next succeeding Business Day. Optional Tender Notices are irrevocable. The Optional Tender Notice shall state the principal amount of each Bond to be purchased, its series designation, its CUSIP number, the name of the Holder, and the date such Bonds are to be purchased (the "Optional Tender Date"). During any period in which the Bonds are in Book-Entry Form, no further deliveries are required of the Beneficial Owner to effect the Optional Tender. During any period in which the Bonds are not in Book-Entry Form, the Optional Tender Notice shall automatically constitute the Holder's agreement to deliver the tendered Bond, together with an appropriate instrument of transfer executed in blank in form satisfactory to the

Tender Agent, to the Tender Agent at its payment office not later than 2:30 P.M., Central time, on the Optional Tender Date.

Interest on any Bond which the Holder thereof has elected to tender for purchase and which is not delivered on the Optional Tender Date (when delivery is required during any period in which the Bonds are not in Book-Entry Form), but for which there has been irrevocably deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Optional Tender Date, and shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from moneys held by the Trustee for such payment.

Mandatory Tender

The Bonds are required to be tendered to the Tender Agent for purchase at the Purchase Price on (i) the effective date of the substitution of any Alternate Letter of Credit, (ii) the Conversion Date, (iii) on the last regularly scheduled Interest Payment Date preceding the Termination Date of the Letter of Credit, if the College has failed to deliver to the Trustee at least 35 days prior to such Interest Payment Date an irrevocable commitment of a bank to issue an Alternate Letter of Credit (or, if applicable, if the College has failed to deliver an extension of an Alternate Letter of Credit), or (iv) on the Business Day following such Interest Payment Date, if the College has failed to deliver to the Trustee by 9:00 A.M. Central time on such Interest Payment Date an Alternate Letter of Credit, or (v) on the Proposed Conversion Date if there is a failure of the conditions to conversion after the Computation Date but no notice of cancellation of conversion was given on the Computation Date.

The tender price is equal to the principal amount of the Bonds, without premium, plus accrued interest thereon to the Tender Date, provided that this provision shall not preclude the College from establishing a Conversion Date at any time on or prior to such Tender Date, in which event Bonds will be purchased and remarketed as Fixed Rate Bonds.

The Trustee shall give notice by mail to the College, the Bank, the Tender Agent, the Remarketing Agent, and the Holders of the Bonds subject to such mandatory tender not less than thirty (30) days prior to the Mandatory Tender Date, except that Notice of Tender for clause (iv) above shall be given by 11:00 A.M. Central time on the relevant Interest Payment Date.

In the case of a mandatory tender relating to the substitution of any Alternate Letter of Credit, the Holders may elect not to tender or sell their Bonds, in whole or in part (in Authorized Denominations), by delivery of a Non-Tender Notice not less than ten (10) days prior to the Mandatory Tender Date to the Tender Agent. Such notice shall be irrevocable and shall state the principal amount subject to tender, the number of the Bond, the name of the Holder, and the principal amount the Holder elects not to tender. The notice shall also state that the Holder acknowledges that the ratings on such Bonds may be modified, reduced, suspended or withdrawn.

During any period in which Bonds are in Book-Entry Form, the Tender Agent shall purchase any Bond subject to mandatory tender for which a Non-Tender Notice has not been received without further action by the Holder. During any period in which the Bonds are not in Book-Entry Form, each Bond which is not to be retained by the Holder must be tendered to the Tender Agent for purchase on the College's behalf at or before 2:30 P.M., Central time, on the Mandatory Tender Date, by delivering such Bond to the Tender Agent (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent). On the Mandatory Tender Date the Tender Agent will purchase such Bond or cause such Bond to be purchased for the College's account at the Purchase Price.

Interest on any Bond which is not to be retained by the Holder and for which there has been irrevocably deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Mandatory Tender Date, whether or not actually tendered on the

Mandatory Tender Date and the Holder of such Bond shall not be entitled to any payment other than the Purchase Price for such Bond, and such Bond shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from funds held by the Tender Agent or the Trustee for such payment.

Tenders Under Book-Entry System

While any Bond is in Book-Entry Form, the term "Tendered Bond" refers to the beneficial ownership interest of the Beneficial Owner. On a Tender Date or upon remarketing, each Bond will be deemed delivered or transferred to a person upon transfer to such person of the beneficial ownership interest therein pursuant to the Book-Entry System.

If any Holder is entitled to receive notice of a Mandatory Tender Date, the Trustee shall give notice to DTC. No Bond in Book-Entry Form (other than a Bond which is to be converted to a Fixed Rate Bond) will be required to be delivered for an exchange, purchase or transfer in connection with such Mandatory Tender Date, and any transfer of beneficial interest in any Tendered Bonds shall be effected through the Book-Entry System. Unless waived by the Tender Agent, beneficial interest in any Tendered Bonds in Book-Entry Form shall be transferred to the Tender Agent on or before the applicable Mandatory Tender Date.

So long as the book-entry system is in effect, DTC procedures govern Beneficial Owners tendering Bonds. See "BOOK ENTRY SYSTEM" herein. The delivery of certificates evidencing the Tendered Bonds shall not be required to effect any optional tender pursuant to the Indenture, and the beneficial ownership interest of the Beneficial Owner in such Bond shall be transferred through the Book-Entry System to the Tender Agent on the Optional Tender Date against credit for the Purchase Price.

Remarketing and Purchase

On each Optional Tender Date and on each Mandatory Tender Date, the Tender Agent is required to purchase tendered Bonds with funds derived from either the remarketing of tendered Bonds or from a drawing under the Letter of Credit. College funds will not be used to purchase Bonds unless the Bank dishonors a draft for payment under the Letter of Credit. Subject to the availability of any required offering materials and satisfaction of other conditions precedent, the Remarketing Agent has agreed to use its best efforts to remarket tendered Bonds.

Conversion to a Fixed Rate

The Indenture provides that the College has the one-time right, to be exercised at any time, to direct the Authority to convert the interest rate on all of the Bonds to a Fixed Rate, effective on any Variable Rate Interest Payment Date. To exercise its option, the College must deliver to the Authority, the Trustee, the Bank, the Tender Agent and the Remarketing Agent written notice thereof at least 45 days prior to the Variable Rate Interest Payment Date on which the Fixed Rate is to become effective (the "Conversion Date"). An opinion of nationally recognized bond counsel to the effect that the conversion to a Fixed Rate is authorized by the Indenture and will not adversely affect the exemption of interest on any Bonds from federal income taxation shall be provided not less than 15 days prior to the Conversion Date. See "Tax Exemption" herein.

The Trustee shall give notice by mail to the Holders of the conversion to a Fixed Rate not less than 30 days prior to the Conversion Date, specifying, among other things, the Proposed Conversion Date, the Computation Date, which is the date on which the Fixed Rate shall be determined and announced, which shall be not less than 15 days prior to the Proposed

Conversion Date, and stating that the Bonds shall be subject to mandatory tender for purchase on the Proposed Conversion Date.

Notwithstanding the foregoing, the College may cancel the conversion to a Fixed Rate at any time on or prior to 5:00 P.M. Central time on the Computation Date by giving notice to the Trustee, the Authority, the Remarketing Agent, the Tender Agent, and the Bank.

On the Computation Date, the Remarketing Agent shall determine the Fixed Rates for each Stated Maturity, which shall be the annual interest rates which, in the determination of the Remarketing Agent, if borne by the Bonds until their maturity, would result in the market value of the Stated Maturities of the Bonds on the Proposed Conversion Date being as nearly as practicable in the aggregate 100% of, but not less than, the principal amount thereof. In determining the Fixed Rate, the Remarketing Agent shall have due regard for general financial conditions and such other or special conditions as in the judgment of the Remarketing Agent may have a bearing on the Fixed Rate. After the Conversion Date, the Holders of any affected Bonds shall have no right to tender such Bonds for purchase.

Redemption

Optional Redemption Prior to Conversion to Fixed Rate

The Bonds are subject to optional redemption by the Authority at the direction of the College, in whole or in part on any Interest Payment Date, at a redemption price equal to the principal amount of Bonds to be so redeemed, plus accrued interest to the redemption date.

Although neither the Indenture nor the Loan Agreement requires the College to pay any portion of the principal of the Bonds prior to the maturity date, the Bank has required under the Reimbursement Agreement that the College periodically prepay principal on the Bonds. The Bank and the College may change or eliminate at any time this prepayment requirement, without the consent of the Trustee, the Authority or Bondholders. Any Reimbursement Agreement related to an Alternate Letter of Credit could have similar, different or no requirements with respect to the amortization of the principal amount of the Bonds.

Extraordinary Optional Redemption

The Bonds are also subject to optional redemption at par plus accrued interest, as a whole, in certain cases of damage to or destruction or condemnation of the Project Facilities (see “SUMMARY OF DOCUMENTS – The Loan Agreement”).

Partial Redemption

If fewer than all of the Bonds at the time outstanding are to be called for optional redemption, the College shall designate to the Trustee the amount of the Bonds to be redeemed, and the Trustee shall select randomly in units of Authorized Denominations particular Bonds or portions thereof to be redeemed, unless otherwise provided in the Indenture. In no event shall such partial redemption result in a Bond in an amount less than $100,000. The College may direct the Trustee to select randomly from among all the Holders and thereafter select randomly the particular Bonds or portions thereof held by the Holders so selected in order to call for redemption as many Bonds or portions thereof from among the fewest number of Holders. Pledged Bonds shall be selected for redemption prior to any other Bonds except Bonds which have been properly tendered for purchase on optional tender dates occurring on or after the redemption date.

Notwithstanding the foregoing, while the Bonds are in Book Entry Form, DTC shall select Bonds for redemption within particular maturities according to its stated procedures. In no event shall the portion of Bonds to be redeemed and the portion of Bonds not to be redeemed be less than the minimum Authorized Denomination.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the Authority's registration books 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, except in the case of a mandatory redemption resulting from the failure to provide an Alternate Letter of Credit. If moneys are available at the Trustee's office to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Book Entry System

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

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

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

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

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

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

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

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or redeemed, through its Direct Participant, to the nominee holding the Bonds, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct Participant's interest in the Bonds, on

DTC's records, to the nominee holding the Bonds. The requirement for physical delivery of Bonds in connection with a purchase or redemption will be deemed satisfied when the ownership rights in the Bonds are transferred by the Direct Participants on DTC's records and followed by a book-entry credit of purchased or redeemed Bonds to the nominee holding the Bonds.

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

The Authority, at the 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. The Authority, the College and the Underwriter do not take any responsibility for the accuracy thereof.

THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The Loan Agreement requires the College at all times during the Variable Rate Period to maintain with the Trustee a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, computed at the Maximum Rate, for a period of 46 days.

The Bank

M&I Marshall & Ilsley Bank (together with the issuer of any Alternate Letter of Credit, the "Bank") will issue the Original Letter of Credit. For information concerning the Bank, see Appendix VI to this Official Statement. The Bank furnished the information contained in Appendix VI and is solely responsible for such information.

THE BANK'S ABILITY TO HONOR DRAWINGS ON THE LETTER OF CREDIT WILL BE BASED SOLELY ON THE BANK'S GENERAL CREDIT. INFORMATION AS TO THE BANK'S FINANCIAL CONDITION IS SET FORTH IN APPENDIX VI HERETO.

The Original Letter of Credit

At the time of issuance of the Bonds, the College will cause the Bank to issue the Original Letter of Credit to the Trustee in an original stated amount of $12,181,480.00 (the "Stated Amount"). The Original Letter of Credit will be an irrevocable, unsecured obligation of the Bank, which will have a stated expiration date of December 9, 2009, unless terminated earlier or extended. So long as the Original Letter of Credit is effective, the Trustee will be required to draw under the Original Letter of Credit, in accordance with the terms thereof, amounts sufficient to pay (i) accrued interest on the Bonds (a "C Drawing"), or (ii) principal of the Bonds due to redemption, acceleration, prepayment or maturity (an "A Drawing"), or (iii) principal and interest to purchase tendered Bonds or beneficial ownership therein (a "B Drawing").

The Stated Amount initially shall be $12,181,480.00, comprised of the principal portion of $12,000,000.00 and the interest portion of $181,480.00. The Stated Amount is subject to reduction in the amount of an A Drawing, a B Drawing and a C Drawing. The Stated Amount is not subject to reinstatement in the amount of an A Drawing to pay Bond principal due to redemption, acceleration, prepayment or maturity. The Stated Amount is otherwise subject to reinstatement for B Drawings as described below and for C Drawings as described below.

The Stated Amount of the Original Letter of Credit will be reduced automatically by the amount of any drawing thereunder. An A Drawing to pay principal due to redemption, acceleration, prepayment or maturity shall not be reinstated.

The amount of any C Drawing shall be automatically reinstated in an amount equal to any reduction resulting from a C Drawing upon the earlier of (a) the Bank's receipt from the College of an amount equal to the C Drawing, or (b) the 6th calendar day following the honoring of such drawing. Notwithstanding the foregoing, such amount shall not be reinstated if the Bank notifies the Trustee on or before the close of business on the 5th calendar day following the honoring of such drawing that such amount has not been reinstated and such notice directs acceleration of the Bonds.

After the Bank pays a B Drawing to purchase tendered Bonds, the Stated Amount will be automatically reduced by an amount equal to the principal portion of such drawing and by the interest portion related to the principal portion reduction. In the event of the remarketing of any Bonds previously purchased with the proceeds of a B Drawing to purchase tendered Bonds, the Stated Amount under the Letter of Credit will be automatically reinstated upon the Bank's receipt of (a) sale proceeds in the amount by which the principal portion and interest portion are to be reinstated and (b) a proper notice from the Trustee, acknowledged by the Bank.

The Stated Amount shall also be reduced upon the Bank's receipt of proper notice from the Trustee that Bonds have been properly prepaid from funds other than Letter of Credit proceeds in the amount of the principal portion of such reduction and the interest portion related to such principal portion.

The Letter of Credit shall have an initial expiration date of December 9, 2009 but shall be automatically extended for successive periods of one (1) year each, but in no event later than December 9, 2019, unless the Bank determines not to extend the Letter of Credit and so notifies the College, the Authority and the Trustee prior to December 9, 2007 and prior to each subsequent December 9 thereafter until December 9, 2017. Notwithstanding the foregoing, the Letter of Credit shall expire earlier than described above on the first to occur of: (a) the date of the Trustee's notice to the Bank that an Alternate Letter of Credit has been issued in substitution for the Original Letter of Credit; (b) the date the Bank honors a final drawing or drawings available under the Original Letter of Credit; (c) the date the Bank receives the Trustee's certificate that no Bonds remain outstanding under the Indenture and the Indenture has been discharged; (d) six (6) days after the earlier of (i) the date of acceleration of the Bonds under the Indenture because of an Event of Default or (ii) the date the Bank notifies the Trustee to accelerate the Bonds because of an Event of Default under the Reimbursement Agreement; or (e) a Conversion Date.

Alternate Letter of Credit

The Indenture and the Loan Agreement provide that during the Variable Rate Period the Bonds will be tendered if the College fails to deliver to the Trustee (i) at least thirty-five (35) days before the last regularly scheduled Interest Payment Date preceding the Termination Date of a Letter of Credit, an irrevocable commitment from a bank to issue an Alternate Letter of Credit and (ii) on such Interest Payment Date an Alternate Letter of Credit and an opinion of counsel for the bank issuing such Alternate Letter of Credit. An Alternate Letter of Credit shall be an irrevocable, direct-pay letter of credit, having a term of at least one year, issued by a commercial bank organized under the laws of the United States or a foreign nation and authorized to do business in the United States, the terms of which are required by the Indenture to be in all material respects the same as the Original Letter of Credit. If at any time there shall have been delivered to the Trustee (i) an Alternate Letter of Credit pursuant to, and meeting the requirements of, the Loan Agreement and in an available amount meeting the requirements specified in the Indenture, and (ii) an opinion of counsel for the bank which is the issuer of the Alternate Letter of Credit to the effect that the Alternate Letter of Credit has been duly authorized, executed and delivered by the issuer thereof and is a valid and binding obligation of the issuer thereof and enforceable against the issuer, subject to bankruptcy and similar laws affecting creditors' rights generally, then the Trustee shall accept such Alternate Letter of Credit and upon the date the Trustee is permitted to draw under such Alternate Letter of Credit promptly terminate and surrender the previously held Letter of Credit to the issuer thereof for cancellation.

The effective date of substitution of any Alternate Letter of Credit shall be a Variable Rate Interest Payment Date and shall also be a Mandatory Tender Date; provided that any Bondholder may elect to retain its Bonds by filing a Non-Tender Notice in accordance with the Indenture.

The Reimbursement Agreement

The Original Letter of Credit will be issued by the Bank pursuant to a Reimbursement Agreement, dated as of December 1, 2004 (the "Reimbursement Agreement"), between the Bank and the College, under which the College will agree, among other things, to reimburse the Bank (i) for a drawing under the Letter of Credit to purchase Bonds on the earlier of the date of the remarketing of the Bonds purchased with such a drawing or the 366th day following the date of such a drawing or the date on which the Original Letter of Credit is replaced by an Alternate Letter of Credit in accordance with the terms of the Indenture, for the amount of the drawing under the Original Letter of Credit plus interest thereon at the rate specified in the Reimbursement Agreement and (ii) for any other drawing on the day the drawing is made. Pursuant to the Reimbursement Agreement, the College will also agree to pay certain fees for issuance and maintenance of the Original Letter of Credit. The Reimbursement Agreement, and the terms, conditions and agreements contained therein, are solely for the benefit of the Bank and must not be relied upon by the Holders of Bonds or the Trustee.

The Reimbursement Agreement requires the College to comply with certain covenants. The Bank's rights upon an Event of Default under the Reimbursement Agreement, depending on the type of default and contingent upon appropriate notice, may result in termination of the Letter of Credit.

The Reimbursement Agreement may be amended by the Bank and the College without the consent of or notice to the Trustee or the Holders of Bonds.

USE OF PROCEEDS

The Project

Proceeds of the Bonds along with College funds will be used to:

1. construct and furnish a two-building, 290-bed apartment-style residence facility; and
2. pay issuance costs.

The Project consists of two three-story buildings totaling approximately 100,000 square feet. Residence units will be apartment style, and the two buildings will contain approximately 290 beds. The project is being designed and constructed by Oscar J. Boldt Construction.

Construction costs are estimated at $11,724,675. 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. Groundbreaking on the project occurred in November of 2004, and the anticipated completion date is August of 2005.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds together with other moneys are expected to be used as follows:

Sources of Funds	
Par amount of the Bonds	$12,000,000
Uses of Funds	
Project Construction Costs, including furnishings, fixtures and equipment	$11,724,675
Letter of Credit Fee	115,725
Issuance Costs (including Underwriter's Discount)	159,600
Total Uses	$12,000,000

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

SOURCE OF PAYMENT FOR THE BONDS

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including, during the Variable Rate Period, drawings under the Letter of Credit.

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the College. The College will agree pursuant to the terms of the Loan Agreement and the Indenture 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 College's 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.

During the Variable Rate Period, the Bonds will be secured by the Original Letter of Credit or Alternate Letter of Credit, as discussed under "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

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

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

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 and moneys from draws under the Letter of Credit are to be deposited. These accounts include a Construction Account, a Bond Purchase Fund, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. Each account or fund (except the Construction Account and the Reserve Account) includes a General Account and a Letter of Credit Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments, proceeds of remarketing or proceeds from draws under the Letter of Credit are to be deposited into the Bond and Interest Sinking Fund Account, the Bond Purchase 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 or the Purchase Price of the Bonds when due.

Construction Account

There shall be deposited initially into the Construction Account the net proceeds of the Bonds. 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 (principal less original issue discount, if any, according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account may, under certain conditions, be deposited into the Bond and Interest Sinking Fund Account; otherwise such balance shall be deposited to the Redemption Account.

Bond Purchase Fund

There shall be deposited to the General Account in the Bond Purchase Fund (a) the remarketing proceeds of Bonds received by the Trustee from the Tender Agent (together with any investment income thereon) into a separate sub-account of the General Account, but not including any moneys received from the Authority or the College and (b) all other moneys (except moneys available pursuant to the Letter of Credit) which are required or directed to be deposited to the Bond Purchase Fund. There shall be deposited to the Letter of Credit Account in the Bond Purchase Fund all moneys drawn by the Trustee pursuant to the Letter of Credit for payment of the Purchase Price of the Bonds.

Moneys in the Bond Purchase Fund shall be used solely for the payment of the Purchase Price of Bonds upon optional or mandatory tender and shall be disbursed by the Trustee from the Bond Purchase Fund in the following order: (a) amounts in the General Account derived from remarketing of the Bonds and investment income thereon, (b) amounts in the Letter of Credit Account and (c) amounts in the General Account derived from any other sources and investment income thereon. If the funds available under clause (a) in the foregoing sentence for the payment of the Purchase Price of Bonds on any Optional Tender Date or Mandatory Tender Date, are not sufficient to pay in full the Purchase Price of such Bonds, the Trustee shall make a drawing under the Letter of Credit in an amount which will be sufficient, together with the funds available under clause (a), to pay the Purchase Price.

If there remains any balance (other than moneys held by the Trustee for the purchase of Untendered Bonds) in either the Letter of Credit Account or the General Account of the Bond Purchase Fund, the Trustee shall, prior to the close of business on the Optional Tender Date or the Mandatory Tender Date, authorize the payment of such balance first to the Bank, but only to the extent of amounts due under the Reimbursement Agreement, and then to the College.

Bond and Interest Sinking Fund Account

There shall be deposited into the General Account of the Bond and Interest Sinking Fund Account transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. There shall be deposited to the Letter of Credit Account of the Bond and Interest Sinking Fund Account all moneys drawn by the Trustee under the Letter of Credit to pay interest on any Bond (except College Bonds) on any Interest Payment Date and principal on any Bond (except College Bonds) on the Stated Maturity or acceleration thereof.

Funds for the payment of principal of and interest on the Bonds (other than College Bonds) on a Stated Maturity, acceleration or Interest Payment Date are to be derived from the following sources in the order of priority indicated: (i) amounts in the Letter of Credit Account of the Bond and Interest Sinking Fund Account derived from the Letter of Credit for such purpose; and (ii) amounts in the General Account of the Bond and Interest Sinking Fund Account.

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

While the Bonds bear interest at the Variable Rate, the Reserve Requirement is zero and there shall be no deposit into the Reserve Account prior to the Conversion Date.

Redemption Account

All deposits to the Redemption Account will be made to the General Account unless specified to be deposited in the Letter of Credit Account by the Indenture, the Loan Agreement or the Letter of Credit. There shall be deposited into (a) the Letter of Credit Account of the Redemption Account, all moneys drawn by the Trustee under the Letter of Credit for optional or mandatory redemption during the Variable Rate Period and all income derived from the investment of such moneys, and (b) the General Account of 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 General Account of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account, the Bond Purchase Fund and the Reserve Account (after the Conversion Date), in the order listed, and, second, for the redemption of outstanding Bonds at the request or direction of the College or for the purchase of outstanding Bonds on the market at the request of the College at prices not exceeding the redemption price on the next available date for redemption or to pay any unpaid obligations under the Reimbursement Agreement. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the General Account of 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.

Funds for the payment of the principal of and premium, if any, on the Bonds upon redemption shall be disbursed by the Trustee in the following order of priority: (i) amounts in the Letter of Credit Account of the Redemption Account derived from the Letter of Credit for such purpose, and (ii) amounts in the General Account of the Redemption Account.

General Bond Reserve Account

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account, the Bond and Interest Sinking Fund Account, the Reserve Account, the Bond Purchase Fund and the Redemption Account shall be invested by the Trustee as the College directs only in investments as authorized by law from time to time which are generally as follows currently: 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” or, in the case of political subdivisions, rated “AAA” or “Aaa”; 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, or state and local governments or in certain types of repurchase agreements; constant dollar value money market funds that invest solely in direct United States government obligations and certain United States government agency indebtedness and which are rated in the highest rating category by a national rating agency;

time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 8.05 of the Indenture sets forth further restrictions as to type and maturity of investments.

FUTURE FINANCINGS

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

THE AUTHORITY

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

Marianne T. Remedios has been the Executive Director of the Authority since May 1, 2000. Prior to her appointment, she was an associate and partner at Faegre & Benson LLP.

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $800 million. The Authority has had 144 issues (including refunded and retired issues) totaling over $1 billion, of which approximately $640 million is outstanding as of November 1, 2004. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

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

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

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

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

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

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

FINANCIAL ADVISOR

The Authority has retained Springsted Incorporated, 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.

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. as Underwriter. The Underwriter has agreed to purchase the Bonds at a purchase price of $11,961,000.

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

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

RATING

As noted on the cover hereof, Moody's Investors Service ("Moody's") has assigned a long-term rating of "Aaa" and a short-term rating of "VMIG1" to the Bonds, conditioned on the issuance of the Letter of Credit by the Bank. Moody's has assigned an underlying rating of "Baa2" based on the stand-alone credit strength of the College. Moody's has based the Aaa long term rating on the Bonds on its analysis of the credit strength of both the College and the Bank using its "Two-Party-Pay" rating approach. This approach examines both the College and the Bank and evaluates the likelihood that both parties will be unable to make payments on the Bonds when due. The VMIG1 short term rating on the Bonds is based solely on the credit strength of the

Bank. The ratings reflect only the view of such rating agency. Further information concerning the ratings is available from Moody's.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that either rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the College are unaware of any pending or overtly threatened in writing litigation which would affect the validity of or the tax-exempt nature of the interest on the Bonds or materially affect the ability of the 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, for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota, and for the Bank by Winthrop & Weinstine, P.A., Minneapolis and Saint Paul, Minnesota.

TAX EXEMPTION

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

The Loan Agreement and the Indenture contain provisions (the “Tax Covenants”) including covenants of the Authority and the 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.

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 net income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations and is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

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

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

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

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

THE COLLEGE

The College of St. Scholastica (the "College"), located in Duluth, Minnesota, is a co-educational, four-year, comprehensive 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 College 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 more than 3,000 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, St. Cloud, 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, Karelia, Russia; service learning program in Curnevaca, Mexico; 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 2003, 94 percent of graduates either secured employment or enrolled in graduate school within six months of graduation. *U.S. News & World Report* magazine's 2004 "America's Best Colleges" rankings put the College 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

Board of Trustees – Members

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

Cecelia Taylor is currently serving as the Interim Vice President for Academic Affairs and the Dean of Faculty. Prior to her appointment to this position, Dr. Taylor served as the VPAA/Dean of Faculty from 1999-2001, interim VPAA/Dean of Faculty from 1998-1999, and Chair of the Department of Nursing and co-chair of the Health Sciences Division from 1992-1998. Dr. Taylor came to St. Scholastica from Syracuse University where she served in various teaching and administrative capacities for eighteen years. Dr. Taylor holds a doctor of philosophy degree in Higher Education/Administration from Syracuse University. The College is in the process of conducting a national search for the Vice President of Academic Affairs position.

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, Biochemistry, Biology, Business Communication, Chemistry, Communication, Computer Science/Information Systems, Applied Economics, Education, Educational Media and Technology (Licensure), English, Exercise Physiology, Health Information Management, History, Languages and International Studies, Management, Marketing, Mathematics, Music, Nursing, Ojibwe Language and Culture Education, Organizational Behavior, Psychology, Religious Studies, Social Science Secondary Education, Social Work and a divisional major in each of the four divisions as approved by the division.

Pre-professional programs include the fields of Dental, Engineering, Law, Medicine, Pharmacy and Veterinary Medicine.

Minors are available in most of the major fields as well as in American Indian Studies, Art, Gerontology (certificate), Languages and International Studies, Medieval and Renaissance Studies, Philosophy, Theatre, and Women's Studies.

Graduate Programs

The College offers Master of Education (M.Ed.) and Master of Arts (MA) degrees including M.Ed. in Curriculum and Instruction, M.Ed. in Educational Media and Technology, MA in Computer Information Systems, MA in Exercise Physiology, MA in Health Information Management, MA in Management, MA in Nursing, MA in Occupational Therapy, and MA in Physical Therapy.

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; Somers Residence Hall that also includes a wing of residence hall suites; and the Wellness Center, a recently completed student fieldhouse & fitness center. Six apartment complexes – Cedar, Groves, 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 742 beds available on campus. For the 2003-04 academic year, an average of 775 beds were occupied, resulting in a 104.4% occupancy rate. Increases in enrollment during 2002-2004 required special arrangements to deal with student overflow housing. The Project funded by the Bonds is for the construction of two student housing apartment units, which will add 160 and 130 beds, respectively, 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
2000	2,062	1,837	1,222
2001	2,231	2,007	1,224
2002	2,518	2,323	1,423
2003	2,841	2,622	1,640
2004	3,015	2,761	1,763

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

Undergraduate applications, acceptances and matriculations:

The following table shows undergraduate application, acceptances and matriculations as of the fall term for each of the following years:

	2000	2001	2002	2003	2004
Applications	891	958	1,032	1,175	1,338
Acceptances	845	841	917	1,036	1,193
Matriculations	318	298	372	413	448

Graduation rate for first year students graduating in four years:

Entering Year	4-year Graduation rate
1995	54.6%
1996	47.0%
1997	57.6%
1998	53.8%
1999	53.6%

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

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%
Fall 2002 to Fall 2003	82.0%

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:

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Annual Tuition	$ 15,420	$ 16,190	$ 17,080	$ 18,106	$ 19,192
Housing:					
Somers Residence Hall:					
Double room (with board)	4,760	4,952	5,198	5,406	5,668
Suite (with board)	4,676	4,864	5,108	5,312	5,568
Apartments:					
Grove Apartments	2,268	2,380	2,500	2,600	2,764
Cedar Apartments					3,465
Pine, Maple, Willow, and Birch Apartments	2,656	2,788	2,930	3,046	3,238
Health Service Fee	90	100	100	110	110
Total for Student in Somers Hall (double room w/board)	$ 20,270	$ 21,242	$ 22,378	$ 23,622	$ 24,970

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

2004/2005 Undergraduate Rate Comparison of Minnesota Private Colleges
(Ranked by Comprehensive Charges)

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges
Carleton College	$30,666	$6,309	$36,975
Macalester College	$26,806	$7,350	$34,156
St. Olaf College	$25,150	$5,800	$30,950
Minneapolis College of Art & Design	$23,910	$5,550	$29,460
Gustavus Adolphus College	$22,955	$5,810	$28,765
University of St. Thomas	$21,828	$6,838	$28,666
Hamline University	$22,083	$6,346	$28,429
College of Saint Benedict	$22,148	$6,208	$28,356
Saint John's University	$22,148	$6,027	$28,175
College of St. Catherine	$21,050	$5,808	$26,858
Augsburg College	$20,758	$6,080	$26,838
College of St. Scholastica	**$20,760**	**$5,916**	**$26,676**
Bethel College	$19,990	$6,570	$26,560
Concordia University, St. Paul	$19,928	$6,156	$26,084
Saint Mary's University of Minnesota	$17,905	$5,470	$23,375
Concordia College, Moorhead	$17,770	$4,690	$22,460
Bethany Lutheran College	$14,742	$4,982	$19,724
AVERAGE	$21,800	$5,995	$27,795

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 87 percent of private college students apply for and receive financial assistance, with the amounts and types of aid determined in relation to family resources, calculated need, government formulas and financial aid funding and other factors. Typical assistance provided to students includes Federal and State grants (if applicant qualifies), institutional grants, loans and work-study determined in relation to the student's needs and other factors.

Source: The Minnesota Private College Council

Financial 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	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Federal	$ 1,191,149	$ 1,457,225	$ 1,792,905	$ 2,065,043	$ 2,377,354
State	2,294,228	2,491,636	3,105,535	3,261,449	3,005,894
College	6,377,804	6,761,411	7,691,355	10,311,142	13,257,506
Private	625,210	659,454	741,614	734,998	384,366
Total	$ 10,488,391	$ 11,369,726	$ 13,331,409	$ 16,372,632	$ 19,025,120
Loans	$ 10,422,204	$ 12,182,735	$ 14,296,636	$ 17,304,734	$ 19,900,361
Workstudy	761,529	675,676	858,693	886,826	993,944
Grand Total	$ 21,672,124	$ 24,228,137	$ 28,486,738	$ 34,564,192	$ 39,919,425
Number of full-time students receiving financial aid	979	1,102	1,004	1,623	1,721

Faculty and Staff

The College employs a total of 559 persons. Of these, 214 are faculty with 127 being full-time and 87 part-time. Average salaries by full-time faculty rank are:

Rank	Number	Average Salary	Percent Tenured
Professor	18	$ 70,392	100%
Associate Professor	29	$ 61,547	86%
Assistant Professor	68	$ 49,804	9%
Instructor	10	$ 41,658	10%
Assistant Instructor	2	$ 40,250	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-four employees and expire June 30, 2005. 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, 2004, the College contributed $1,164,607.

Investments

Following is a five-year history of the net assets 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
2000	$ 7,893,083	$ 9,256,784	$ 17,149,867
2001	$ 8,474,639	$ 7,523,275	$ 15,997,914
2002	$ 9,551,235	$ 5,872,947	$ 15,424,182
2003	$ 10,720,767	$ 5,017,112	$ 15,737,879
2004	$ 11,909,421	$ 6,967,176	$ 18,876,597

The net assets 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 average of the previous twelve quarter-end values of that portion of Total Net Assets described above. This percentage is determined annually by the Board of Trustees, and for fiscal years 2003 and 2004 the percentages were 5.5% and 5.0%, respectively. Based on this formula and spending rate, the total distributable income for the years ended June 30, 2003 and 2004 was $815,430 and $533,832, 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
2000	$ 3,721,784	$ 920,070	$ 401,437
2001	$ 3,068,038	$1,439,824	$ 709,815
2002	$ 4,138,153	$ 775,539	$3,056,491
2003	$ 4,528,560	$1,487,101	$ 605,209
2004	$ 4,097,245	$2,053,585	$ 707,167

Capital Campaign

The College Board of Trustees approved a comprehensive capital campaign in early 2001. During its formative phase, the College 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 the endowment, as well as to significantly increase participation in the College's estate gift planning program.

The College is now in the midst 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. To date, the College has raised $24 million towards its goal. The campaign is scheduled to end in 2007.

Presentation of Financial Statements

Appendix VI sets forth the financial statements of the College for fiscal years ended June 30, 2004 and 2003, 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 2000 through 2004. For more complete information of the College for the Fiscal Years ended June 30, 2004 and 2003, see Appendix VI of this Official Statement.

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

For the Years Ended June 30,

	2000	2001	2002	2003	2004
REVENUES, GAINS AND OTHER SUPPORT					
Tuition & Fees	$24,718,539	$26,664,467	$30,296,460	$36,379,285	$43,019,007
Less: Scholarships and grants	(7,379,666)	(7,939,301)	(8,945,817)	(11,498,457)	(14,195,299)
Net tuition and fees	17,338,873	18,725,166	21,350,643	24,880,828	28,823,708
Government grants	2,585,468	2,445,763	3,679,581	3,757,345	3,644,671
Private gifts	1,136,316	622,275	458,572	771,215	452,574
Endowment income	157,780	(1,902,155)	(1,091,567)	(235,766)	1,166,837
Contributed services, net of expenses	147,659	109,343	114,746	135,984	147,814
Other sources	670,492	746,794	1,006,029	804,103	957,188
Investment income	415,614	519,397	251,443	200,242	91,828
Sales of services of auxiliary enterprises	3,441,234	3,337,157	3,595,085	4,031,809	4,555,700
	25,893,436	24,603,740	29,364,532	34,345,760	39,840,320
Net assets released from restrictions	1,987,180	1,176,592	1,176,713	1,140,637	2,782,349
Total Revenues, Gains and Other Support	27,880,616	25,780,332	30,541,245	35,486,397	42,622,669
EXPENSES AND LOSSES					
Program expenses					
Instruction	11,539,867	12,570,882	14,761,972	16,772,802	18,719,513
Public service	2,111,428	1,953,379	2,992,437	3,626,467	3,657,484
Academic support	2,729,886	2,831,105	3,037,800	3,459,202	3,965,207
Student services	3,537,823	3,702,368	3,746,621	4,429,547	4,988,349
Auxiliary enterprises	2,952,591	2,823,952	2,932,313	3,109,515	3,750,677
Support expenses					
Institutional support	3,046,318	2,832,501	3,199,068	3,213,213	3,722,921
Allocable expenses					
Operation and maintenance of plant	1,830,685	1,895,612	1,758,765	1,991,595	2,199,969
Depreciation expense	1,356,941	1,247,515	1,260,863	1,264,259	1,329,559
Amortization expense	11,938	11,096	8,125	9,195	16,439
Interest expense	676,761	615,057	468,480	427,710	508,434
Less: Allocated expenses	(3,876,325)	(3,769,280)	(3,496,233)	(3,692,759)	(4,054,401)
Loss on disposal of plant facilities	18,095	7,302	0	8,202	0
Total Expenses and Losses	25,936,008	26,721,489	30,670,211	34,618,948	38,804,151
Increase (Decrease) in Net Assets Before Extraordinary Loss	1,944,608	(941,157)	(128,966)	867,449	3,818,518
Extraordinary Loss		(133,441)		(31,051)	0
Increase (Decrease) in Net Assets	1,944,608	(1,074,598)	(128,966)	836,398	3,818,518
NET ASSETS -- Beginning of Year	28,490,979	30,435,587	28,301,508 *	28,172,542	29,008,940
NET ASSETS -- END OF YEAR	**$30,435,587**	**$29,360,989**	**$28,172,542**	**$29,008,940**	**$32,827,458**

* Adjusted in fiscal 2003 to record accrued faculty salaries and depreciate certain building improvements.

Source: Audited financial statements of the College

Long-Term Debt of the College

The College's total long-term debt outstanding as of December 1, 2004 is as follows:

1) $2,000,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-E, dated April 1, 1996; interest rates from 4.25% to 5.00%; final maturity due March 1, 2006; $500,000 is outstanding. The full faith and credit of the College secure the bonds.

2) $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; $4,475,000 is outstanding. The full faith and credit of the College secure the bonds.

3) $11,705,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-R, dated May 1, 2003; interest rates from 2.50% to 5.00%; final maturity due December 1, 2032; $11,350,000 is outstanding. The full faith and credit of the College secure the bonds.

As of December 1, 2004 the College's total long-term debt outstanding was $16,325,000. The College's total long-term debt will increase by the principal amount of the Bonds upon issuance.

Annual Debt Service for Fiscal Years 2005 and 2006 and *Pro Forma* Coverage Statement

The following table shows, for Fiscal Years 2005 and 2006, (i) the estimated annual debt service on the Bonds; (ii) the College's annual debt service with respect to its other outstanding long-term indebtedness; (iii) the College's combined total annual debt service; and (iv) the amount of coverage for the combined annual debt service provided by the "amount available for debt service" for the Fiscal Year ending June 30, 2004, as further detailed in footnote (c) of the table.

This table is intended merely to show the relationship of the College's Fiscal Year 2004 revenues available for the payment of debt service to a pro forma statement of the College's combined annual debt service based on actual outstanding debt service and an assumed interest rate with respect to the Bonds. It is not intended and should not be considered a projection of the College's future revenues, expenses, debt service or debt service coverage. There is no assurance that the College's future revenues, expenses, debt service and debt service coverage 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 for Fiscal Years 2005 and 2006
and *Pro Forma* Coverage Statement

Fiscal Year	Estimated Debt Service on the Bonds (a)	Outstanding Long-term Debt Service	Combined Long-term Debt Service (b)	Amount Available for Debt Service (c)	Estimated Coverage (times) (d)
(1)	(2)	(3)	(4)	(5)	(6)
2005	$108,000	$1,584,160	$1,692,160	$2,808,718	1.66
2006	288,000	1,582,723	1,870,723	2,808,718	1.50
	$396,000	$3,166,883	$3,562,883		

(a) Estimated based on an historic average variable rate of over 15 years of 3.15% and no principal amortization in 2005 and 2006.

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

(c)

Fiscal Year ended June 30, 2004 Increase in Unrestricted Net Assets	$3,818,518
Plus:	
Depreciation and amortization	1,345,998
Interest expense	508,434
Net income generated by Project	670,000
Unrealized losses on investments	--
Less:	
Net assets released for equipment and buildings	(636,179)
Equipment acquired, funded through operations and capitalized	(516,771)
Unrealized gains on investments	(2,381,282)
Amount available for Debt Service	$2,808,718

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

PROPOSED FORM OF LEGAL OPINION

LAW OFFICES

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$12,000,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
VARIABLE RATE DEMAND REVENUE BONDS, SERIES SIX-A
(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) Variable Rate Demand Revenue Bonds, Series Six-A (College of St. Scholastica, Inc.), in the aggregate principal amount of $12,000,000 (the "Bonds"), dated December 9, 2004, and maturing on December 1, 2034.

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 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, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee") each dated as of December 1, 2004, 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 also relied upon the opinion of Winthrop & Weinstine, P.A., counsel to M&I Marshall & Ilsley Bank (the "Bank"), as to the Letter of Credit having been duly executed and delivered and being a valid and binding obligation of the Bank.

Except as set forth in our opinion to Piper Jaffray & Co. dated the date hereof, 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 valid and binding limited obligations of the Authority payable solely from the proceeds of periodic draws under the Letter of Credit issued by the Bank and are further 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 in effect on the date hereof, 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 Letter of Credit, 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: December 9, 2004

Respectfully submitted,

DEFINITIONS OF CERTAIN TERMS

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

Alternate Letter of Credit: An irrevocable letter of credit delivered to the Trustee in accordance with the Indenture and the Loan Agreement to replace the Letter of Credit then in existence.

Authority: The Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the College, Trustee or the Bank 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 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 its Board of Trustees or by the President or Vice President of the College. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under the Indenture and described in Section 8.05 thereof.

Bank: M&I Marshall & Ilsley Bank, as the issuer of the Original Letter of Credit, its successors in such capacity and their assigns until the full payment and satisfaction of the Letter of Credit Obligations under the initial Reimbursement Agreement; upon the issuance of any Alternate Letter of Credit, “Bank” means the issuer of such Alternate Letter of Credit, its successors in such capacity and their assigns until full payment and satisfaction of the Letter of Credit Obligations under the applicable Reimbursement Agreement.

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

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

Bond and Interest Sinking Fund Account: The account established pursuant to the Indenture, including the General Account and the Letter of Credit Account, 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 the Bonds.

Bond Purchase Agreement: The Bond Purchase Agreement relating to the Bonds among the Authority, the Underwriter, and the College.

Bond Purchase Fund: The trust fund created in the Indenture, including the General Account and the Letter of Credit Account into which the Trustee shall deposit certain moneys for the payment of the Purchase Price of Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on November 17, 2004, authorizing the Series Six-A Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Six-A (College of St. Scholastica, Inc.).

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

Book-Entry System: A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and its participants.

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.

Business Day: (i) During the Variable Rate Period, any day other than a Saturday, a Sunday, or a legal holiday on which banking institutions in the State of Minnesota, or the State of Wisconsin (or, if different, in the city in which the principal corporate trust office of the Trustee is located), or (in the case of an Alternate Letter of Credit) the office in which draws are made on the Letter of Credit, are required or authorized by law to remain closed or a day on which the New York Stock Exchange or Federal Reserve Banks are closed, and, (ii) during the Fixed Rate Period, 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: The College of St. Scholastica, Inc., a Minnesota nonprofit corporation, its successors and assigns, as owner and operator of the Institution.

College Bond: Any Bond (i) registered in the name of, or the Beneficial Owner of which is, or which the Trustee actually knows is owned or held by, the College or the Authority or the Trustee or an agent of the Trustee for the account of the College or the Authority or (ii) with respect to which the College or the Authority has notified the Trustee, or which the Trustee actually knows, were purchased by another person for the account of the College or the Authority or by a person directly or indirectly controlling or controlled by or under direct or indirect common control with the College or the Authority, including, but not limited to, Pledged Bonds.

Computation Date: The date on which the Fixed Rate is to be determined in the case of conversion to Fixed Rate, which shall be not less than 15 days prior to the Proposed Conversion Date.

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

Conversion Date: The date as of which the interest rate on the Bonds converts from a Variable Rate to a Fixed Rate as such date is established pursuant to the Indenture.

Daily Rate: The interest rate on the Bonds during a Daily Rate Period determined on a daily basis as provided in the Indenture.

Daily Rate Period: With respect to the Bonds during a Variable Rate Period, each period during which the Bonds bear interest at a Daily Rate.

Defaulted Interest: Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date.

Depository or *DTC*: The Depository Trust Company in New York, New York, its successors or assigns, or any other person who shall be a Holder of all Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, 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 interest on the Bonds is includable in the gross income of the recipient under Section 103 of the Internal Revenue Code, related sections and regulations thereunder, as in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement. A determination that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

Event of Default: An Event of Default described in the Indenture, Loan Agreement, or the Reimbursement Agreement and summarized, respectively, in Appendix IV to this Official Statement in the sections entitled "THE INDENTURE - Events of Default," "THE LOAN AGREEMENT - Events of Default," and in the body of this Official Statement in the section entitled "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

Financial Journal: 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.

Fixed Rate or *Fixed Rates*: The Fixed Rates established in accordance with the Indenture at the Conversion Date for the Bonds.

Fixed Rate Interest Payment Date: The first June 1 or December 1 occurring at least ninety (90) days after the Conversion Date, and each June 1 or December 1 thereafter prior to the last Maturity of any Bonds, and the date of such Maturity.

Flexible Rate: The interest rate on the Bonds during a Fixed Rate Period determined on a periodic basis (not greater than 270 days) as provided in the Indenture.

Flexible Rate Period: With respect to the Bonds during a Variable Rate Period, the period between any two Business Days when the Bonds bear interest at the Flexible Rate, which period shall have a duration not less than one day nor more than 270 days, designated in accordance with the Indenture.

General Account: When used with respect to the Bond and Interest Sinking Fund Account, the Redemption Account, or the Bond Purchase Fund, the account by that name established within such account or fund.

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

Government Obligations: (a) Direct general obligations of, or obligations the prompt payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America, (b) repurchase agreements or similar financial transactions with parties rated A or better by the Rating Agency, the payment of principal of and interest on which are fully secured by obligations of the type described in clause (a) or (c) of this definition, which collateral (i) is held by the Trustee during the term of the instrument which such collateral secures, (ii) is not subject to liens or claims of any third parties and (iii) has a market value (determined monthly) equal to at least 102% of the amount so invested, (c) bonds, notes or other debt obligations rated in the highest Rating Category by the Rating Agency issued by a State or a political subdivision or municipal corporation thereof which are payable in whole from an escrow or similar fund or account containing only cash and/or obligations of the type described in clause (a) above, and (d) certificates or other evidence of ownership of principal to be paid or interest to accrue on a pool of securities of the type described in clause (a) above, which securities are rated in the highest Rating Category by the Rating Agency and are held in the custody of a bank or trust company acceptable to the Trustee in a special account separate from the general assets of such custodian.

Holder, Bondholder, or *Owner*: The person in whose name a Bond is 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, National Association, as Trustee, dated as of December 1, 2004, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Initial Rate: The interest rate applicable to the Bonds from the Issue Date to, but not including, the next succeeding Business Day.

Institution: The College of St. Scholastica, a Minnesota institution of higher education headquartered in the City of Duluth, Minnesota and owned and operated by the College.

Interest Accrual Period or *Interest Period*: (a) With respect to the Variable Rate Period, a period commencing with the first Business Day of each calendar month during such Variable Rate Period (or the first day of such Variable Rate Period, if such day is not the first Business Day of a month) to and including the earlier of the day preceding the first Business Day of the next calendar month and the last day of such Variable Rate Period and (b) with respect to the Fixed Rate Period, a period commencing with the first day of the Fixed Rate Period to and including the last day preceding the first Fixed Rate Interest Payment Date, and thereafter a period commencing with each Interest Payment Date to and including the last day preceding the next Interest Payment Date; provided that the Interest Accrual Period with respect to a Mandatory Tender Date which is a Variable Rate Interest Payment Date described in clause (ii) of the definition thereof shall commence on the first day of the immediately preceding Interest Accrual Period and shall end on the day preceding such Variable Rate Interest Payment Date and the next Interest Accrual Period shall commence on such Variable Rate Interest Payment Date.

Interest Payment Date: On and prior to the Conversion Date, each Variable Rate Interest Payment Date and, after the Conversion Date, each Fixed Rate Interest Payment Date.

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

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

Letter of Credit: The Original Letter of Credit and any extension thereof or, upon delivery to the Trustee of any Alternate Letter of Credit, “Letter of Credit” means such Alternate Letter of Credit.

Letter of Credit Account: When used with respect to the Bond and Interest Sinking Fund Account, the Redemption Account or the Bond Purchase Fund, the account by that name established within such account or fund.

Letter of Credit Obligations: All fees relating to the Letter of Credit, any and all obligations of the College to reimburse the Bank for any drawings under the Letter of Credit and all other obligations of the College to the Bank arising under or in relation to the Reimbursement Agreement.

Loan Agreement: The Loan Agreement between the Authority and the College relating to the Bonds, dated as of December 1, 2004, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the College to the Trustee (or directly to the Bank while a Letter of Credit is in effect) pursuant to the Loan Agreement.

Mandatory Tender Date: The meaning assigned thereto in the body of this Official Statement in the section entitled "THE BONDS - Optional and Mandatory Tender -- Mandatory Tender."

Maturity: When used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable as provided therein or in the Indenture, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

Maximum Rate: The maximum rate, 12% per annum, that may be borne by the Bonds before the Conversion Date.

Moody's: Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Authority.

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 and the Trustee as secured party pursuant to the Indenture, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority.

Optional Tender Date: The meaning assigned thereto in the body of this Official Statement in the section entitled "THE BONDS - Optional and Mandatory Tender -- Optional Tender."

Original Letter of Credit: The irrevocable letter of credit delivered by the Bank to the Trustee on the Issue Date of the Bonds in accordance with the Loan Agreement.

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) liens granted to secure debt incurred as permitted by financial covenants then binding on the College and entered into in relation to the Bonds, whether such covenants are expressed in a Reimbursement Agreement or the Loan Agreement, and (v) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

Pledge Agreement: (i) With respect to the initial Letter of Credit, the Pledge and Security Agreement dated as of December 1, 2004, by and among the College, the Trustee and the Bank, as now or hereafter amended or supplemented and (ii) with respect to any Alternate

Letter of Credit, any similar agreement with respect to the Bank which issues any Alternate Letter of Credit.

Pledged Bonds: (i) Bonds registered in the name of the College, held by the Trustee, as custodian for the Bank and pledged to the Bank pursuant to the Pledge Agreement, or (ii) with respect to any Bond registered in the name of DTC, the principal portion thereof the beneficial owner of which is the College subject to a security interest and pledge granted in favor of the Bank pursuant to the Pledge Agreement.

Project: The Project consists of the acquisition, construction, furnishing and equipping of student residence facilities consisting of two three-story buildings collectively containing approximately 100,000 square feet with approximately 290 beds, including appurtenant site improvements.

Project Buildings: The facilities acquired, improved, or constructed with proceeds of the Bonds, including investment earnings.

Project Costs: Costs properly payable from the Construction Account for improvement, acquisition, construction and equipping of the Project and for other purposes as provided in the Indenture.

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

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

Project Site: The land on which any of the Project Buildings are or will be located or otherwise to be improved as part of the Project and as described in the Loan Agreement.

Proposed Conversion Date: The date on which the interest on the Bonds is to be converted to a Fixed Rate, as specified in the notice given by the College of its election to convert the interest rate on the Bonds to a Fixed Rate.

Purchase Price: When used with respect to the purchase of a Bond or the remarketing of a Bond on a Tender Date pursuant to the Indenture, an amount equal to the principal amount of such Bond to be so purchased or remarketed plus interest accrued and unpaid to, but not including, the applicable Tender Date; provided that, if such Tender Date is an Interest Payment Date for which moneys are available for the payment of such interest, accrued interest will not constitute a part of the Purchase Price but will be paid to the Holder in the ordinary manner.

Rating Agency: Moody's, if the Bonds are then rated by Moody's, Standard & Poor's, if the Bonds are then rated by Standard & Poor's and any other nationally recognized credit rating agency, if the Bonds are then rated by that agency.

Rating Category: One of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such Rating Category by a numerical or other modifier.

Record Date: (i) With respect to each Variable Rate Interest Payment Date, the Business Day next preceding such Variable Rate Interest Payment Date, and (ii) with respect to each Fixed Rate Interest Payment Date, the 15th day of the calendar month next preceding such Fixed Rate Interest Payment Date, regardless of whether such day is a Business Day.

Redemption Account: The Redemption Account created under the Indenture for deposit of moneys drawn by the Trustee under the Letter of Credit for redemption of Bonds and deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to make up deficiencies in the Bond and Interest Sinking Fund Account, Bond

Purchase Fund and Reserve Account, in that order; and (ii) to redeem or prepay outstanding Bonds or to purchase outstanding Bonds for redemption and cancellation, or to pay any unpaid Letter of Credit Obligations. Moneys in the General Account of the Redemption Account may be used in the Trustee's discretion 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.

Reimbursement Agreement: The Reimbursement Agreement, dated as of December 1, 2004, between the College and the Bank, including any amendments thereto, and the Pledge Agreement relating to the obligation of the College to reimburse the Bank for moneys drawn on the Letter of Credit; and, if an Alternate Letter of Credit is issued, “Reimbursement Agreement” means a similar agreement, if any, between the issuer of such Alternate Letter of Credit and the College.

Remarketing Agent: Piper Jaffray & Co. or any successor or successors appointed and serving in such capacity pursuant to the Indenture.

Remarketing Agreement: The Remarketing Agreement dated as of December 1, 2004 between the College and the Remarketing Agent, including any amendments thereto; and any other written agreement among the Authority, the College and/or any Remarketing Agent describing the responsibilities of the Remarketing Agent.

Reserve Account: The Reserve Account established under the Indenture.

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

Standard & Poor's or *S&P*: Standard & Poor's Rating Services, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, “Standard & Poor's” shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Authority.

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

Tender Agent: The Tender Agent appointed in accordance with the Indenture (initially the Trustee), and any successor Tender Agent appointed thereunder.

Tender Date: Each Optional Tender Date and each Mandatory Tender Date.

Termination Date: The date on which the Letter of Credit terminates or expires for any reason or the next following Business Day if such date is not a Business Day.

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, National Association, Minneapolis, Minnesota.

Underwriter: Piper Jaffray & Co., as original purchaser of the Bonds.

Variable Rate: The variable interest rate established from time to time in accordance with the Indenture, with respect to any Bond.

Variable Rate Interest Payment Date: (i) The first Business Day of each month, commencing January 3, 2005; (ii) any Mandatory Tender Date described in the Indenture with respect to the Bonds subject thereto; (iii) each Purchase Date described in the Indenture with respect to Pledged Bonds; and (iv) the Conversion Date.

Variable Rate Period: The period from and including the Issue Date to and including the earlier of (i) the day next preceding the Conversion Date of the Bonds or (ii) the date of the last Maturity of any Bonds.

Weekly Rate: With respect to the Bonds, a Variable Rate on such Bond determined on a weekly basis as established in accordance with the Indenture.

Weekly Rate Period: With respect to the Bonds during the Variable Rate Period, each period during which the Bonds shall bear interest at a Weekly Rate.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The College expects that acquisition, construction, furnishing and equipping of student residence facilities consisting of two three-story buildings collectively containing approximately 100,000 square feet with approximately 290 beds, including appurtenant site improvements, will be substantially completed and all amounts in the Construction Account held under the Indenture will be expended by no later than September 1, 2005, 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, 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 bond counsel to the Authority to such effects 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 in the Construction Account.

Loan Repayments

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

(a) Prior to the Conversion Date, funds drawn under the Letter of Credit in amounts equal to the interest on and principal of the Bonds then due on any payment date shall be deemed to fulfill the College's repayment obligation hereunder, and the College need not make any duplicative payment to the Trustee. From and after the Conversion Date unless the Bonds are secured by a Letter of Credit and the related Reimbursement Agreement provides to the contrary, the College shall pay to the Trustee for deposit into the Bond and Interest Sinking Fund Account, on or before the fifth (5th) Business Day immediately prior to the date payable, the amount payable as interest on the Bonds (including any additional interest payable under the Loan Agreement) on the next succeeding Interest Payment Date, and, the amount payable as principal of the Bonds due on the next succeeding principal payment date; and

(b) Into the Bond and Interest Sinking Fund Account, as required, the amount of any deficiency in the event the funds on deposit in the Bond and Interest Sinking Fund Account are for any reason insufficient to pay principal, premium (if any) and interest on the Bonds then due (whether at maturity, or by redemption or acceleration of maturity in event of default); and

(b) On and after the Conversion Date, into the Reserve Account forthwith any amounts then required to be deposited therein by Section 8.02 of the Indenture; and

(c) Prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account; provided that the obligation of the College is expected to be fulfilled by funds drawn under the Letter of Credit as described in (a) above.

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 summarized in the body of this Official Statement in the section entitled "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.

Further, the College has agreed to pay to the Trustee the amounts to be disbursed to the Tender Agent to pay the Purchase Price of Bonds upon optional or mandatory tender; provided however that there shall be credited against such obligations the moneys made available for that purpose under the Letter of Credit.

Use of Project Facilities

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

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be 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 so long as the tax-exempt status of the Bonds will not be affected thereby; such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, the Reimbursement Agreement or the Act; and the College shall remain fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made.

Operating Expenses and Liens

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

Taxes and Other Governmental Charges

The College will pay all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the College, or the Project Facilities or any improvements, equipment or related property installed or 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 unless the Authority or the Trustee shall notify the College that, in the opinion of Independent Counsel, by nonpayment of any such items the Project Facilities or any part thereof, or the revenue therefrom will be subject to loss or forfeiture, in which event such items shall be paid promptly.

Insurance

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

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

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

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

Upon the written request of the College, the Trustee (i) may permit modifications to such insurance requirements and deductible amounts, including permission for the College to be self-insured in whole or in part for any such coverage, upon such terms and conditions as the Trustee may require, and (ii) shall permit modifications to such insurance requirements and deductible amounts, including permission for self-insurance, 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 a certificate of insurance compliance each year. 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 any part of 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 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 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 50% of the outstanding principal amount of Bonds in the case of each student residence facility. If less than all of the Net Proceeds are deposited in the Redemption Account and if no Default exists, the balance of the Net Proceeds shall be returned by the Trustee to the College.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any part of the Project Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, there shall be no abatement in the Loan Repayments, and to the extent that the Net Proceeds of the award is not greater than $1,000,000, the College will promptly repair, rebuild or restore the property 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 exceeds $1,000,000, the College shall either redeem the Bonds in whole or in part or rebuild, restore or replace 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 Building and site thereof 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 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 is continuing and upon the following conditions:

(a) the College may substitute furnishings, equipment and related property for any Project Equipment and Building Equipment, provided that such substitution shall not materially impair the character or revenue producing significance 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; provided that if the depreciated book value of the equipment so released was less than $25,000, such release and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent engineer upon such showing by the College as may be satisfactory to the Trustee; and

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

In connection with (a), (b), and (c) above, if the depreciated book value of the Project Equipment or Building Equipment to be substituted, removed or released equals or exceeds $25,000 the College will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal or release 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 and Institution

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 College, 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 College, such surviving, resulting or transferee corporation or institution 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 discrimination and requiring that the Institution be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

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

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt non-hospital bonds issued on behalf of or for the benefit of the College and all organizations under common management or control with the College (other than qualified hospital bonds and tax-exempt bonds issued after August 5, 1997 which proceeds have been or will be applied to capital expenditures incurred after August 5, 1997), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000.

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. All courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

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 that is exempt from income taxes under Section 501(a) of such Code.

Determination of Taxability

In the event a Determination of Taxability is made on or after the Conversion Date 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 (2.00%) per annum from the later of the Date of Taxability or Conversion Date until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption as a whole or in part on the next date for which due notice can be given or any date thereafter and the redemption price shall be equal to par plus accrued interest (including additional interest from the Date of Taxability). If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto shall be limited to the additional interest, as more fully set forth in the Loan Agreement.

Other Covenants

The College further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education 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 (or the Bank in lieu of the College while a Letter of Credit remains in effect) shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, the Reserve Account or the Redemption Account, as the case may be, on a Bond principal or Interest Payment Date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for 5 Business Days after notice from the Trustee or the Authority to the College that such payment has not been made; or

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

(c) On or after the Conversion Date, if the College shall fail to maintain the balance in the Reserve Account with respect to the Bonds in the amount of the Reserve Requirement (if more than -0-), 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 fails to pay when due the amount of any Purchase Price required to be paid under the Loan Agreement; or

(e) If the College shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under 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; 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 of the whole or any substantial part of the property of the College, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control.

The term “force majeure” as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority;

insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the College.

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 10.04 of the Indenture and third to the Bank to pay Letter of Credit Obligations 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 "DEFINITION OF CERTAIN TERMS," Appendix III to this Official Statement.

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 Authority's annual fee and rights to indemnity and reimbursement;

(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, including the Bond Purchase Fund, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

(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 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). The Trustee has no lien upon or right to receive payment of any fees, expenses or other amounts from the Bond Purchase Fund or amounts made available under the Letter of Credit or the proceeds of remarketing the Bonds.

Covenants of the Authority

Under the Indenture, the Authority covenants, among other things, to perform its various undertakings and agreements; 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 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 (other than an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit);

(e) If there is a default in the due and punctual payment of the Purchase Price of Bonds required to be purchased pursuant to Section 4.01 or Section 4.02 of the Indenture (relating to optional and mandatory tender of Bonds) when payment of such amount has become due and payable;

(f) If the Trustee receives, prior to the Conversion Date, a written notice from the Bank that, as a consequence of certain events as set forth in the Letter of Credit, the Bank will not reinstate the interest portion of the Letter of Credit following an interest drawing;

(g) If the Trustee receives, prior to the Conversion Date, a written notice from the Bank that an event of default (other than an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit) under the Reimbursement Agreement has occurred and that the Bank is terminating the Letter of Credit; or

(h) If the College, prior to the Conversion Date, fails to perform its obligations under the Loan Agreement to maintain a Letter of Credit.

Remedies

Upon the occurrence of an Event of Default described in (a), (b), (e), (f), or (g) above, the Trustee shall, by Notice to the Holders and 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 Bank, or Holders of a majority in aggregate principal amount of Bonds then outstanding (with the consent of the Bank), 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.

Upon and during the continuance of an Event of Default described in (c), (d) or (h) above, and subject to the consent of the Bank, the Trustee (i) with the Bank's consent may, and (ii)(A) with the Bank's consent and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding hereunder or (B) upon request of the Bank, shall, by notice in writing delivered to the Holders and the Authority, declare the principal of all Bonds hereby secured 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 (i) the Holders of a majority in aggregate principal amount of Bonds then outstanding hereunder with the Bank's consent or (ii) the Bank, by written notice to the Authority and to the Trustee, to annul such declaration at anytime as described in (c) above.

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 (a) with the Bank's consent may, and (b)(i) with the Bank's consent and upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, or (ii) upon the request of the Bank, shall 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, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders or the Bank as aforesaid, unless such Bondholders or the Bank shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to its reference or prime rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of $10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the College, with the consent of the Bank, 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 or the Bank 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: First for the equal benefit of the Holders of all Bonds outstanding (other than College Bonds), and Second for the benefit of the Bank and Third for the benefit of the Holders of the College Bonds.

The Trustee (a) with the consent of the Bank and upon the written request of the Holders of a majority in principal amount of the Bonds at the time outstanding or (b) upon the written request of the Bank 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 or the Purchase Price; 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.

Payment, Defeasance and Release

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 and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in (i) Eligible Funds during the Variable Rate Period or (ii) cash or direct obligations of or obligation guaranteed by the United States which, during the Variable Rate Period have been purchased with Eligible Funds, 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 such Bonds outstanding, or

(c) on or after the Conversion Date, deliver to the Trustee (1) proof that notice of redemption of all of such 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 all Letter of Credit Obligations or cause the Letter of Credit to be surrendered to the Bank for cancellation and to pay other sums due and payable under the Indenture by the Authority, 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 such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and 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 such 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 the 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 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 modify the Indenture as authorized by Holders;

(f) to modify or supplement provisions relating to procedures for drawing on the Letter of Credit in connection with the issuance of an Alternate Letter of Credit; and

(g) to make any other changes with the Bank's consent except those changes which require unanimous approval of the holders of all outstanding Bonds described in the Indenture.

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

Any supplemental indenture affecting the rights or obligations of the Bank, the Remarketing Agent or the Tender Agent shall not be effective without written consent of the party affected thereby.

Amendments to the Loan Agreement

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission, or (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, (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, or (e) in connection with any other change approved by the Bank except those changes requiring unanimous consent of Holders of all Bonds then outstanding.

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.

No amendment to or other modification of the Loan Agreement or waiver of any provision thereof may be entered into or given without the prior written consent of the Bank. Any amendment to or other modification of the Loan Agreement which affects any of the rights or obligations of the Bank or the Tender Agent shall not be effective without the written consent of the party so affected.

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. Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and, during the Fixed Rate Period, the same 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.

FINANCIAL STATEMENTS INCLUDING INDEPENDENT AUDITORS' REPORT, JUNE 30, 2004 AND 2003

Virchow Krause & company

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, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the 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, 2004 and 2003 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
September 9, 2004

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2004 and 2003

ASSETS

	2004	2003
Cash and cash equivalents	$ 6,475,724	$ 6,950,574
Student accounts receivable, net of allowance for doubtful accounts of $199,100 and $212,800	1,308,322	1,441,936
Grants receivable	410,404	301,804
Contributions receivable	2,524,156	2,441,450
Other receivables	196,499	139,220
Inventories	41,728	42,773
Prepaid expenses and other assets	284,043	156,977
Student notes receivable, net of allowance for doubtful notes of $173,700 and $156,900	4,358,023	4,374,585
Investments held by trustee	1,570,900	9,826,983
Investments	19,810,086	16,595,137
Debt acquisition costs	315,850	332,289
Construction in progress	8,294,584	1,538,068
Property, plant and equipment, net	30,681,018	26,892,394
TOTAL ASSETS	$ 76,271,337	$ 71,034,190

LIABILITIES AND NET ASSETS

	2004	2003
LIABILITIES		
Accounts payable	$ 754,403	$ 1,015,925
Accrued liabilities	3,613,774	2,659,870
Deposit accounts	677,732	1,001,585
Deferred revenue	1,356,208	1,328,856
Bonds and capital leases payable	16,905,000	17,655,000
Annuities payable	95,399	97,574
Funds held for others	71,878	81,931
U.S. government grants refundable	4,019,095	3,980,268
Other grants refundable	532,460	441,852
Total Liabilities	28,025,949	28,262,861
NET ASSETS		
Unrestricted	32,827,458	29,008,940
Temporarily restricted	2,462,105	1,521,777
Permanently restricted	12,955,825	12,240,612
Total Net Assets	48,245,388	42,771,329
TOTAL LIABILITIES AND NET ASSETS	$ 76,271,337	$ 71,034,190

See accompanying notes to financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004
With Comparative Totals for 2003

	2004				2003
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2003 Total
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and fees	$ 43,019,007			$ 43,019,007	$ 36,379,285
Less: Scholarships and grants	(14,195,299)			(14,195,299)	(11,498,457)
Net tuition and fees	28,823,708			28,823,708	24,880,828
Government grants	3,644,671			3,644,671	3,757,345
Private gifts	452,574	$ 2,053,585	$ 707,167	3,213,326	2,863,525
Endowment income (loss)	1,166,837	1,636,739		2,803,576	(101,980)
Contributed services, net of expenses of $436,957 in 2004 and $425,103 in 2003	147,814			147,814	135,984
Other sources	957,188	19,801		976,989	804,103
Investment income	91,828			91,828	200,242
Sales and services of auxiliary enterprises	4,555,700			4,555,700	4,031,809
Adjustment in actuarial liability for annuities payable		12,552	8,046	20,598	4,404
	39,840,320	3,722,677	715,213	44,278,210	36,576,260
Net assets released from restrictions	2,782,349	(2,782,349)			
Total Revenues, Gains and Other Support	42,622,669	940,328	715,213	44,278,210	36,576,260
EXPENSES AND LOSSES					
Program expenses					
Instruction	18,719,513			18,719,513	16,772,802
Public service	3,657,484			3,657,484	3,626,467
Academic support	3,965,207			3,965,207	3,459,202
Student services	4,988,349			4,988,349	4,429,547
Auxiliary enterprises	3,750,677			3,750,677	3,109,515
Support expenses					
Institutional support	3,722,921			3,722,921	3,213,213
Allocable expenses					
Operation and maintenance of plant	2,199,969			2,199,969	1,991,595
Interest expense	508,434			508,434	427,710
Depreciation expense	1,329,559			1,329,559	1,264,259
Amortization expense	16,439			16,439	9,195
Less: Allocated expenses	(4,054,401)			(4,054,401)	(3,692,759)
Loss on refinancing of long-term debt					31,051
Loss on disposal of plant facilities					8,202
Total Expenses and Losses	38,804,151			38,804,151	34,649,999
Change in Net Assets	3,818,518	940,328	715,213	5,474,059	1,926,261
NET ASSETS - Beginning of Year	29,008,940	1,521,777	12,240,612	42,771,329	40,845,068
NET ASSETS - END OF YEAR	$ 32,827,458	$ 2,462,105	$ 12,955,825	$ 48,245,388	$ 42,771,329

See accompanying notes to financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and fees	$ 36,379,285			$ 36,379,285
Less: Scholarships and grants	(11,498,457)			(11,498,457)
Net tuition and fees	24,880,828			24,880,828
Government grants	3,757,345			3,757,345
Private gifts	771,215	$ 1,487,101	$ 605,209	2,863,525
Endowment income (loss)	(235,766)	133,786		(101,980)
Contributed services, net of expenses of $425,103	135,984			135,984
Other sources	804,103			804,103
Investment income	200,242			200,242
Sales and services of auxiliary enterprises	4,031,809			4,031,809
Adjustment in actuarial liability for annuities payable		8,986	(4,582)	4,404
	34,345,760	1,629,873	600,627	36,576,260
Net assets released from restrictions	1,140,637	(1,140,637)		
Total Revenues, Gains and Other Support	35,486,397	489,236	600,627	36,576,260
EXPENSES AND LOSSES				
Program expenses				
Instruction	16,772,802			16,772,802
Public service	3,626,467			3,626,467
Academic support	3,459,202			3,459,202
Student services	4,429,547			4,429,547
Auxiliary enterprises	3,109,515			3,109,515
Support expenses				
Institutional support	3,213,213			3,213,213
Allocable expenses				
Operation and maintenance of plant	1,991,595			1,991,595
Interest expense	427,710			427,710
Depreciation expense	1,264,259			1,264,259
Amortization expense	9,195			9,195
Less: Allocated expenses	(3,692,759)			(3,692,759)
Loss on refinancing of long-term debt	31,051			31,051
Loss on disposal of plant facilities	8,202			8,202
Total Expenses and Losses	34,649,999			34,649,999
Change in Net Assets	836,398	489,236	600,627	1,926,261
NET ASSETS - Beginning of Year	28,172,542	1,032,541	11,639,985	40,845,068
NET ASSETS - END OF YEAR	$ 29,008,940	$ 1,521,777	$ 12,240,612	$ 42,771,329

See accompanying notes to financial statements.

COLLEGE OF ST. SCHOLASTICA, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2004 and 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 5,474,059	$ 1,926,261
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Loss on refinancing of long-term debt		31,051
Depreciation	1,329,559	1,264,259
Amortization	16,439	9,195
Loss on sale of property		8,202
(Gains) losses on endowment investments	(2,655,669)	264,243
Actuarial adjustment of annuities payable	3,833	692
Increase (decrease) in allowance for student notes receivable	17,686	(839)
Loan cancellations and write-offs	115,750	93,988
Change in assets and liabilities		
Student accounts receivable	133,614	(369,123)
Grants receivable	(108,600)	44,973
Contributions receivable - operations	(237,238)	(237,683)
Other receivables	(57,279)	50,141
Inventories	1,045	(1,297)
Prepaid expenses and other assets	(127,066)	(56,188)
Accounts payable	51,898	(77,052)
Accrued liabilities	953,904	341,909
Deposit accounts	(323,853)	389,531
Deferred revenue	27,352	82,455
Funds held for others	(10,053)	(47,428)
Contributions under split-interest agreements		(16,341)
Contributions restricted for long-term investment and plant	(1,537,426)	(703,609)
Net Cash Flows from Operating Activities	3,067,955	2,997,340
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of endowment investments	(16,365,998)	(4,642,312)
Sales of endowment investments	16,230,525	4,107,327
Purchases of other investments, net	(423,807)	(71,146)
Withdrawals from deposits with trustee, net	8,256,083	1,168,285
Purchases of property, plant, and equipment	(12,188,119)	(2,112,485)
Proceeds from sale of real estate		13,798
Disbursements of loans to students	(942,388)	(849,680)
Repayments of loans from students	825,514	838,095
Net Cash Flows from Investing Activities	(4,608,190)	(1,548,118)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on indebtedness	(750,000)	(925,000)
Debt acquisition costs		(89,042)
Contributions received restricted for long-term investment and plant	1,691,958	1,179,087
Increase in refundable governmental grants	129,435	137,793
Proceeds from issuance of split-interest agreements		60,000
Payments to annuitants	(6,008)	(5,283)
Net Cash Flows from Financing Activities	1,065,385	357,555
Net Change in Cash and Cash Equivalents	(474,850)	1,806,777
CASH AND CASH EQUIVALENTS - Beginning of Year	6,950,574	5,143,797
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,475,724	$ 6,950,574
Supplemental disclosure of cash flow information		
Interest paid, net of capitalized interest of $324,795 in 2004 and $64,672 in 2003	$ 558,798	$ 421,950
Noncash investing and financing activities		
Property, plant and equipment acquired through accounts payable	223,955	537,375
Bonds retired with debt service reserve funds		374,326
Bonds retired with proceeds from issuance of debt		1,377,087
Bond proceeds deposited with trustee for debt service requirements		947,268
Bond proceeds deposited with trustee for construction projects		9,205,070
Debt acquisition costs paid for with proceeds from issuance of new debt		175,575

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.

COLLEGE OF ST. SCHOLASTICA, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

Inventories - Inventories are valued at the lower of cost or market, determined on a first-in, first-out basis.

Investments Held by Trustee - Investments held by trustee include amounts restricted for debt service as required by the related trust indentures as well as construction funds for various current and future plant projects.

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Grants Refundable - Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. 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 $2,979,820 and $1,850,001, respectively, during the year ended June 30, 2004. The amounts of such grants were $3,243,360 and $1,630,815, respectively, during the year ended June 30, 2003.

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 $1,164,607 and $1,004,785 for the years ended June 30, 2004 and 2003, respectively.

Employee Medical Plan - The College provides medical benefits through a self-insured 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 $1,104,400 and $1,057,300 for the years ended June 30, 2004 and 2003, respectively. Advertising expenses approximated $1,234,700 and $916,900 for the years ended June 30, 2004 and 2003, respectively. The College expenses advertising costs at the time incurred.

Reclassifications - Certain amounts appearing in the 2003 financial statements have been reclassified to conform with 2004 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Permanently restricted net assets consist of the following at June 30, 2004 and 2003:

	2004	2003
Endowment funds	$ 11,909,421	$ 10,720,767
Annuity, life income and similar funds	14,895	6,849
Contributions receivable	1,031,509	1,512,996
	$ 12,955,825	$ 12,240,612

Temporarily restricted net assets consist of the following at June 30, 2004 and 2003:

	2004	2003
Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other departmental support	$ 599,499	$ 526,351
Quasi-endowment funds	332,081	
Acquisition of buildings and equipment		41,645
Annuity, life income and similar funds	37,879	25,327
Contributions receivable	1,492,646	928,454
	$ 2,462,105	$ 1,521,777

At June 30, 2004 and 2003, the College's unrestricted net assets were allocated as follows:

	2004	2003
Operations	$ 1,940,282	$ 1,396,215
Long-term investment (quasi-endowment funds)	6,967,176	5,017,112
Loans to students	778,558	768,672
Retirement of indebtedness	1,497,070	1,495,847
Replacement of plant facilities	1,434,161	776,352
Net investment in plant	20,210,211	19,554,742
	$ 32,827,458	$ 29,008,940

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, 2004 and 2003:

	2004	2003
Scholarships, instruction and other departmental support	$ 2,146,170	$ 1,140,637
Acquisition of property, plant and equipment	636,179	
	$ 2,782,349	$ 1,140,637

These assets were reclassified to unrestricted net assets.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at June 30, 2004 and 2003:

	2004	2003
Temporarily restricted - operations	$ 315,444	$ 376,763
Temporarily restricted - scholarships and other departmental support	331,968	554,841
Temporarily restricted - plant projects	1,052,205	143,455
Permanently restricted - endowment	1,103,353	1,713,265
Gross unconditional contributions to give	2,802,970	2,788,324
Less: Allowance	(77,935)	(101,542)
Unamortized discount	(200,879)	(245,332)
Net Unconditional Contributions Receivable	$ 2,524,156	$ 2,441,450

Amounts due in:	
Less than one year	$ 1,321,097
One to five years	1,431,917
More than five years	49,956
	$ 2,802,970

Contributions due in more than one year were discounted at an interest rate of 5% and 8% at June 30, 2004 and 2003, respectively. Contributions 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, 2004 and 2003:

	2004		2003	
	Fair Value	Cost	Fair Value	Cost
Cash and short-term investments	$ 977,238	$ 977,238	$ 9,192,971	$ 9,192,971
Federal government obligations	593,662	586,888	634,012	586,887
	$ 1,570,900	$ 1,564,126	$ 9,826,983	$ 9,779,858

NOTE 6 - INVESTMENTS

The following summarizes the College's investments at June 30, 2004 and 2003:

	2004		2003	
	Fair Value	Cost	Fair Value	Cost
Cash and short-term investments	$ 1,533,955	$ 1,533,955	$ 1,070,380	$ 1,070,380
Equity funds	12,068,438	11,001,456	9,973,269	11,860,122
Bond funds	2,061,283	2,055,291	2,042,016	1,828,114
Limited partnerships	3,678,895	3,666,520	3,484,327	3,128,345
Other	467,515	464,335	25,145	25,833
	$ 19,810,086	$ 18,721,557	$ 16,595,137	$ 17,912,794

NOTE 6 - INVESTMENTS (Continued)

The investments were allocated as follows:

	2004		2003	
	Fair Value	Cost	Fair Value	Cost
Endowment	$ 19,231,384	$ 18,168,788	$ 16,440,242	$ 17,758,929
Annuity	148,172	125,419	129,750	128,032
Unrestricted	430,530	427,350	25,145	25,833
	$ 19,810,086	$ 18,721,557	$ 16,595,137	$ 17,912,794

Total investment return on endowment funds for the years ended June 30, 2004 and 2003 follows:

	2004	2003
Dividends and interest, net of investment fees	$ 147,907	$ 162,263
Net realized and unrealized losses on investments reported at fair value	2,655,669	(264,243)
	$ 2,803,576	$ (101,980)

The fair value of all permanent endowment assets is currently in excess of all donors' cumulative original gift values. However, as a result of market conditions in recent years, the fair value of assets allocated to certain individual endowment funds is currently less than the gift value of those individual funds. Deficit balances in various individual funds approximated $37,600 and $158,000 at June 30, 2004 and 2003, respectively. Valuation losses in excess of historical gift value reduce temporarily restricted net assets to the extent of prior accumulated gains with the balance of such losses recorded in the unrestricted net asset class. The market volatility of equity-based investments is expected to continue impacting available distributions.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at June 30, 2004 and 2003:

	2004	2003
Land and land improvements	$ 697,821	$ 697,821
Buildings	41,101,320	36,694,175
Equipment, furniture and fixtures	4,424,509	4,195,899
Library books and materials	4,421,030	4,210,908
Automotive equipment	455,969	463,082
	51,100,649	46,261,885
Less: Accumulated depreciation	(20,419,631)	(19,369,491)
	$ 30,681,018	$ 26,892,394

NOTE 8 - CONSTRUCTION IN PROGRESS

Construction in progress at June 30, 2004 consists of costs for the construction of a new student fieldhouse (the Wellness Center). The Wellness Center project has an estimated construction cost of $9,750,000 and is planned to be completed by August 2004. The project will be funded by long-term debt and gifts. Construction in progress at June 30, 2003 was for a new student apartment complex (Cedar Hall) and also the Wellness Center. The Cedar Hall project was completed in August 2003 at a cost of $3,829,400.

NOTE 9 - EARLY RETIREMENT AND TERMINATION BENEFITS

The College has provided early retirement and termination benefits to certain faculty and staff. No additional costs were incurred during the years ended June 30, 2004 and 2003. The obligation is included in accrued liabilities on the statement of financial position and totaled $59,730 and $71,224 for the years ended June 30, 2004 and 2003, respectively.

NOTE 10 - BONDS PAYABLE

The following is a summary of bonds payable outstanding at June 30, 2004 and 2003:

	Original Amount	2004	2003
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-R	$ 11,705,000	$ 11,530,000	$ 11,705,000
Minnesota Higher Education Facilities Authority Revenue Refunding Bonds, Series Five-J	5,960,000	4,875,000	5,250,000
Minnesota Higher Education Facilities Authority Multi-Annual Revenue Bonds, Series Four-E	2,000,000	500,000	700,000
		$ 16,905,000	$ 17,655,000

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 Five-R Revenue Bonds were issued during fiscal 2003 to finance construction of a new student apartment complex (Cedar Hall) and a new student fieldhouse (the Wellness Center). In addition, a portion of these bonds were used to finance the refunding of the outstanding principal balance of the Series Three-N Revenue Bonds. The outstanding Series Three-N Revenue Bonds, in the principal amount of $1,705,000, were redeemed in June 2003. The Series Three-N Revenue Bonds were used to finance construction of an addition to Somers Hall. The advance refunding of the Series Three-N Revenue Bonds resulted in a loss of $31,051. The Series Five-R bonds have interest rates varying from 2.50% to 5.00% and mature in annual installments of $90,000 to $735,000 on December 1 through 2032. The bonds are secured in part by a debt service reserve. account.

NOTE 10 - BONDS PAYABLE (Continued)

- 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 Series Five-J bonds have interest rates varying from 4.625% to 5.250% and mature in annual installments of $400,000 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 4.25% to 5.00%. Payments of $200,000 and $300,000 are payable on March 1, 2005 and 2006, respectively. 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 limit the College's ability to incur additional long-term debt.

The maturities of all long-term debt for each of the five years subsequent to June 30, 2004 approximate: $780,000; $810,000; $615,000; $645,000 and $675,000, respectively.

NOTE 11 - 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 $923,900 and $835,800 for the years ended June 30, 2004 and 2003, respectively. Subsequent to June 30, 2004, the College entered into additional operating leases for equipment. Future minimum lease payments for the five years subsequent to June 30, 2004, including the leases entered into after June 30, 2004, approximate: $959,700, $797,400; $259,000, $85,900 and $32,200, respectively.

NOTE 12 - 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 students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities.

M&I MARSHALL & ILSLEY BANK

M&I Marshall & Ilsley Bank, Milwaukee, Wisconsin (the "M&I Bank") is a state banking corporation organized under the laws of the State of Wisconsin. Its principal offices and banking facility are located at 770 North Water Street, Milwaukee, Wisconsin 53202, telephone (414)765-7700. Founded in 1847, M&I Bank is the oldest continuously operating bank in the State of Wisconsin. It is the largest bank owned by Marshall & Ilsley Corporation.

One hundred percent (100%) of the outstanding stock of M&I Bank is owned by Marshall & Ilsley Corporation (the "Corporation"), a publicly held and registered bank holding company under the Bank Holding Company Act of 1956, as amended. The Corporation is also certified as a financial holding company under the Gramm-Leach-Bliley Act of 1999, and its common stock is registered under the Securities Exchange Act of 1934. Marshall & Ilsley Corporation files annual and other reports, containing audited, consolidated financial and other information, with the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, D.C. 20549, and copies of these reports may be obtained from the Commission upon payment of copying charges or examined at the Commission's offices without charge. THE LETTER OF CREDIT IS AN OBLIGATION OF M&I BANK AND NOT OF MARSHALL & ILSLEY CORPORATION.

Statements of Condition of M&I Bank at September 30, 2004 and 2003 and at December 31, 2003, 2002, and 2001 are contained on the following page. The Statements of Condition have not been audited but are derived from call reports filed with the Federal Reserve Bank. In June of 2002, M&I Bank merged with Richfield Bank & Trust Co., a Minnesota banking corporation, and Century Bank, National Association, a banking organization organized under the laws of the United States. These mergers are included in the September 30, 2004 and 2003 and in the December 31, 2003 and 2002 Statements of Condition. In February of 2003, M&I Bank merged with Southwest Bank of Phoenix, an Arizona banking corporation. This merger is reflected in the September 30, 2004 and 2003 and in the December 31, 2003 Statements of Condition. None of the prior Statements of Condition have been restated to reflect those mergers that occurred subsequent to the dates thereof.

M&I Bank will supply without charge a copy of the Marshall & Ilsley Corporation Form 10-K for the year ended December 31, 2003 and Form 10-Q for the most recent quarter as filed with the Securities and Exchange Commission, to any person to whom this Official Statement is delivered upon written request to: Secretary, Marshall & Ilsley Corporation, 770 North Water Street, Milwaukee, Wisconsin 53202. Telephone requests should be directed to (414)765-7700.

M&I Marshall & Ilsley Bank
Condensed Statement of Condition
(Unaudited)(Amounts in Thousands)

	December 31			September 30	
	2003	2002	2001	2004	2003
ASSETS					
Cash and Due From Banks	$792,489	$998,434	$832,035	$800,684	$852,081
Investment Securities	4,892,399	4,553,375	4,911,974	5,196,085	4,806,189
Trading Account Securities	15,685	21,237	6,119	35,428	35,280
Federal Funds Sold and Securities Purchased Under Agreements to Resell	113,644	50,017	306,740	217,019	99,845
Loans (Net of Unearned Income)	22,664,113	21,116,454	18,540,650	25,241,015	22,181,720
Less Reserves for Loan Losses	(306,024)	(299,199)	(258,534)	(311,300)	(306,973)
Net Loans	$22,358,089	$20,817,255	$18,282,116	$24,929,715	$21,874,747
Bank Premises and Equipment	224,565	221,687	215,948	240,880	222,870
Customers' Liability on Acceptances	4,802	3,322	4,192	6,335	4,600
Other Assets	1,592,451	1,501,543	1,252,098	1,660,838	1,562,991
Total Assets	$29,994,124	$28,166,870	$25,811,222	$33,086,984	$29,458,603
LIABILITIES					
Demand Deposits	$4,563,440	$4,315,189	$3,767,241	$4,601,248	$4,529,106
Time and Savings Deposits	14,622,247	12,865,387	11,816,943	16,530,162	14,053,592
Foreign Deposits, Edge and Agreement Subsidiaries	1,746,786	1,343,207	1,127,715	2,258,718	2,233,464
Total Deposits	$20,932,473	$18,523,783	$16,711,899	$23,390,128	$20,816,162
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	568,499	563,339	1,094,451	976,834	2,300,059
Other Short-term Borrowings	3,687,756	4,635,137	4,354,551	3,020,460	1,470,526
Bank's Liability on Acceptances	4,802	3,322	4,192	6,335	4,600
Other Liabilities	363,425	536,635	403,117	465,598	453,623
Long-term Borrowings	1,405,803	973,912	595,423	2,117,022	1,408,642
Subordinated Notes and Debentures	621,622	643,128	395,977	622,087	621,475
Total Liabilities	$27,584,380	$25,879,256	$23,559,610	$30,598,464	$27,075,087
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	$56,606	$56,362	$2,889	$55,864	$56,551
STOCKHOLDERS' EQUITY					
Common Stock	30,600	30,600	30,600	30,600	30,600
Capital Surplus	1,774,581	1,738,989	1,521,593	1,776,852	1,768,878
Retained Earnings & Accum. Other Comprehensive Income	547,957	461,663	696,530	625,204	527,487
Total Stockholders' Equity	$2,353,138	$2,231,252	$2,248,723	$2,432,656	$2,326,965
Total Liabilities, Minority Interest and Stockholders' Equity	$29,994,124	$28,166,870	$25,811,222	$33,086,984	$29,458,603