

NEW ISSUE: Full Book-Entry, \$5,000 denominations

Ratings: Moody's Investors Service, Inc.: Aaa
Standard & Poor's Rating Services: AAA

Underlying rating: Moody's Investors Service, Inc.: A2
(See "Ratings" herein)

In the opinion of Arntson & Stewart, P.C., Bond Counsel, assuming continuous compliance with certain covenants, under present law, interest on the Bonds is excludable from the gross income of the owners of the Bonds for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and individuals. Interest on the Bonds is, however, included in adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. The interest on the Bonds is exempt from present North Dakota income taxes, other than the franchise tax imposed on financial institutions. The Bonds have been designated as "qualified tax-exempt obligations" by the County pursuant to Section 265(b)(3) of the Code. See "TAX EXEMPTION" herein for a more detailed discussion of the federal income tax consequences of owning the Bonds.

CASS COUNTY, NORTH DAKOTA
\$4,355,000 UNIVERSITY FACILITIES REVENUE BONDS
(NDSU DEVELOPMENT FOUNDATION PROJECT)
SERIES 2003
(the "Bonds")

DATED: December 1, 2003

DUE: November 1, as shown on the inside cover page hereof

The Bonds are limited obligations of Cass County, North Dakota (the "County") payable solely from Basic Payments, as defined herein, of the North Dakota State University Development Foundation, a North Dakota non-profit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Development Foundation"), under a Loan Agreement with the County. The County has assigned its interests in the Loan Agreement to U.S. Bank National Association, as Trustee for the Bonds (the "Trustee"). The Development Foundation has entered into a Lease Agreement (the "Lease Agreement") with the North Dakota State University of Agriculture and Applied Science ("NDSU") under which NDSU leases an equine studies facility (the "Facility") from the Development Foundation. The Development Foundation has provided a mortgage of its interest in the Facility and assigned all of its rights to receive payments under the Lease to the Trustee.

All amounts payable by NDSU under the Lease Agreement are subject to biennial appropriation by the North Dakota Legislative Assembly. Neither the Loan Agreement, the Lease Agreement nor the assignment of either constitutes a debt of the State of North Dakota or any agency or political subdivision of the State within the meaning of any constitutional or statutory provision. The execution of the Lease Agreement does not directly or indirectly obligate the State or NDSU to pay any Basic Rent, as defined herein, beyond those appropriated for the current biennium of the State. The Bonds are not general obligations of the County and no general taxing powers of the County are available to pay principal of or interest on the Bonds. The Bonds do not evidence a pledge of the County's full faith and credit. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds are issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of interests in the Bonds may be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal, premium, if any, and interest on the Bonds will be paid directly to DTC by the Trustee. Upon its receipt of payments of principal and interest, DTC is in turn obligated to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS-Global Book-entry System" herein.

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

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by AMBAC Assurance Corporation simultaneously with the delivery of the Bonds.

Ambac

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Arntson & Stewart, PC, Fargo, North Dakota, Bond Counsel. Certain legal matters will be passed on for the Development Foundation and NDSU, by Richard D. Johnson, University Counsel and for the Underwriter by Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota. It is anticipated that the Bonds will be available for delivery in book-entry form in New York, New York on or about December 18, 2003.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.



Allison-Williams Company

The date of this Official Statement is December 4, 2003

The Bonds mature serially on November 1 as follows with interest payable on May 1, 2004 and on each May 1 and November 1 thereafter.

MATURITY SCHEDULE

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	Type of Issue*	Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	Type of Issue*
2004	140,000	2.50	1.10	S	2014	195,000	3.90	3.90	S
2005	155,000	2.50	1.40	S	2015	205,000	4.00	4.00	S
2006	155,000	2.50	1.75	S	2016	215,000	4.10	4.10	S
2007	160,000	2.50	2.10	S	2017	220,000	4.20	4.20	S
2008	165,000	2.75	2.45	S	2018	230,000	4.30	4.30	S
2010	335,000	3.10	3.10	T	2019	240,000	4.40	4.45	S
2011	175,000	3.35	3.35	S	2021	520,000	4.45	4.55	T
2012	185,000	3.60	3.60	S	2022	275,000	4.60	4.65	S
2013	190,000	3.75	3.75	S	2024	595,000	4.70	4.75	T

(plus accrued interest from December 1, 2003)

* S=Serial, T=Term. Term Bonds are subject to mandatory redemption as provided herein.

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby, and if given or made, such information must not be relied upon as having been authorized by the County, the Development Foundation, NDSU, or the Financial Advisor. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth or included in this Official Statement has been provided by the Development Foundation, NDSU and from other sources believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor the sale hereunder shall create any implication that there has been no change in the financial condition or operations of the Development Foundation or NDSU since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

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. THE REGISTRATION OR QUALIFICATION OF THESE SECURITIES UNDER THE SECURITIES OR BLUE SKY LAWS OF THE JURISDICTIONS IN WHICH THEY HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, 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 THESE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

SUMMARY OF THE OFFERING

The following is limited introductory information regarding the offering. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the complete Official Statement. Undefined capitalized terms in this summary are used as defined within the text of this Official Statement.

The Bonds:	\$4,355,000 University Facilities Revenue Bonds (NDSU Development Foundation Project), Series 2003, of Cass County, North Dakota. The Bonds, dated as of December 1, 2003, will be issued as fully registered bonds without coupons in book-entry form and in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable on May 1, 2004 and on each May 1 and November 1 thereafter. Principal is payable on the dates and in the amounts shown on the inside cover page hereof. See "THE BONDS" for more specific information regarding details of the Bonds
Redemption:	Bonds maturing after November 1, 2013 will be subject to prepayment in advance of their respective stated maturity dates on said date and any day thereafter at par plus accrued interest. The Bonds are also subject to prepayment on the occurrence of certain events including nonpayment of the Bonds, an Event of Nonappropriation, damage or destruction of the Facility, or other events at a price of par plus accrued interest. Upon a Determination of Taxability the Bonds are also subject to prepayment at a price of 103% of par plus accrued interest. See "THE BONDS - Optional Redemption", "THE BONDS-Mandatory Redemption" and "THE BONDS-Acceleration" herein.
Use of Proceeds:	Proceeds of the Bonds will be used to (i) finance the construction of the Facility and the purchase of equipment for the Facility, and (ii) pay the costs of issuance of the Bonds, including the insurance premium for the Insurance Policy and the premium for the Reserve Fund Surety Bond. See "SOURCES AND USES OF FUNDS" herein.
The Facility:	The Facility to be constructed under the Loan Agreement and leased to NDSU under the Lease Agreement will consist of an 80,400 square foot horse barn and related equine studies facilities. See "THE FACILITY AND USE OF THE FACILITY" herein.
The Development Foundation:	North Dakota State University Development Foundation, a North Dakota nonprofit corporation, and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. See "THE DEVELOPMENT FOUNDATION" herein.
NDSU:	North Dakota State University of Agriculture and Applied Science, a land grant institution of higher education supported by the State of North Dakota with its campus at Fargo, North Dakota ("NDSU"). See "NORTH DAKOTA STATE UNIVERSITY" herein.
The Loan Agreement:	The County will issue the Bonds and loan the proceeds to the Development Foundation under the Loan Agreement (the "Loan Agreement"). The Development Foundation will apply the proceeds of the Bonds to acquire and construct the Facility.
The Lease Agreement:	The Development Foundation will lease the completed Facility and the land to NDSU under the Lease Agreement (the "Lease Agreement"). The Development Foundation will assign its interest in the Lease Agreement to the Trustee under the Assignment of Leases and Rents (the "Assignment"). The commitment of NDSU to pay Basic Rent under the Lease Agreement is subject to appropriation by the North Dakota Legislative Assembly on a biennial basis. In addition, NDSU has agreed to maintain and repair the Facility and to provide all necessary insurance. The Lease Agreement and Assignment will be effective until November 1, 2024 but will terminate upon payment in full of the Bonds.

<p>Collateral/Security for the Bonds:</p>	<p>The Bonds will be limited obligations of the County payable solely from the payments made under the Loan Agreement. The Bonds are not general obligations of the County and no general taxing powers of the County are available to pay principal of or interest on the Bonds. The Bonds do not evidence a pledge of the County's full faith and credit. Bonds are payable from payments received from the Development Foundation under the Loan Agreement. The primary asset and the primary source of repayment of the Loan Agreement is the stream of payments to be received under the Lease Agreement from NDSU. In addition, pursuant to the Mortgage, Security Agreement and Fixture Financing Statement, the Facility and the land are mortgaged to the Trustee as security for the Bonds.</p> <p>The Bonds will be secured by a Reserve Fund in the amount of \$319,385. The Reserve Fund will be funded through the deposit of a surety bond issued by AMBAC Assurance Corporation with the Trustee.</p> <p>All amounts payable by NDSU under the Lease Agreement are subject to biennial appropriation by the North Dakota Legislative Assembly. The Lease will not constitute a debt of the State of North Dakota or any agency or political subdivision of the State within the meaning of any constitutional or statutory provision. The execution of the Lease does not directly or indirectly obligate the State, the Board of Higher Education, or NDSU to pay any rent beyond that appropriated for the current biennium of the State. The Board of Higher Education, NDSU and the Development Foundation have no taxing authority.</p> <p>Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by AMBAC Assurance Corporation simultaneously with the delivery of the Bonds. See "THE BOND INSURANCE" herein.</p>	
<p>Tax Exemption:</p>	<p>Interest on the Bonds is not includable in gross income for federal and state income taxes. The Bonds are "qualified tax-exempt obligations" and interest on the Bonds is not a preference item under the federal alternative minimum tax. See "TAX EXEMPTION OF BONDS" herein.</p>	
<p>Professionals:</p>	<p><i>Trustee:</i></p>	<p>U.S. Bank National Association St. Paul, Minnesota</p>
	<p><i>Bond Counsel:</i></p>	<p>Arntson & Stewart, P.C. Fargo, North Dakota</p>
	<p><i>Financial Advisor:</i></p>	<p>Fieldman, Rolapp & Associates Irvine, California</p>
	<p><i>Underwriter's Counsel:</i></p>	<p>Gray, Plant, Mooty, Mooty & Bennett, P.A. Minneapolis, Minnesota</p>
<p>The County:</p>	<p>Cass County, North Dakota, a political subdivision of the State of North Dakota</p>	

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CASS COUNTY, NORTH DAKOTA
\$4,355,000 UNIVERSITY FACILITIES REVENUE BONDS
(NDSU DEVELOPMENT FOUNDATION PROJECT)
SERIES 2003
(the "Bonds")

INTRODUCTORY STATEMENT

The purpose of this Official Statement, including the cover page and the appendices hereto, is to set forth information in connection with the offering of the Bonds, to be issued by Cass County, North Dakota (the "County") pursuant to an Indenture of Trust, between the County and U. S. Bank National Association (the "Trustee") dated as of December 1, 2003 (the "Indenture") authorized by resolution of the County Commission (the "Resolution"). The Bonds are being issued by the County pursuant to the North Dakota Century Code, Chapter 40-57.

Proceeds of the Bonds, together with other available funds, will be used (i) to pay the costs of constructing and equipping a 80,400 square foot horse barn and related equine studies facilities (the "Facility"), and (ii) to pay related issuance expenses, including the insurance premium for the Insurance Policy described below, and to purchase a Surety Bond described below in an amount equal to the Required Reserve more fully described herein.

The proceeds of the Bonds will be loaned by the County to the North Dakota State University Development Foundation, a North Dakota nonprofit corporation (the "Development Foundation") and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, pursuant to a Loan Agreement, dated as of December 1, 2003 (the "Loan Agreement"). The Development Foundation will lease the Facility to the North Dakota State University of Agriculture and Applied Science ("NDSU") under the Lease Agreement, dated as of December 1, 2003 (the "Lease Agreement"). Under the Lease Agreement, NDSU has agreed to make semiannual Basic Rent payments equal to the Basic Payments due from the Development Foundation under the Loan Agreement which will be sufficient to pay principal of and interest on the Bonds coming due in each fiscal year, but only if and to the extent that the North Dakota Legislature (the "Legislature") biennially appropriates funds sufficient to pay the Basic Rent coming due during each biennium succeeding the initial biennium, which ends on June 30, 2005, plus certain costs to operate and maintain the Facility (the "Additional Rent") as are required to be paid pursuant to the Lease Agreement. (The Basic Rent and Additional Rent paid by NDSU under the Lease, and the corresponding Basic Payments and the Additional Payments paid by the Development Foundation under the Loan Agreement, are herein collectively referred to as the "Payments.") An Event of Nonappropriation will occur under the Indenture if the Legislature fails to appropriate sufficient moneys for the payment of Payments under the Lease Agreement during any biennium. An Event of Nonappropriation, constitutes an Event of Default under the Indenture that will entitle the Trustee to exercise the remedies available under the Indenture. See "INVESTMENT CONSIDERATIONS - Termination of the Lease" herein.

The Bonds are issued under and are equally and ratably secured by the Indenture. Pursuant to a Mortgage, Security Agreement and Fixture Financing Statement, dated as of December 1, 2003 (the "Mortgage"), the Development Foundation has granted a mortgage and security interest and has pledged and assigned to the Trustee, among other things, its right and interest in and to the Facility and the land. Under the Assignment of Leases and Rents, the Development Foundation has assigned to the Trustee the rights of the Development Foundation under the Lease Agreement, including the right to receive Payments under the Lease Agreement, as security for payment of the principal of and interest on the Bonds.

The Bonds are limited obligations of the County payable solely from the revenues and receipts received pursuant to the Loan Agreement and the Lease Agreement, which are produced from biennial appropriations (if any) by the North Dakota Legislature (the "Legislature") on behalf of NDSU, and other funds or amounts held by the Trustee as security for the Bonds under the Indenture. The Lease Agreement specifically provides that nothing therein will be construed to require the Legislature to appropriate any moneys to pay any Payments thereunder and that NDSU will not be obligated to pay such Payments except to the extent appropriated for each biennium. The obligation of NDSU to pay any Payments under the Lease Agreement is subject to biennial appropriation by the Legislature as provided in the Lease Agreement. Neither the obligation of NDSU to pay such Payments nor the obligation of the County to pay the Bonds will constitute a debt of the County, the State of North Dakota or any agency or political subdivision of the State of North Dakota within the meaning of any constitutional or statutory provision. The issuance of the Bonds does not directly or contingently obligate NDSU to pay any Payments beyond those appropriated for the current biennium of the State. For certain general and financial information with respect to NDSU, see "NORTH DAKOTA STATE UNIVERSITY" and "APPENDIX A-Excerpts from Financial Report" herein. The County has pledged no taxing power to payment of the Bonds. The ability of NDSU to pay the Payments due under the Lease Agreement depends on the appropriation in each biennium by the Legislature of sufficient funds for such purpose. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

NDSU has covenanted in the Lease Agreement to include in its proposed budgets to be submitted to the State Board of Higher Education (the "Board") an amount fully sufficient to pay the Basic Rent required to be paid in each year of the biennium and certain Additional Rent. The Board will then submit a budget for all institutions under its control, including NDSU, to the Governor for inclusion by the Governor in the biennial executive budget of the State for each year of each biennium during the term of the Lease Agreement. For each biennium in which the Legislature appropriates funds, NDSU is legally committed to pay semiannually to the Trustee the specified Payments as described above. NDSU has further covenanted in the Lease Agreement to allocate on a priority basis funds from its operating budget to pay Payments, subject only to its obligation to make debt service payments on certain revenue bonds. See "SUMMARY OF THE LEASE" herein.

If the Payments deposited in the Bond Fund and amounts credited to the Reserve Fund are insufficient to provide for the full and timely payment of the scheduled principal and interest due on the Bonds, Bondholders may seek payment of such deficiencies under an Insurance Policy (the "Insurance Policy") to be issued by AMBAC Assurance Corporation which insures payment of the scheduled principal and interest to become due on the Bonds. See "THE MUNICIPAL BOND INSURANCE POLICY" and "APPENDIX D-Form of Insurance Policy" herein.

This Official Statement contains descriptions of, among other matters, the factors to be considered by investors, the Resolution, the Indenture, the Mortgage, the Loan Agreement, the Lease Agreement, the Assignment of Leases and Rents, the Bonds, and the security for the Bonds. All summaries and descriptions of documents or laws are qualified in their entirety by reference to such documents and laws, and all summaries of the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture.

INVESTMENT CONSIDERATIONS

General

Purchase of the Bonds involves certain investment risks that are discussed throughout the Official Statement. Accordingly, each purchaser of Bonds should make an independent evaluation of all the information contained in this Official Statement in order to make an informed investment decision. Certain risk factors discussed below, which are not presented in any particular order, should be considered in evaluating the County's ability to make payments in amounts sufficient to provide for payment of the principal of, premium, if any, and interest on the Bonds.

Special Obligations

The principal of, premium, if any, and interest on the Bonds are payable solely from (i) funds received as Payments by the County under the Loan Agreement with the Development Foundation and, in turn, the Lease Agreement between the Development Foundation and NDSU; and (ii) moneys and investments held by the Trustee under, and to the extent provided in, the Indenture. The Payments by NDSU will constitute currently budgeted expenditures of the State, payable only if funds are appropriated by the Legislature for each biennium. The term of the Lease Agreement will commence as of the date of its execution (which will be the date of delivery of the Bonds to the initial purchaser) and will expire on November 1, 2024 or upon the full payment of the Bonds. The obligation of the Development Foundation under the Loan Agreement or of NDSU under the Lease Agreement does not constitute a general obligation or other indebtedness of the State or any agency or political subdivision of the State within the meaning of any constitutional or statutory provision or limitation.

There is no assurance that the Legislature will appropriate sufficient funds to make Payments for any specific biennium. Accordingly, the likelihood that the Legislature will appropriate sufficient funds and thereby provide funds for payment of Payments for the entire term of the Lease Agreement and that there will thus be sufficient funds to pay the principal of, and premium, if any, and interest on, the Bonds depends upon certain factors that are beyond the control of the Bondholders, including (a) the continuing need of NDSU for the Facility, (b) the economic and demographic conditions within the State, (c) the ability of the State to generate sufficient funds from sales taxes, individual and corporate income taxes and other taxes and other sources of revenue to pay obligations associated with the Loan Agreement and the Lease Agreement and other obligations of the State and its instrumentalities (whether now existing or hereafter created), and (d) the value of the Facility if relet or sold in a liquidation proceeding instituted by the Trustee in the event of the termination of the term of the Loan Agreement and/or the Lease Agreement as a result of the occurrence of certain events described below or the expiration of the Lease Agreement if the Legislature does not appropriate sufficient funds to extend the term of the Lease Agreement as provided in the Lease Agreement.

The obligation of NDSU under the Lease Agreement will be satisfied solely from funds of NDSU that the Legislature

appropriates biennially for such use or other funds that are legally available for such use. None of the Indenture, the Loan Agreement or the Lease Agreement limits the ability of the State or NDSU to incur additional obligations against its revenues.

Termination of the Lease Agreement

The Lease Agreement provides that it will terminate at the end of each biennium unless the Legislature appropriates sufficient funds to provide for payment of Payments for the next biennium. In the event that the Legislature prohibits use of funds in the next succeeding biennium for such Payments, the obligation of NDSU to pay Payments under the Lease Agreement will terminate as of June 30 at the end of the then current biennium. In addition a default under the Lease Agreement and an election by the Trustee to terminate the possessory interest of NDSU under the Lease Agreement will cause a termination of NDSU's right of possession of the Facility under the terminated Lease Agreement and, in turn, a default under the Indenture. If the Lease Agreement is terminated as the result of an Event of Nonappropriation as described above, NDSU will have no obligation under the Lease Agreement to pay any further Payments or any other payment with respect to the Lease Agreement or the Bonds and the Trustee is to use the moneys in the Reserve Fund to make payments of principal of and interest on the Bonds coming due to the extent of moneys then held in such fund.

An Event of Nonappropriation, or an Event of Default with respect to the Lease Agreement, constitutes an Event of Default under the Indenture. See "SUMMARY OF THE INDENTURE" herein.

In the event that NDSU's right of possession of the Facility under the Lease Agreement is terminated for any reason, the obligation of NDSU to pay Payments under the Lease Agreement will continue until the end of the biennium for which funds have been appropriated, but not thereafter, and the Bonds will be payable, among other sources, from any moneys as may be available by way of recovery from NDSU of the Payments which are due through the end of the then current biennium. Should the Lease Agreement terminate at the end of a biennium or if an event occurs as described above pursuant to which the Trustee terminates NDSU's right of possession of the Facility under the Lease Agreement, the Trustee may enter and take possession of the Facility as provided in the Indenture.

No assurance can be given that the Trustee could relet or sell the Facility for the amount necessary (after taking into account moneys legally available from other sources) to pay the principal of and interest on the Bonds when due. In the event of leasing or sale of the Facility, the net proceeds, together with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in the Indenture), are required to be used to pay the Bonds to the extent of such moneys. No assurance can be made as to the amount of funds available from any such source for the payment of the principal of or interest on the Bonds. A potential purchaser of the Bonds should not assume that it will be possible to liquidate the Facility after the termination of NDSU's right of possession of the Facility as described above for an amount equal to the aggregate principal amount of the Bonds then outstanding plus accrued interest thereon or that any such amount will be paid on a timely basis. If such proceeds are not sufficient, Bondholders will have no further sources of funds or claims against the County, the Board of Higher Education, the Development Foundation or NDSU.

Delays in Exercising Remedies

The termination of NDSU's right of possession of the Facility under the Lease as a result of an Event of Default or termination of the Lease Agreement will give the Trustee the right to possession of, and the right to relet or sell, the Facility in accordance with the provisions of the Lease Agreement and the Mortgage. However, the enforceability of the Lease Agreement and the Mortgage is subject to equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the police powers of the State of North Dakota and the exercise of judicial authority by State or federal courts. Because of the delays inherent in obtaining judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in the ability of the Trustee to obtain possession of any of the Facility, of necessity, will result in delays in any payment of the principal of or interest on the Bonds.

Damage or Destruction of the Facility

The Facility is to be insured by policies (including casualty and property damage insurance) as provided in the Loan Agreement and the Lease Agreement in an amount not less than the full current replacement value of the Facility or the full amount of all outstanding Bonds, whichever is greater. In the event of damage to or destruction of any or all of the Facility, NDSU is nevertheless required to continue to pay Payments during the biennium for which the Legislature had appropriated moneys, subject to NDSU's right with respect to the Facility at the end of each biennium to terminate the Lease Agreement by the Legislature's failure to appropriate sufficient funds to pay Payments. In the event of damage or destruction to the Facility in a value greater than \$100,000, NDSU will decide whether to apply the proceeds from any available insurance (and any other legally available source) to repair or replace the Facility or whether to apply the available proceeds to redemption of Bonds. If the net proceeds from insurance or certain other sources are not used to

repair or replace the Facility, NDSU may cause such proceeds to be paid to the Trustee for the redemption of Bonds as provided in the Indenture, but NDSU will nevertheless be required to continue to pay Payments under the Lease Agreement until the Bonds have been paid in full, subject to biennial appropriation by the Legislature. There can be no assurance either as to the adequacy of or timely payment under property damage insurance in effect at that time. Furthermore, there can be no assurance that such insurance proceeds will be sufficient to redeem the Bonds in whole or that the Trustee will be able to realize any additional funds from the Facility at that time. See "SUMMARY OF THE LEASE AGREEMENT" herein.

Depreciation and Lack of Residual Value

As a result of the depreciation or technical obsolescence of certain components of the Facility and the difficulty of removing various components of the Facility, it is probable that upon the occurrence of an Event of Nonappropriation, an Event of Default under the Lease Agreement or the Indenture or termination of the Lease Agreement for any reason (a) there would not be sufficient revenues from a sale of the Facility to redeem or pay all outstanding Bonds in full and (b) if the Trustee were to lease the Facility, the rentals available from such leasing would not be sufficient to pay all outstanding Bonds in full.

Lack of Assets of Development Foundation

The Development Foundation is a non-profit corporation established to facilitate the growth and development of NDSU. While the Development Foundation has other significant assets, they are not available for payment of Payments or available as a remedy in the event of a default under the Loan Agreement or the Lease Agreement.

Market for the Bonds

Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

Effect of Bankruptcy on Security for the Bonds

Bankruptcy proceedings and equity principles may delay or otherwise adversely affect the enforcement of Bondholders' rights in the property granted as security for the Bonds. Also federal bankruptcy law permits adoption of a reorganization plan even though it has not been accepted by the holders of a majority in aggregate principal amount of the outstanding Bonds if the Bondholders are provided with the benefit of their original lien or the "indubitable equivalent." In addition, if the bankruptcy court concludes that the Bondholders have "adequate protection," it may (i) substitute other security subject to the lien of the Bondholders and (ii) subordinate the lien of the Bondholders (a) to claims by persons supplying goods and services to the Facility after bankruptcy and (b) to the administrative expenses of the bankruptcy proceeding. The bankruptcy court may also have the power to invalidate certain provisions of the Loan Agreement, Lease Agreement, the Mortgage and the Indenture that make bankruptcy and related proceedings by the County, the Development Foundation or NDSU an Event of Default thereunder. Currently, political subdivisions are not authorized by state law to file for bankruptcy as allowed by federal bankruptcy laws. However, legislation giving such authorization has been proposed and there can be no assurance that such authorization will not be granted in the future.

SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are presented in the Table below.

<u>Sources of Funds</u>	<u>Amount</u>
Par Amount of Bonds	\$4,355,000.00
Accrued Interest	7,927.90
Net Original Issue Discount	(703.90)
Equity Contribution ⁽¹⁾	<u>37,174.08</u>
Total Sources	\$4,399,398.08
<u>Uses of Funds</u>	
Construction Fund (Building and Equipment)	\$4,200,000.00
Accrued Interest	7,927.90
Costs of Issuance ⁽²⁾	139,210.18
Underwriter's Compensation	<u>52,260.00</u>
Total Uses	\$4,399,398.08

⁽¹⁾ Equity contribution pays all costs of issuance in excess of 2% of bond par amount as required by the Internal Revenue Code.

⁽²⁾ Includes legal, financial advisory, rating agency, bond insurance and surety bond premiums, printing costs and other miscellaneous costs of issuance.

THE BONDS

General

The Bonds will be dated December 1, 2003, as the date of original issue. The Bonds will be issued in fully registered form in denominations of \$5,000 each or integral multiples thereof, maturing in the amounts and on the dates set forth on the inside front cover page of this Official Statement. Interest will be payable on May 1, 2004 and semiannually thereafter on May 1 and November 1 of each year and will be computed on the basis of a 360 day year of twelve 30 day months. Interest on the Bonds will be payable to the registered owners of the Bonds appearing on record in the register as of the close of business on the 15th day of the immediately preceding month. U.S. Bank National Association, St. Paul, Minnesota, will act as Trustee and will keep appropriate records of the transfer of Bonds.

Optional Redemption

The Bonds maturing after November 1, 2013 are subject to prepayment and redemption on that date and any date thereafter. All prepayments shall be at a price of par plus accrued interest. Redemption may be in whole or in part and if in part, at the option of the County as directed by the Development Foundation and in such order as the Development Foundation shall determine. If less than all Bonds of a maturity are called for redemption, the County will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. The County shall cause notice of the call for redemption to be mailed by certified or registered mail to the registered owners of any Bonds to be redeemed at their addresses as they appear on the bond register at least 30 days prior to the designated redemption date.

Mandatory Redemption

Mandatory Redemption on Determination of Taxability. The Bonds are subject to mandatory redemption prior to maturity in whole following the occurrence of a Determination of Taxability at a redemption price of 103% of the principal amount plus interest to the redemption date.

Mandatory Redemption from Surplus Bond Proceeds. To the extent that funds are transferred to the Bond Fund from the Construction Fund, the Bonds are subject to mandatory redemption in part on the next scheduled Interest Payment Date at a price of 100% of the principal amount redeemed plus interest to the redemption date.

Extraordinary Redemption. If the Facility is damaged, destroyed or condemned, NDSU has the option to repair, restore, rebuild or replace the Facility or redeem all Bonds. The Bonds are subject to redemption in whole at any time from insurance or condemnation proceeds and other funds (if necessary) deposited with the Trustee for such redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing on November 1, 2010, November 1, 2021 and November 1, 2024 are subject to mandatory sinking fund redemption prior to maturity on November 1 in the years set forth below, together with interest to the redemption date:

Sinking Fund Prepayment Date (November 1)	Principal Amount To be Prepaid
2009	\$165,000
2010*	170,000

*Maturity.

Sinking Fund Prepayment Date (November 1)	Principal Amount To be Prepaid
2020	\$255,000
2021*	265,000

*Maturity.

Sinking Fund Prepayment Date (November 1)	Principal Amount To be Prepaid
2023	\$290,000
2024*	305,000

*Maturity.

Additional Bonds

Additional Bonds are permitted to be issued under the Indenture that may be secured on a parity basis with the Bonds. Additional Bonds may be issued to pay costs of repairing or replacing the Facility, acquiring additional real or personal property or refunding the Bonds.

Acceleration

If an Event of Default occurs under the Indenture, including defaults in the payment of principal or interest on the Bonds when due and payable, default or breach in the performance of warranties or covenants of the County in the Indenture, the occurrence of an Event of Default under the Loan Agreement, the Lease Agreement or the Mortgage, or the occurrence of an Event of Nonappropriation, the Trustee may and, upon request of the holders of not less than a majority of the Bonds, shall declare the principal of all then outstanding Bonds to become immediately due and payable, and such principal will thereupon become immediately due and payable. See "SUMMARY OF THE INDENTURE-Events of Default" herein.

If there are not sufficient moneys available to pay in full the principal of and interest on the then outstanding Bonds, the Trustee will, after the payment of any amounts payable to the United States Treasury, apply all available moneys to the payment of principal and interest due on the Bonds, as provided in the Indenture. See "INVESTMENT CONSIDERATIONS" herein.

Global Book-Entry System

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Bonds (hereinafter in this section, the "Securities"). The Securities will be issued as Full Book-Entry securities registered in the name of Cede & Co. (DTC's partnership nominee). One Full Book-Entry security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its Direct Participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc.. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

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

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

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

Redemption notices shall be sent to Cede & Co. If less than all of the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Securities. 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 account the Securities are credited on the record date (identified in a listing attached to the omnibus Proxy).

Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

THE FACILITY AND USE OF THE FACILITY

The Facility is located in the northwest section of the City of Fargo, North Dakota, immediately adjacent to a horse racing track developed by North Dakota Horse Park Foundation, a North Dakota non-profit corporation. The purpose of the Facility is to allow students and faculty to obtain valuable experience in the area of equine studies relating to the operation and maintenance of horse racing and the horse racing industry.

The Facility consists of an approximately 80,400 square foot horse barn and related equine studies facilities. The construction of the Facility is primarily pre-engineered, clearspan steel rigid frame, fully insulated with a sloped metal panel roofing system, articulated with five (5) cupolas. The exterior walls are enclosed with a 24 gauge, light colored, metal panel. The Facility includes room for four hundred (400) portable stalls, measuring ten feet by ten feet (10' x 10'). Removal of fifty (50) of the stalls accommodates a seventy-two by one hundred thirty foot (72' x 130') interior warm up arena. The interior floor space consists of stabilized clay with concrete floors in service areas. The Facility has a natural gas and electric heating system sufficient to maintain an interior temperature of 50 degrees Fahrenheit during winter events. The Facility is protected by a dry sprinkler system fire protection system designed for cold temperature use.

Construction of the Facility has been completed pursuant to plans and specifications therefor.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are payable from Basic Payments due under the Loan Agreement and certain other revenues as provided in the Indenture. In turn, Basic Payments under the Loan Agreement are payable under the Lease Agreement between the Development Foundation and NDSU. The County as lender under the Loan Agreement and pursuant to the Indenture, will assign to the Trustee all of the County's right and interest under the Loan Agreement and all Basic Payments payable under the Loan Agreement for the benefit of the Bondholders. The Development Foundation has

assigned to the Trustee its interest as Lessor under the Lease Agreement with NDSU and has also granted to the Trustee under the Mortgage, a mortgage and security interest in the Facility, and in certain specified funds held under the Indenture. The Basic Payments are structured to be sufficient to pay the principal, interest and redemption price of the Bonds as such become due. See "SUMMARY OF THE LOAN AGREEMENT" for more information relating to the Loan Agreement and see "SUMMARY OF THE LEASE AGREEMENT" for more information relating to the Lease Agreement.

Limited Obligations

The Bonds are limited obligations of the County, payable solely from payments to be made by the Development Foundation under the Loan Agreement and, in turn, by NDSU under the Lease Agreement. **The Bonds are not general obligations of the County and shall not constitute a charge, lien or any encumbrance upon any property of the County, and no holder of any Bonds shall have the right to compel any exercise of the taxing power of the County to pay the principal of or interest on the Bonds.**

All amounts payable by NDSU under the Lease Agreement are subject in each year to biennial appropriation by the North Dakota Legislative Assembly. The Lease Agreement will not constitute a debt of the State of North Dakota or any agency or political subdivision of the State within the meaning of any constitutional or statutory provision. The execution of the Lease Agreement does not directly or indirectly obligate the State or NDSU to pay any Payments beyond that appropriated for the current biennium of the State. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Appropriation by North Dakota Legislature" below.

Title to the Facility

Under the Indenture and the Lease Agreement, title to the Facility will be held by the Development Foundation. The Mortgage entitles the Trustee to foreclose on the Facility if (i) the Development Foundation fails to make Payments when due, (ii) the budget for NDSU as approved by the North Dakota Legislature does not provide for the timely payment of Basic Rent when due, or (iii) certain other defaults under the Indenture, the Loan Agreement or the Lease Agreement occur. Upon foreclosure by the Trustee, none of the County, the Board of Higher Education, NDSU or the Development Foundation is liable for the payment of any deficiency if the amount realized at foreclosure is less than the amount due on the Bonds.

The Development Foundation and NDSU are required under the terms of the Loan Agreement and the Lease Agreement to insure the Facility against damage and destruction. Net insurance proceeds, if equal to or greater than \$100,000, as well as condemnation awards, must be applied to the repair or replacement of the Facility or to the redemption of all of the outstanding Bonds.

Reserve Fund

A Reserve Fund (the "Reserve Fund") is established by the Indenture on the date of issuance of the Bonds. The Surety Bond issued by AMBAC Assurance Corporation will be credited to the Reserve Fund in an amount equal to the lesser of (i) 10% of the principal amount of the Bonds, (ii) the maximum annual debt service on the Bonds, or (iii) 125% of the average annual debt service on the Bonds (subject to the issuance of additional bonds payable from the Bond Fund as described herein, (the "Required Reserve"). Amounts available in the Reserve Fund will be used to pay the principal of and interest on the Bonds (and any additional bonds) if amounts in the Bond Fund are insufficient for such purposes. If amounts in the Reserve Fund are less than the Required Reserve, the deficiency is required to be restored from Additional Payments under the Loan Agreement and Additional Rent under the Lease Agreement.

The Indenture requires the establishment of a Reserve Fund in an amount equal to \$319,385. The Indenture authorizes the Trustee to obtain a Reserve Fund Surety Bond in place of fully funding the Reserve Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Reserve Fund Ambac Assurance Surety Bond" herein.

Insurance Policy

The Insurance Policy insures payment of scheduled principal and interest on the Bonds. In the event that on any interest payment date, money on deposit in the Bond Fund or available from the Reserve Fund is insufficient to pay in full the interest and any principal then due on the Bonds, the Trustee may submit a claim for such payments under the Insurance Policy. See "THE FINANCIAL GUARANTY INSURANCE POLICY" and "APPENDIX D – Form of Insurance Policy" herein.

Reserve Fund Ambac Assurance Surety Bond

The Indenture authorizes the Development Foundation to obtain a Surety Bond in place of fully funding the Reserve Fund. Accordingly, application has been made to Ambac Assurance Corporation ("Ambac Assurance") for the issuance of a Surety Bond for the purpose of funding the Reserve Fund (see "Summary of the Indenture" herein). The Bonds will only be delivered upon the issuance of such Surety Bond. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Bonds. The Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Paying Agent sufficient to enable the Paying Agent to make such payments due on the Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and NDSU (through the Development Foundation) is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of NDSU is subordinate to NDSU's obligations with respect to the Lease Agreement.

In the event the amount on deposit, or credited to the Reserve Fund, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, Surety Bond or other such funding instrument (the "Additional Funding Instrument"), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Indenture provides that the Reserve Fund shall be replenished in the following priority: (i) principal and interest on the Surety Bond shall be paid from first available Pledged Revenues; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the required level, after taking into account the amounts available under the Surety Bond and the Additional Funding Instrument shall be deposited from next available Revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

Appropriation by North Dakota Legislature

All amounts payable by NDSU under the Lease Agreement are subject in each biennium to appropriation by the North Dakota Legislature. The Legislature meets once every two years for a ninety (90) day session. Payments due during the current biennium, from the date of issuance of the Bonds to June 30, 2005, are already included in the appropriation by the North Dakota Legislature. The next session, addressing the budget for July 1, 2005 to June 30, 2007, will convene January 2005.

All funds received by NDSU are appropriated by the Legislature. State general funds are specifically appropriated, meaning that specific dollar amounts are identified in appropriation measures. All other funds received by NDSU (including tuition, fees, federal, private and other sources) are not specifically appropriated, but are appropriated by language in appropriation measures stating that all other funds are appropriated. The lease payments NDSU will make to the Development Foundation are in the non-specific part of the budget for tuition and other sources.

Every two years NDSU develops a biennial budget (the "NDSU Budget"). The NDSU Budget includes state general funds, tuition, and other local funds. The only part of the budget where specific dollars are requested is the state general fund portion for operations and major capital projects funded from local sources. The lease payments to the Development Foundation that NDSU budgets for the Facility fall under the operations category, funded from tuition and other sources, so no specific line item is included in the budget request for the lease payment.

Each biennium NDSU submits its biennial budget for review by the State Board of Higher Education and inclusion in the overall budget in the Board of Higher Education budget request. That budget request is forwarded to the Office of Management and Budget for review, hearing and inclusion in the Governor's executive budget. The Governor presents the executive budget to the Legislative Assembly for its deliberation. The Legislative Assembly has the power to make changes in the executive budget in the course of its adoption.

Under the Lease Agreement, NDSU agrees to include in its budget request to the State Board of Higher Education an amount fully sufficient to pay the Basic Rent required to be paid during the biennium and any Additional Rent remaining unpaid.

DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service (based on NDSU's fiscal year ending June 30) with respect to the Bonds:

Fiscal Year Ending June 30	Principal	Interest	Annual Debt Service
2004	-	69,952	69,952
2005	140,000	166,135	306,135
2006	155,000	162,448	317,448
2007	155,000	158,573	313,573
2008	160,000	154,635	314,635
2009	165,000	150,366	315,366
2010	165,000	145,540	310,540
2011	170,000	140,348	310,348
2012	175,000	134,781	309,781
2013	185,000	128,520	313,520
2014	190,000	121,628	311,628
2015	195,000	114,263	309,263
2016	205,000	106,360	311,360
2017	215,000	97,853	312,853
2018	220,000	88,825	308,825
2019	230,000	79,260	309,260
2020	240,000	69,035	309,035
2021	255,000	58,081	313,081
2022	265,000	46,511	311,511
2023	275,000	34,290	309,290
2024	290,000	21,150	311,150
2025	<u>305,000</u>	<u>7,168</u>	<u>312,168</u>
	\$4,355,000	\$2,255,720	\$6,610,720

THE COUNTY

The County is a political subdivision duly organized and existing under the laws of the State of North Dakota. The County is authorized to issue the Bonds and loan the proceeds to the Development Foundation pursuant to North Dakota Century Code, Chapter 40-57, as amended.

THE STATE BOARD OF HIGHER EDUCATION

The Board, a constitutional body of the State of North Dakota, is responsible for the management of the institutions of higher education of the State, including NDSU. The Board exercises jurisdiction over the financial, educational and other policies of NDSU and over its relations with state and federal government agencies. Execution of plans and policies together with the internal government and administration of NDSU, is the responsibility of the President, faculty, and other officers of NDSU.

The eleven institutions under the governance of the Board are North Dakota State University; the University of North Dakota; MSU-Bottineau; four state universities at Dickinson, Mayville, Minot, and Valley City; North Dakota State College of Science at Wahpeton; UND-Lake Region; UND-Williston; and Bismarck State College.

The offices of the Board are located in the State Capitol in Bismarck, North Dakota.

NORTH DAKOTA STATE UNIVERSITY

The University is a state-supported, co-educational institution with its main campus in Fargo, North Dakota.

The officers of the University are:

Joseph A. Chapman, Ph.D.	President
Philip Boudjouk, Ph.D.	Vice President for Research, Creative Activities and Technology Transfer
Patricia A. Jensen, JD.	Vice President and Dean of College of Agriculture, Food Systems, and Natural Resources
Keith Bjerke	Vice President for University Relations
Richard L. Rayl	Vice President for Business and Finance
R. Craig Schnell, Ph.D.	Provost and Vice President for Academic Affairs
George H. Wallman, Ph.D.	Vice President for Student Affairs

North Dakota State University of Agriculture and Applied Science, established in 1890, is a comprehensive land grant institution of higher education whose mission is to serve the people of North Dakota and surrounding area through instruction at the undergraduate and graduate levels, and through research and service. NDSU offers programs of study and research conducted in the Colleges of: Agriculture; Engineering and Architecture; Human Development and Education; Pharmacy; Arts, Humanities and Social Sciences; Science and Mathematics; University Studies; Business Administration; and the Graduate School.

As the land grant institution of North Dakota, NDSU continues to stress agriculture, science, technology, and professional studies in its modern context, but, in keeping with the original land grant mandate, it promotes, as well, studies and scholarly activity in the arts and humanities. Consistent with its land grant mandate, NDSU has an obligation to serve the people of the State, and therefore promotes active programming of off-campus educational services.

The main Agricultural Experiment Station is located on the University campus, with a well-developed network of branch agricultural research stations located throughout the State.

The Cooperative Extension Service is a comprehensive public service unit of NDSU, with staff members serving every county in North Dakota.

The University is a member of the Tri-College University, a voluntary consortium of NDSU, Moorhead State University and Concordia College, Moorhead, Minnesota, which makes possible the provision of additional educational opportunities, resources, and activities to students and faculty at NDSU.

NDSU is a member of the National Association of State Universities and land-grant Colleges and is accredited by the North Central Association of Colleges and Secondary Schools. Individual colleges and schools are accredited in their respective fields.

The University has the full-time equivalent of 505 faculty members and 1,880 other personnel.

Student Enrollment

The following table, based on Fall semester registrations, shows enrollments for the past eight academic years as well as enrollments projected by NDSU for the next four years.

<u>Fall Semester</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>	<u>FTE</u>
1996	8,664	934	9,598	8,535
1997	8,500	908	9,408	8,361
1998	8,680	856	9,536	8,478
1999	8,769	869	9,638	8,193
2000	8,995	908	9,903	8,476
2001	9,433	1,105	10,538	8,997
2002	9,874	1,272	11,146	9,368
2003*	10,157	1,466	11,623	9,701

<u>Fall Semester</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>
2004	9,885	1,515	11,400
2005	10,125	1,575	11,700
2006	10,385	1,615	12,000
2007	10,687	1,615	12,302

* 2003 includes data for all degree credit enrollments including co-op, tri-college and continuing education. 2003 data is not directly comparable with prior data.

Source: (current enrollment) NDSU Registrar
(projected enrollment) NDSU Office of the Vice President of Student Affairs

During the Fall semester of 2003, approximately 55.1% of the students attending NDSU were North Dakota residents. Approximately 40.3% of the students came from other states (of whom approximately 31.7% came from Minnesota), and approximately 4.6% came from foreign countries.

The number of high school graduates in North Dakota is expected to decline over the next ten years. As NDSU faces the future, it expects to recruit more non-resident students since, unlike the situation in North Dakota, the population of college-ready prospective students is expected to outstrip the capacity of many states to provide access. Many University programs, particularly in engineering, pharmacy, and business are expected to be attractive to out of state students. NDSU's enrollment management operation continues to receive attention from the top levels of the University, and has received additional funding for student recruitment.

Applications, Acceptances and Enrollments

For the fall of 2003 freshman undergraduate class:

<u>Applications</u>	<u>Acceptances</u>	<u>Matriculants</u>	<u>% Acceptance</u>	<u>%Matriculation</u>
3,245	3,153	1,986	97%	63%

Source: NDSU Office of Business and Finance.

General Fund Appropriations for NDSU by North Dakota Legislature

	Salaries, Operating & Equipment	Capital Improvements	Yearly Grand Total	Biennial Total
FY03	\$40,226,451	\$992,388	\$41,218,840	\$80,543,682
FY02	38,579,702	745,140	39,324,842	
FY01	37,608,448	747,832	38,356,280	75,483,705
FY00	35,170,058	1,957,367	37,127,425	
FY99	33,994,384	951,915	34,946,299	68,993,481
FY98	33,151,352	895,829	34,047,181	
FY97	32,519,736	471,754	32,991,490	62,383,630
FY96	28,921,113	471,026	29,392,139	
FY95	29,476,649	974,661	30,451,309	59,409,884
FY94	27,831,061	1,127,514	28,958,575	
FY93	31,575,157	1,260,432	32,835,589	63,147,709
FY92	30,032,902	279,218	30,312,120	
FY91	27,650,678	1,039,411	28,690,088	56,541,677
FY90	27,730,004	121,585	27,851,589	
FY89	24,253,893	476,419	24,730,311	50,043,064
FY88	24,518,433	794,319	25,312,753	

Source: NDSU Office of Business and Finance.

Outstanding Bonds Payable

NDSU currently utilizes local funds, including tuition fees and grants, to make debt service for the following series of bonds.

<u>Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
1996A Technology Fee	2006	4.30-4.75%	\$402,759
1996B Refunding	2008	4.60-5.25%	1,050,000
IACC Building Match	2009	None	166,125
1999 Student Health & Wellness Center	2028	5.00-5.60%	3,290,000
2002 Residence Hall	2029	5.00-5.60%	7,600,000
2000 Research & Tech Park (MIDA Bonds)	2022	4.95-5.40%	6,305,000
2002 Research & Tech Park (MIDA Bonds)	2024	3.00-5.00%	20,450,000
2002 Minard Hall	2032	2.10-5.00%	2,900,000
2003 Refunding	2012	1.70-3.95%	5,990,000
Total NDSU			\$48,153,884

THE DEVELOPMENT FOUNDATION

The NDSU Development Foundation is an incorporated, nonprofit organization developed solely for the benefit of North Dakota State University. The Development Foundation is approved by the Internal Revenue Service as a charitable, tax-exempt organization and designated by the University as the repository for all private giving to the University. The purpose of the Development Foundation is to raise, manage and disburse contributions for the benefit of the University.

The Directors of the Development Foundation are:

John W. Shotwell, Chairman
Dr. Robert Montgomery, President
James Meier, Sr. Vice President
Frank Jennings, Vice President
Ron Olson, Secretary
Jonal Uglem, Treasurer
Jim Miller, Executive Director

Dr. Joseph Chapman
Dale Anderson
Warren Diederich
Larry Ellingson
Richard Kloubec
Ryn Pitts
Robert Runice
Anne Stegner
John Q. Paulsen

SUMMARY OF THE LOAN AGREEMENT

General

The payment of principal and interest on the Bonds will be made from payments of Basic Payments by the Development Foundation under the Loan Agreement. The obligations of the Development Foundation under the Loan Agreement are conditioned on the performance by NDSU of its obligations under the Lease Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to the complete text of the Loan Agreement, a copy of which is available upon request to the Underwriter during the offering of the Bonds and thereafter from NDSU or the Financial Advisor.

Basic Payments

Pursuant to the Loan Agreement, the Development Foundation has agreed to borrow funds to construct the Facility from the County. In return the Development Foundation will pay Basic Payments in semi-annual installments sufficient to make debt service payments on the Bonds. The obligation of the Development Foundation to make Basic Payments is subject to the continued appropriation of funds by the North Dakota Legislative Assembly sufficient to enable NDSU to make Basic Rent payments due under the Lease Agreement. All payments under the Loan Agreement will be paid to the Trustee for the benefit of the holders of the Bonds under the Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" herein.

Maintenance of Facility

The Development Foundation has agreed to operate and maintain the Facility in good working order and condition. The Development Foundation has also agreed to pay all amounts necessary to operate and maintain the Facility.

Agreement to Pay Taxes, Fees and Utility Charges

The Development Foundation has agreed to pay taxes and other fees, such as special assessments and charges for utilities for the Facility during the term of the Loan Agreement.

Maintenance of Insurance

The Development Foundation has agreed to maintain appropriate insurance on the Facility, as more specifically described in the Loan Agreement, for the term of the Loan Agreement.

Assignment

Under the Assignment, the Development Foundation has assigned to the Trustee its interest in the Lease Agreement, as security for the Development Foundation obligations under the Loan Agreement.

Default and Remedies

Upon the occurrence of certain Events of Default, under the Loan Agreement, the Development Foundation, the Trustee may (i) declare all Basic Payments, Additional Payments and other amounts payable for the remainder of the term of the Loan Agreement to be due and payable, (ii) require the Development Foundation to furnish all copies of books and records of the Development Foundation pertaining to the Facility, or (iii) pursue any other remedy at law or equity.

SUMMARY OF THE LEASE AGREEMENT

General

The payment of principal and interest on the Bonds will be made from payments of Basic Payments by the Development Foundation under the Loan Agreement, which will be derived from Basic Rent payments made by NDSU under the Lease Agreement. Following is a summary of the Lease Agreement, a copy of which is available upon request to the Underwriter during the offering of the Bonds and thereafter from NDSU or the Financial Advisor. This summary does not purport to be complete and is qualified in its entirety by reference to the complete text of the Lease Agreement.

Agreement to Lease; Payment of Rent

Pursuant to the Lease Agreement, NDSU has agreed to lease the Facility from the Development Foundation through the earlier of November 1, 2024 or the final payment of the Bonds. In return NDSU will pay Basic Rent in semi-annual installments sufficient to make payments on the Bonds. The obligation of NDSU to make Basic Rent payments is subject to the continued appropriation of funds by the North Dakota Legislative Assembly. All payments under the Lease Agreement will be paid to the Trustee for the benefit of the holders of the Bonds under the Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" herein.

Maintenance of Facility

NDSU has agreed to operate and maintain the Facility in good working order and condition. NDSU has also agreed to pay all amounts necessary to operate and maintain the Facility.

Agreement to Pay Taxes, Fees and Utility Charges

NDSU has agreed to pay taxes and other fees, such as special assessments and charges for utilities for the Facility during the term of the Lease Agreement.

Maintenance of Insurance

NDSU has agreed to maintain appropriate insurance on the Facility, as more specifically described in the Lease Agreement, for the term of the Lease Agreement.

Assignment

Under the Assignment, the Development Foundation has assigned to the Trustee its interest in the Lease Agreement, as security for the Development Foundation obligations under the Loan Agreement.

Default and Remedies

Upon the occurrence of certain Events of Default, including an Event of Nonappropriation, under the Lease Agreement, NDSU will be given notice of the Default and an opportunity to cure the Default. Upon a failure to cure the Default, the Development Foundation or the Trustee may (i) cure the Default, (ii) terminate the Lease Agreement, (iii) terminate NDSU's possession of the Facility, (iv) recover damages from NDSU, (v) seek a court order compelling performance by NDSU or (vi) pursue any other remedy at law or equity. All remedies of the Trustee or the Development Foundation are subject to the limits of such remedies in the Event of Nonappropriation.

Nonreplacement

The Lease Agreement provides that upon a failure to make a payment under the Lease Agreement, NDSU may not purchase, lease or rent a property similar to the Facility for the unexpired term of the Lease Agreement.

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete and is qualified in its entirety by reference to the complete text of the Indenture.

Pledge and Security; Bond Proceeds

Under the Indenture, the County assigns to the Trustee all of the County's interest in the Facility, the Loan Agreement (other than in certain rights to indemnity thereunder), revenues of the Facility and all other sums required to be deposited in the funds created under Article Five of the Indenture, and all of the property which may be afterward pledged to payment of the Bonds.

Additional Bonds

At the request of NDSU, the County may issue additional bonds, secured on a parity with the Bonds by the Indenture, the Loan Agreement, the Lease Agreement and the Mortgage, in amounts which are sufficient to pay the costs of repairing or replacing the Facility, acquiring additional real or personal property, or refunding the Bonds.

Creation of Funds

The Indenture creates four funds for deposit of the proceeds of the Bonds and revenues of the Facility:

- Bond Fund
- Construction Fund
- Reserve Fund
- Costs of Issuance Fund

All of the funds are to be held by the Trustee for the benefit of bondholders. All of the revenues paid under the Loan Agreement are to be deposited in the Bond Fund for further allocation and application to the appropriate fund.

The proceeds of the Bonds, other than funds required to be deposited in the Bond Fund and the Reserve Fund, will be deposited in the Construction Fund to be used by the Trustee for the payment or reimbursement of the costs of constructing, acquiring, installing and equipping the Facility.

The Trustee will deposit in the Bond Fund upon receipt of the proceeds of the Bonds the interest accrued on the Bonds from their date of issue to the date of the Bond closing. The Trustee also will deposit in the Bond Fund upon receipt of the Bonds, the amounts reserved as capitalized interest required to make payments of interest on the Bonds. Thereafter, the Trustee will deposit in the Bond Fund amounts paid by NDSU and the Development Foundation as Payments. Money in the Bond Fund is to be used and withdrawn by the Trustee for the payment of principal of, premium, if any, and interest on the Bonds and for the redemption and prepayment of Bonds.

On the date of issuance of the Bonds, the Trustee will deposit into the Reserve Fund the Surety Bond issued by Ambac Assurance Corporation in an amount equal to the lesser of (i) 10% of the proceeds of the Bonds, (ii) the maximum annual

debt service on the Bonds; or (iii) 125% of the average annual debt service on the Bonds (the "Required Reserve"). The money in the Reserve Fund is to be used to pay the principal of and interest on the Bonds and any additional bonds payable from the Bond Fund whenever the amount on hand in the Bond Fund is insufficient as long as any Bonds or additional bonds are outstanding. If funds of the Reserve Fund are ever transferred to the Bond Fund, the Reserve Fund will be restored to a level of the Required Reserve from Additional Payments as set out in the Loan Agreement.

Permitted Investments

A. Ambac Assurance will allow the following obligations to be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts.

(Ambac Assurance does not give a premium credit for the investment of accrued and/or capitalized interest).

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury), or

(3) Senior debt obligations of other Government Sponsored Agencies approved by Ambac.

B. Ambac will allow the following Obligations to be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

-Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).

-Obligations of the Resolution Funding Corporation (REFCORP)

-Senior debt obligations of the Federal Home Loan Bank System

-Senior debt obligations of other Government Sponsored Agencies approved by Ambac

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(8) Investment agreements approved in writing by Ambac Assurance Corporation (supported by appropriate opinions of counsel); and

(9) Other forms of investments (including repurchase agreements) approved in writing by Ambac.

Discharge of Lien

As more fully set out in the Indenture, the lien of the Indenture will be discharged if NDSU shall:

- (a) pay the principal and interest on the Bonds together with any redemption premium;
- (b) provide for the payment of principal and interest together with any redemption premium by depositing with the Trustee before maturity of the Bonds, funds which, with the interest on those funds, are sufficient for such payment.

Events of Default

Each of the following constitutes an Event of Default under the Indenture:

- (a) Default in the payment of any installment of interest on any Bond;
- (b) Default in the payment of principal of (or redemption premium) on any Bond;
- (c) Default in the performance, or breach, of any covenant, warranty or representation of the County contained in the Indenture;
- (d) An Event of Default under the Loan Agreement or the Lease Agreement; or
- (e) An Event of Nonappropriation.

A Determination of Taxability does not constitute an Event of Default under the Indenture, if the Bonds are redeemed as provided in the Indenture.

Remedies on Default

Upon the occurrence of an Event of Default, the Trustee may, or at the direction of the Bond Insurer or upon the written request of the holder or holders of not less than a majority of the aggregate principal amount of the Bonds with the consent of the Bond Insurer shall, declare the principal of the Bonds and all interest accrued thereon immediately due and payable. The Trustee may commence proceedings to enforce the Indenture, may take possession of the Facility, may exercise any or all rights under the Lease Agreement, the Loan Agreement or the Mortgage, and may pursue any other available remedy to enforce payment.

Notice of Default and Opportunity to Cure

Except for a default in the payment when due of principal of or interest on the Bonds or an Event of Nonappropriation, no default under the Indenture shall constitute an Event of Default until written notice has been given to NDSU and NDSU has had thirty (30) days after receipt of such notice to correct such default and has failed to do so.

Supplemental Indentures

Consent of the bondholders is not required for supplemental indentures to (i) cure ambiguities or defects or omissions in the Indenture or any supplemental indenture; (ii) grant additional rights, remedies, powers, authority or security to the Trustee for the benefit of bondholders; (iii) provide for the issuance of additional bonds as provided in Section 2.12 of the Indenture, (iv) make such changes as may be necessary to assure compliance with the Code or otherwise as may be necessary to assure the exclusion from gross income for federal tax purposes of interest on the Bonds; (v) modify the Indenture to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or the Securities Act of 1933; (vi) make changes not materially adverse to bondholders.

Other supplemental indentures may be executed and delivered upon consent of holders of 2/3 of the aggregate principal amount of Bonds outstanding; however, changes to the terms of maturity or redemption of any Bond, a reduction in the principal amount or redemption premium of any Bond or in the rate of interest on any Bond, giving any Bond a privilege over any other Bonds or modifying the provisions of the Indenture relating to the bondholder consent for supplemental indentures require the consent of each bondholder whose rights are affected.

Under certain circumstances as more fully described in the Indenture, the consent of the Bond Insurer will be required, in addition to consent of the bondholders, when required for the following purposes: (i) execution and delivery of any supplemental indenture or any amendment, supplement or change to or modification of the Loan Agreement or Lease Agreement; (ii) removal of the Trustee and election and appointment of a successor Trustee; and (iii) initiation and approval of any action not described in (i) or (ii) above which requires consent of the bondholders.

THE BOND INSURANCE

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by NDSU (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Holder by or on behalf of NDSU has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement to maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$6,993,000,000 (unaudited) and statutory capital of approximately \$4,195,000,000 (unaudited) as of September 30, 2003. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Obligations. [No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Policy due to nonappropriation of funds by the Lessee.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "THE BOND INSURANCE" herein.

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;
2. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003;
3. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003;
4. The Company's Current Report on Form 8-K dated March 18, 2003 and filed on March 20, 2003;
5. The Company's Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003;
6. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;
7. The Company's Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003;
8. The Company's Current Report on Form 8-K dated April 17, 2003 and filed on April 21, 2003;
9. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003;
10. The Company's Current Report on Form 8-K dated July 17, 2003 and filed on July 18, 2003;
11. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2003 and filed on August 14, 2003;
12. The Company's Current Report on Form 8-K dated October 16, 2003 and filed on October 17, 2003; and
13. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2003 and filed on November 14, 2003.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "**Available Information**".

FINANCIAL ADVISOR

The Development Foundation has retained Fieldman Rolapp & Associates, of Irvine, California, 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 governmental 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 an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing tax-exempt securities or other public securities.

LITIGATION

There is no litigation now pending seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the legality of the Bonds or the proceedings or authority under which the Bonds are to be issued, including no litigation pending which in any manner questions the undertaking of the financing by NDSU, the Development Foundation or the County or the validity or enforceability of the Indenture, the Loan Agreement, the Lease Agreement, the Mortgage or the Assignment.

UNDERWRITING

The Bonds were purchased from the County by Allison-Williams Company, Minneapolis, Minnesota (the "Underwriter"). Subject to the terms of a Bond Purchase Agreement between the County and the Underwriter, the Underwriter has agreed to purchase the Bonds at a price of \$4,302,036.10 (reflecting a price of par, less an original issue discount of \$703.90 and an underwriters' discount of \$52,260.00), plus accrued interest from the date thereof to December 18, 2003. The Bond Purchase Agreement provides that the Underwriter shall purchase all Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices set forth on the cover page hereof may be changed from time to time by the Underwriter.

Subject to applicable law and prevailing market conditions, the Underwriter expects to maintain a secondary market in the Bonds after the initial offering. However, no guarantee can be made that such a market will develop or be maintained by the Underwriter or others. Thus, purchasers should be prepared to hold their Bonds to maturity or prior redemption.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Services ("S&P") have assigned their municipal bond ratings of "Aaa" and "AAA", respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by AMBAC Assurance Corporation. Moody's has also assigned an underlying municipal bond rating of "A2" to the Bonds.

Such ratings reflect only the view of Moody's and S&P and do not constitute a recommendation to buy, sell or hold the Bonds. Explanation of the significance of such ratings may be obtained only from Moody's and/or S&P. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Moody's and/or S&P, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the County, the Development Foundation, nor NDSU have undertaken to maintain the rating on the Bonds.

LEGAL MATTERS

The Bonds are subject to approval as to certain matters by Arntson & Stewart, P.C., Fargo, North Dakota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency, except with respect to the summaries of the Bonds, the Lease Agreement, the Loan Agreement and the Indenture, and the "Tax Exemption" section below. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix B herein will be delivered at closing.

TAX EXEMPTION

In General

The opinion of Bond Counsel and the descriptions of the tax laws contained in this Official Statement are based on laws and official interpretations of them which are in existence on the date the Bonds are issued. There can be no assurance that those laws or the interpretation of them will not change or that new laws will not be enacted or regulations issued while the Bonds are outstanding in a manner that would adversely affect the value of an investment in the Bonds or the tax treatment of the interest paid on the Bonds.

Federal Income Tax Opinion of Bond Counsel

Arntson & Stewart, P.C., Fargo, North Dakota, Bond Counsel, will deliver a legal opinion with respect to whether the interest on the Bonds must be included in the gross income for federal income tax purposes of an owner of a Bond under existing law in substantially the following form:

The interest on the Bonds is excluded for federal income tax purposes from gross income of the owners of the Bonds and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (as that term is defined for federal income tax purposes). The interest on the Bonds is, however, included in adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excluded from the gross income of the owners of the Bonds for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The County, the Corporation and NDSU have agreed to comply with all of those requirements and the opinion set forth in the first sentence of this paragraph is subject to the condition that the County, the Corporation and NDSU comply with those requirements. Bond counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Designation as Qualified Tax-Exempt Obligations

The County has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code, and financial institutions described in Section 265(b)(5) of the Code may treat the Bonds for purpose of Section 265(b)(2) and Section 291(e)(1)(B) of the Code as if they were purchased on August 7, 1986.

Other Federal Income Tax Considerations

As noted above, interest on the Bonds is included in the adjusted current earnings of corporations for purposes of the alternative minimum tax imposed by Section 55 of the Code. The Code also contains numerous other provisions which could adversely affect the value of an investment in the Bonds for particular Bondholders. For example, (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the Bonds (but see “Designation as Qualified Tax-Exempt Obligations” above), (ii) interest on the Bonds may affect the federal income tax liabilities of life insurance companies and, with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of the Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account receipt or accruals of interest on the Bonds in determining gross income. There may be other provisions of the Code which could adversely affect the value of an investment in the Bonds for particular Bondholders. Investors should consult their tax advisors to determine how the provisions described under this heading and other provisions of the Code relating to the ownership of tax-exempt obligations apply to them.

North Dakota Income Tax

The interest on the Bonds is exempt from present North Dakota income taxes, other than the franchise tax imposed on financial institutions by North Dakota Century Code, Chapter 57-35.3.

RULE 15c2-12

NDSU, the Development Foundation and the County deem this Official Statement the "Near Final Official Statement" as defined in S.E.C. Rule 15c2-12 (the "Rule"). For purposes of compliance with the Rule, this document, as the same may be supplemented or corrected by the County from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or the date of any such supplement or correction) by the County, the Development Foundation and NDSU.

The County designates the Underwriter as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter.

CONTINUING DISCLOSURE

NDSU has covenanted for the benefit of holders of the Bonds and the beneficial owners of the Bonds to provide certain financial information and operating data relating to NDSU and the Facility by not later than 180 days after the end of its fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by NDSU to be material. The Annual Report will be filed by the Trustee on behalf of NDSU with each Nationally Recognized Municipal Securities Information Repository or the Municipal Securities Rulemaking Board and a North Dakota information depository, if any. For a description of the specific nature of the information to be contained in the Annual Report or the notices of material events, see Appendix C. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b) (5).

MISCELLANEOUS

The information and opinions in this Official Statement are subject to change and neither the delivery of the Official Statement nor any sale made hereunder shall create any implication that there has been no change in the affairs of the County, the Development Foundation or NDSU since the date hereof.

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

The Development Foundation has duly authorized the use and distribution of this Official Statement and has approved the information contained herein. The County has not participated in the preparation of this Official Statement and has not reviewed or approved any information or statements contained in this Official Statement or the Appendices hereto and assumes no responsibility for the sufficiency, completeness or accuracy of the same.

APPENDIX A – EXCERPTS FROM FINANCIAL REPORT

North Dakota State University
Statement of Net Assets
June 30, 2003 and 2002

Unaudited

	<u>2003</u>	<u>2002</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,762,977	\$ 6,999,645
Short-term investments	5,761,470	5,263,409
Accounts receivable, net	1,651,409	2,864,543
Due from state general fund	2,161,095	1,250,995
Intergovernmental receivable	22,890,159	15,670,695
Inventories	1,927,111	1,917,243
Notes receivable, net	895,137	975,550
Other assets	341,470	329,125
Total current assets	<u>\$ 42,390,828</u>	<u>\$ 35,271,205</u>
Noncurrent assets		
Restricted cash and cash equivalents	17,474,319	238,668
Restricted investments	3,855,058	10,336,718
Endowment investments	367,680	316,611
Notes receivable, net	5,982,481	6,053,681
Other long-term investments	31,583,594	36,532,549
Unamortized bond discount and cost of issuance	1,399,208	325,173
Capital assets, net	140,788,733	122,068,160
Total noncurrent assets	<u>\$ 201,451,073</u>	<u>\$ 175,871,560</u>
Total assets	<u>\$ 243,841,901</u>	<u>\$ 211,142,765</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 9,949,097	\$ 6,838,824
Payable to component units		124,014
Accrued payroll	2,104,820	1,705,928
Deferred revenue	6,031,384	6,460,873
Deposits	1,215,164	1,164,322
Long-term liabilities—current portion		
Payable to component units	205,000	195,000
Payable to others	2,604,431	2,336,013
Total current liabilities	<u>\$ 22,109,896</u>	<u>\$ 18,824,974</u>
Noncurrent liabilities		
Advances from Bank of North Dakota	7,550,000	6,050,000
Long-term liabilities		
Payable to component units	26,550,000	6,305,000
Payable to others	29,926,642	27,623,782
Total noncurrent liabilities	<u>\$ 64,026,642</u>	<u>\$ 39,978,782</u>
Total liabilities	<u>\$ 86,136,538</u>	<u>\$ 58,803,756</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 90,796,967	\$ 92,309,757
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	369,753	369,753
Expendable:		
Scholarships and fellowships	82,092	42,385
Research	2,085,268	1,948,327
Instructional department uses	448,349	463,390
Loans	7,215,773	7,211,319
Capital projects	14,939,081	5,965,250
Debt service	3,572,422	3,680,286
Unrestricted	38,195,658	39,717,352
Total Net Assets	<u>\$ 157,705,363</u>	<u>\$ 151,707,819</u>

North Dakota State University
Statement of Revenues, Expenses, and Other Changes in Net Assets
Fiscal Years Ended: June 30, 2003 and 2002

Unaudited

	<u>2003</u>	<u>2002</u>	<u>% change</u>
REVENUES			
Operating Revenues:			
Student tuition and fees	\$ 36,596,371	\$ 34,502,348	6%
Federal appropriations	5,556,315	5,210,314	7%
Federal grants and contracts	55,503,142	36,406,976	52%
State and local grants and contracts	3,668,776	3,046,726	20%
Nongovernmental grants and contracts	4,786,373	4,912,305	-3%
Sales and services of educational departments	12,671,214	12,159,426	4%
Auxiliary enterprises	23,520,330	25,499,752	-8%
Total operating revenues	<u>\$ 142,302,521</u>	<u>\$ 121,737,847</u>	
EXPENSES			
Operating expenses:			
Salaries and wages	\$ 132,231,045	\$ 119,301,674	11%
Operating expenses	50,186,093	52,016,064	-4%
Data Processing	2,637,068	1,905,856	38%
Scholarships and fellowships	4,831,638	6,040,766	-20%
Depreciation Expense	10,119,504	9,779,354	3%
Cost of Sales and services	14,466,264	13,919,889	4%
Total operating expenses	<u>\$ 214,471,612</u>	<u>\$ 202,963,603</u>	
Operating income (loss)	<u>\$ (72,169,091)</u>	<u>\$ (81,225,756)</u>	
NONOPERATING REVENUES (EXPENSES)			
State appropriations	\$ 66,959,794	\$ 63,599,560	5%
Federal grants and contracts	1,839,401	6,276,203	-71%
Gifts	4,732,502	4,699,739	1%
Investment income	2,936,134	2,100,608	40%
Interest on capital asset - related debt	(1,784,043)	(1,339,232)	33%
Gain/(Loss) on capital assets	(301,529)	(669,122)	-55%
Insurance proceeds	17,391	70,528	-75%
Other nonoperating revenues over (under) expenses	488,158	535,869	-9%
Net nonoperating revenues	<u>\$ 74,887,808</u>	<u>\$ 75,274,153</u>	
Income (loss) before capital grants, gifts and transfers	<u>\$ 2,718,717</u>	<u>\$ (5,951,603)</u>	
State appropriations - capital assets	\$ 1,768,895	\$ 1,271,219	39%
Capital grants and gifts	878,743	4,036,722	-78%
Total other revenues (expenses)	<u>\$ 2,647,638</u>	<u>\$ 5,307,941</u>	
Increase (decrease) in net assets	<u>\$ 5,366,355</u>	<u>\$ (643,662)</u>	
NET ASSETS			
Original Net assets-beginning of year	<u>\$ 151,707,819</u>	<u>\$ 152,351,481</u>	
Prior Year Adjustment - Library Book Accumulated Depreciation	<u>\$ 631,190</u>		
Adjusted Net assets -beginning of year	<u>\$ 152,339,009</u>	<u>\$ 152,351,481</u>	
Net assets - end of year	<u>\$ 157,705,364</u>	<u>\$ 151,707,819</u>	

North Dakota State University
Statement of Cash Flows
Fiscal Years Ended: June 30, 2003 and 2002

Unaudited

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 35,908,674	\$ 30,023,122
Federal appropriations	5,556,315	6,074,895
Grants and Contracts	56,738,827	44,527,779
Payments to suppliers	(65,289,655)	(68,384,506)
Payments to employees	(131,090,847)	(118,009,130)
Payments for scholarships and fellowships	(4,831,638)	(4,797,448)
Loans issued to students	(1,363,295)	(991,271)
Collection of loans to students	1,436,973	1,294,686
Auxiliary enterprise charges	23,493,761	25,572,706
Sales and services of educational departments	12,925,142	11,869,430
Cash received (paid) on deposits	(17,259)	
Other receipts (payments)	(906,058)	
Net cash provided (used) by operating activities	<u>\$ (67,439,059)</u>	<u>\$ (72,819,737)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	\$ 66,533,194	\$ 65,667,899
Grants and gifts received for other than capital purposes	6,571,903	10,107,054
Advances from Bank of North Dakota	1,500,000	2,500,000
Agency fund cash increase (decrease)	219,207	197,217
Other nonoperating receipts (payments)	488,158	535,869
Net cash provided/(used) by financing activities	<u>\$ 75,312,462</u>	<u>\$ 79,008,039</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt	\$ 29,440,000	\$ 7,507,041
Capital appropriations	1,285,395	1,271,219
Capital grants and gifts received	1,693,217	4,036,722
Purchases of capital assets	(26,790,757)	(14,225,448)
Insurance proceeds	17,391	70,528
Principal paid on capital debt and lease	(8,759,826)	(1,935,091)
Interest paid on capital debt and lease	(1,638,584)	(1,305,658)
Net cash provided/(used) by capital and related financing activities	<u>\$ (4,753,164)</u>	<u>\$ (4,580,687)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	\$ 18,102,891	\$ 1,116,882
Interest on Investments	1,877,132	2,515,783
Purchases of investments	(6,101,275)	(10,999,621)
Net cash provided/(used) by investing activities	<u>\$ 13,878,748</u>	<u>\$ (7,366,956)</u>
Net increase (decrease) in cash	<u>\$ 16,998,987</u>	<u>\$ (5,759,341)</u>
Cash - Beginning of year	<u>\$ 7,238,313</u>	<u>\$ 12,997,654</u>
Cash - End of year	<u>\$ 24,237,300</u>	<u>\$ 7,238,313</u>

RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (loss)	\$ (72,169,091)	\$ (81,225,756)
Adjustments:		
Depreciation	10,119,504	9,779,354
Expenses paid by capital lease	-	-
Change in assets and liabilities:		
Accounts receivable adjusted for interest receivable	165,684	(748,236)
Intergovernmental receivables	(7,219,464)	(4,118,284)
Inventories	(9,868)	63,008
Notes receivable	151,613	303,416
Other assets	(1,086,380)	98,274
Accounts payable and accrued liabilities adjusted for interest payable	1,915,493	1,854,115
Accrued payroll	252,506	-
Compensated absences	887,692	76,042
Deferred revenue	(429,489)	1,168,779
Deposits	(17,259)	(70,449)
Net cash provided (used) by operating activities	<u>(67,439,059)</u>	<u>(72,819,737)</u>

SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS

Assets acquired through capital lease	1,258,412	7,408,443
Assets acquired through special assessments	-	-
Expenses paid by capital lease	-	-
Gifts of capital assets	163,020	-
Onbehalf payments	36,000	-
Total non cash transactions	<u>1,421,432</u>	<u>7,408,443</u>

North Dakota State University
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YEAR ENDED, JUNE 30, 2003

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, as summarized below, and the financial statements for the North Dakota State University are in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The North Dakota State Board of Higher Education (Board) is the governing body for North Dakota State University and all of North Dakota's eleven publicly supported colleges and universities. In addition to these eleven institutions, the Board also oversees the Agricultural Experiment Stations, North Dakota Cooperative Extension Service, Northern Crops Institute, the State Forest Service, and the Upper Great Plains Transportation Institute. The Board was established in 1939 when the voters of North Dakota approved an initiated measure to add Article VIII to the State Constitution. The Board consists of eight voting members. The Governor with the advice and consent of the Senate appoints seven of the eight voting members. The eighth member is a full-time resident student appointed by the Governor. A ninth member is faculty member (non-voting) selected by the statewide Council of College Faculties. The Board is an entity of the executive branch of the government of the State of North Dakota. The colleges and universities governed by the Board are collectively known and referred to as the North Dakota University System hereafter referred to as the University System. The Board appoints a Commissioner of Higher Education (Chancellor) to serve as the chief executive officer of the Board and of the University System. The Chancellor and the Chancellor's staff must have their principal office in the State Capitol per the North Dakota Constitution. This office is referred to as the University System Office. The North Dakota Legislature appropriates funds it deems necessary and as required by law for those agencies and institutions authorized to exist by the constitution and statutes. Separate general ledgers are maintained for the University System office and the institutions. The institutions utilize the Higher Education Computer Network while the University System Office uses the Statewide Accounting and Management Information System (SAMIS). The financial statements presented here are also included in the comprehensive annual financial report of the State of North Dakota.

The University System includes the following entities that were created by the North Dakota Constitution and/or North Dakota Century Code. As stated above these entities are under the control and administration of the State Board of Higher Education. Each entity receives a separate appropriation from the North Dakota Legislature as provided by North Dakota Constitutional Article VIII, S 6(6)(e) and state statute.

North Dakota State University Entities

North Dakota State University

Agricultural Experiment Stations:

North Dakota State University Main Research Center

Dickinson Research Extension Center

Central Grasslands Research Extension Center

Hettinger Research Extension Center

Langdon Research Extension Center

North Central Research Extension Center

Williston Research Extension Center

Carrington Research Extension Center

Agronomy Seed Farm

Northern Crops Institute

Upper Great Plains Transportation Institute

North Dakota State University Cooperative Extension Service

North Dakota Forest Service

The process of evaluating potential component units involved the application of criteria set forth in Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. In accordance with GASB Statement No. 14, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The definition of the reporting entity is based primarily on the criteria of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

As required by generally accepted accounting principles, these financial statements present the University System (the primary government) and its component units. The component units are included in the University System's reporting entity because of the significance of their operational or financial relationships with the University System.

Component Units

Blended Component Units

The NDSU Research Foundation is considered a blended component unit. Although it is a legally separate, not-for-profit 501(c)(3) organization from the North Dakota University System, the NDSU Research Foundation is reported as if it were part of the primary government because its sole purpose is to provide support to NDSU in its missions by enabling NDSU faculty to enhance their involvement in research, technology transfer, and business endeavors. Through linkages with public and private businesses and industries, the Foundation facilitates the commercialization of research technologies developed by NDSU faculty and staff.

Complete financial statements for each of these individual component units may be obtained at the entity's administrative offices as follows:

NDSU Research Foundation
P.O. Box 5014
Fargo, ND 58105-5014

Discretely Presented Component Units

The following component units are legally separate entities; however, these entities provide a financial benefit or burden, are governed by boards that are made up of one-third University administrative personnel, or due to the nature and significance of their relationship to the University, their exclusion would render the financial statements incomplete or misleading:

1. North Dakota State University Research and Technology Park, Inc.

The financial information for the North Dakota State University Research and Technology Park, Inc. are as of June 30, 2003. Complete financial statements for each of these individual component units may be obtained at the entity's administrative offices as follows:

North Dakota State University Research and Technology Park, Inc.
P.O. Box 5014
Fargo, ND 58105-5014

The NDSU Research & Technology Park, Inc. is a nonprofit organization developed to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff and students and the citizens of North Dakota. Its facilities are located on the campus of NDSU in Fargo, North Dakota. The organization was established in 1999 and is exempt from federal and state income taxes as it is organized under Section 501(c)(3) of the Internal Revenue Code. The majority of the Park's Board of Directors (6 of 9) consists of people who work in private industry. Vacancies are filled by a majority vote of the Board. Officers of NDSU fill 3 of the 9 positions on the Tech Park's Board. The President of NDSU serves as President of the Board of Directors. The status of the Park as a discretely presented component unit is primarily due to the control by the NDSU President over the final building plans for any new building at the Park. This control is based on feedback from the Legislative Budget Section and is required by the land lease between the State Board of Higher Education and the Tech Park, as well as NDUS Policy.

Related Organizations

The University's foundations/alumni associations etc., which are detailed in Note 11, are excluded from the reporting entity because they were determined to be independent entities. Separate boards of directors control these entities. The college or university does not exercise financial or administrative control over these excluded entities.

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November, 1999. The University now follows the "business-type activities" (BTA) reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the University's activities.

Basis of Accounting

The financial statements of the University System have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The University System follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principals for governmental entities. The University System follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements.

Unrestricted Net Assets

Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University.

Restricted Assets

The University, based on certain bond covenants, is required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt. Also, included are unspent bond proceeds that will be expended for construction of capital assets.

Revenue and Expense Recognition

The University presents its revenues and expenses as operating or non-operating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the University. Operating revenues include all charges to customers, grants received for student financial assistance, research contracts and grants, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the University. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the University, as well as investment income, are considered non-operating since these are either investing, capital or non-capital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or non-capital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

Budgetary Process

The State of North Dakota operates through a biennial appropriation. Legislation requires the Board to present a single unified budget request covering the needs of all the institutions under its control to the Governor through the Director of the Office of Management and Budget. The Governor is required by legislation to present his budget to the General Assembly at the beginning of each session. The General Assembly enacts the budget of the various institutions through the passage of specific appropriation acts. Before signing the appropriation acts, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the next two years.

The Board allocates Equity and Special Needs/Technology funding among the institutions based on guidelines provided by the General Assembly. Any funds received by the Board and entities of the University System pursuant to federal acts, private grants, and other sources not deposited in the operating funds in the state treasury are appropriated for the period beginning July 1, 2001, and ending June 30, 2003. The Board has the authority to transfer funds between line items by notifying the Office of Management and Budget in writing, with the exception that the Board may not approve transfers from any capital assets line item.

The North Dakota Constitution prohibits any transfers between institutions, even by the legislature. Each college or university has until July 31 of each biennium year-end to submit revenues and expenditures for recognition within the biennium. Expenditures and revenues received after July 31, are applied to the next biennium. Institutions within the University System do not use encumbrance accounting. The legal level of budgetary control is at the institutional line item level, with administrative controls established at lower levels of detail in certain instances.

Board policy requires each college or university to submit a biennial budget for Board approval and annual budgets to be approved by the Chancellor. These budgets are prepared on an accrual basis and include activity relative to current funds and unexpended plant funds. These annual budgets are prepared on an accrual basis and include activity relative to current funds and unexpended plant funds. These annual budgets are prepared within framework of the legislative approved appropriations and become each institution's financial plan for the coming year. The Board allows each institution some discretion in transferring funds between departments.

Cash and Cash Equivalents

This category consists of bank demand accounts, money market accounts; cash on hand, petty cash and highly liquid investments with an original maturity of three months or less when purchased.

Investments

This classification includes long-term fixed income investments and equity securities. Investments are reported at fair value for year-end financial reporting. Fair value is the amount at which an investment could be exchanged between two willing parties. Fair value for financial reporting purposes is based on quoted market prices. The net increase (decrease) in the fair value of investments is recognized as a part of investment income.

Receivables

Receivables include interest receivable from the State Land Department; tuition, fees, food service, room and board, and apartment rent; federal, state, and private grant revenue; accrued interest on investments. Loan fund notes receivable represents amounts due from students for Perkins and other federal loans, and

short-term institutional loans. The allowance for doubtful accounts/notes is detailed in Note 3. Net receivables are shown on the basic financial statement.

Due to/from Other Entities

These types of receivables/payables related to the University System include the following:

- a. Due to/from State’s General Fund – represents amounts due to/from the State’s General Fund.
- b. Due to/from Other State Funds – represents amounts due to/from other agencies within the state.

Inventories

Inventories, consisting of food, books and other merchandise, held for resale in auxiliaries and unrestricted physical plant supplies are generally stated at the lower of cost (generally determined on the first-in, first-out, or moving weighted average method) or fair market value.

Plant Assets

Land, buildings, equipment, and other property are stated at historical cost, with the exception of property acquired prior to the following dates for the various institutions which are stated at appraised values as of July 1, 1964. Professional consultants for the purposes of insurance and financial record keeping evaluated these assets. Library books and periodicals are stated at an estimated inventory value as of June 30, 1974, with subsequent additions at cost and deletions at an average cost.

Capital assets with a unit cost of \$5,000 or greater and all library books, are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Library books are depreciated using the straight line or composite method whereby all books purchased during a year are consolidated together and depreciated as a group of assets rather than individually, over a ten to fifteen year period. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized, net of interest income earned on resources set aside for the construction or remodeling costs. Certain reserves have been established by bond indenture for the repayment of revenue bond indebtedness. Such reserves are recorded in the appropriate restricted assets category (cash/investments) and as “net assets restricted for debt service” on the statement of net assets.

The following estimated useful lives are used to compute depreciation for the primary government and the component units:

Land Improvements	10 - 35 years
Infrastructure	20 - 60 years
Buildings	10 - 50 years
Equipment	4 - 20 years
Library Books	10 - 15 years

Deposits Held in Custody for Others

Money received in advance for subsequent year’s residence hall, apartment is shown as deposits. Agency fund moneys held by an institution in a fiduciary capacity are classified as deposits held in custody for others.

Compensated Absences

Annual and sick leave are a part of permanent employees' compensation as set forth in section 54-06-04 of the North Dakota Century Code. In general, accrued annual leave cannot exceed 30 days at each calendar year end while accrued sick leave is not limited. Employees are entitled to earn leave based on tenure of employment, within a range from a minimum of one working day, to a maximum of two working days per month, established by the rules and regulations adopted by the employing unit. Employees are paid for all unused annual leave upon termination or retirement. Employees who vest at 10 years of credible service are paid one-tenth of their accumulated sick leave upon termination or retirement, per section 54-06-14 of the North Dakota Century Code. Compensated absences are accrued when earned by employees.

Pledges

Pledges for gifts that will benefit the University System are made directly to the Related and Affiliated Organizations as detailed in Note 11 to the financial statements. These pledges will be recorded as revenue when received from the Related and Affiliated Organizations.

Net Assets

GASB Statement No. 34 reporting of equity as "Net Assets" rather than "fund balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University System obligations. Restricted Net Assets represent funds that have been restricted for specific purposes by granting agencies for scholarships and fellowships, instructional department uses, loan funds, debt service and other. Unrestricted Net Assets are all other funds available at the discretion of the University System. Invested In Capital Assets represents the cost or gifted value of buildings, equipment, land improvements, infrastructure, less accumulated depreciation and related outstanding debt.

Restatement of Beginning Net Assets

In connection with the implementation of GASB Statements No. 34 and No. 35, the amounts previously reported for June 30, 2002 have been restated to reflect the reduction of accumulated depreciation for Library materials.

Net assets, beginning of the year, as previously reported (1)	151,707,819
Adjustments:	
<u>Library Book Accumulated Depreciation Adjustment</u>	<u>631,190</u>
Net assets, beginning of the year, as restated	<u>\$152,339,009</u>

NOTE 2 - DEPOSITS AND INVESTMENTS

North Dakota Century Code (NDCC) Sections 6-09-07, 15-10-12, 15-55-06, 15-67-04, and 21-04-02 govern the deposit and investment policies of the State of North Dakota.

NDCC Section 6-09-07 states, “All state funds...must be deposited in the Bank of North Dakota...or must be deposited in accordance with constitutional and statutory provisions.”

NDCC Section 15-10-12 requires that all moneys not deposited in the special revenue fund within the State Treasury (unless restricted by the terms of a grant, donation or bequest), received by the institutions from federal, state, and local grants and contracts, indirect cost recoveries, tuition, special student fees, room and board and other auxiliary enterprise fees, student activity fees, continuing education program fees, internal service fund revenues, and all other revenues must be deposited in the Bank of North Dakota.

NDCC Sections 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Such proceeds must be invested in the Bank of North Dakota, in a separate fund in the State Treasury or in a duly authorized depository for the state funds that is a member of the federal deposit insurance corporation. The Board may invest such funds in direct obligations of, or in obligations where the United States of America guarantees the principal and interest, or obligations of the State of North Dakota or any municipality as defined in NDCC Section 21-03-01.

NDCC Section 15-67-04 applies to the investment of endowments governed by a gift instrument. Subject to any limitations in the gift instrument such funds may be invested in any real or personal property deemed advisable by the governing board.

NDCC Section 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota.

Deposits

This classification includes cash on hand; cash in bank, regular and money market savings accounts, certificates of deposit and time saving certificates. For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University’s endowment are included in non-current investments.

Investment

Investments consisting primarily of certificates of deposit at the Bank of North Dakota are classified as either “Short Term Investments” if the maturity date is more than three months to one year, or as “Investments” if the maturity date is more than one-year from the date of the financial statements.

In accordance with the GASB Statement No. 3, deposits and investments are classified into three categories of custodial credit risk:

Investment Type	Carrying Amount	1	Category 2	3	Market Value
Debt Instruments	\$937,305	\$937,305	-	-	\$937,305
Bonds and Notes	8,184,772	-	-	\$8,184,772	8,184,772
Stocks	-	-	-	-	-
Total	9,122,076	\$937,305	-	\$8,184,772	\$9,122,076
Plus Amts credit risked as cash					
CDs BND	29,594,108				
CDs Other	-				
Held by brokers & not risked	2,851,617				
Investments per SNA	\$41,567,802				

Cash and Cash Equivalents and Investments are reported at fair value (market) and reported on the Statement of Net Assets as follows:

Primary Government

Deposits	Carrying Amount	Bank Balance	1	Category 2	3
Total Cash Deposits at BND	\$5,166,884	\$9,049,777	-	-	\$9,049,776
CDs at BND	29,594,108	29,594,108	\$29,594,108	-	-
Total Cash Deposits at Other	18,969,373	18,133,240	2,878,147	-	15,255,093
CDs at Other	-	-	-	-	-
Total Deposits	53,730,364	\$56,777,124	\$32,472,255	-	\$24,304,869

(0)

Cash on Hand/Petty Cash	101,039
Less amts reported as investments	(29,594,108)
Cash & Cash Equ-SNA	\$24,237,296

Component Unit

See NDSU Research & Tech Park, Inc. Audit Report

NOTE 3 - RECEIVABLES

Receivables at June 30, 2003, consist of the following amounts:

	<u>Current</u>	<u>NonCurrent</u>	<u>Total</u>
Student and general (1)	\$ 1,479,338		\$ 1,479,338
Interest - BND (2)	219,001		219,001
Interest - Other (2)			-
Allowance for Doubtful Accounts (3)	(46,929)		(46,929)
	<u>1,651,409</u>		<u>1,651,409</u>
Perkins Loans (4)	923,437	\$ 6,246,103	7,169,540
Other Loans (5)	37,887	178,723	216,610
Allowance for Doubtful Notes (6)	(66,186)	(442,345)	(508,531)
	<u>\$ 895,138</u>	<u>\$ 5,982,481</u>	<u>\$ 6,877,619</u>
Federal Government Receivables (7)	22,890,159		22,890,159
Allowance for Doubtful Accounts (8)	-		-
	<u>\$ 22,890,159</u>		<u>\$22,890,159</u>

NOTE 4 - ENDOWMENT FUNDS

The endowment funds reported herein are only those in the custody of the University System, and do not include the Federal Land Grant Fund held by the State Land Department. The annual proceeds from assets held by the State Land Commissioner are deposited into each college/university's operating fund at the State Treasury and are used for current operating purposes. Total net assets held by the State Land Department for the fiscal year ended June 30, 2003 are \$9,502,265.

NOTE 5 - CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended June 30, 2003 was as follows:

DESCRIPTION	BALANCE		DELETIONS	TRANSFERS BETWEEN ASSET CLASSES	BALANCE 6/30/2003
	6/30/02	ADDITIONS			
LAND					
Total Land	\$ 7,308,932.15				\$ 7,308,932.15
LAND IMPROVEMENTS/INFRASTRUCTURE					
Land Improvements	12,195,022	87,381			12,282,403
Infrastructure	23,819,224	15,345			23,834,569
Total Improvements	36,014,246	102,726	-	-	36,116,972
BUILDINGS					
Total Buildings	153,357,544	3,491,184		4,670,224	161,518,952
EQUIPMENT					
	49,122,750	9,624,599	1,200,355	222,663	57,769,657
LIBRARY BOOKS					
	14,977,602	1,075,450	21,169		16,031,883
CONSTRUCTION IN PROGRESS					
F Court Apt Replacement	2,156,114.66			2,156,114.66	-
Sudro Hall Renovation	2,166,451.34			2,166,451.34	-
RDC HVAC Upgrade	347,658.15			347,658.15	-
New Residence Hall	1,059,366.08	5,992,637			7,052,002.88
Ladd-Dunbar Hall	222,663.26			222,663.26	-
Minard Hall	201,966.63	2,521,035			2,723,002.05
RDC Renovation	-	345,054			345,053.79
Langdon Headquarters	-	348,529			348,529
College of Business		134,331			134,332
Research Bldg #2	-	5,397,728			5,397,728
Total Construction in Progress	6,154,220	9,341,587	-	4,892,887	16,000,648
TOTAL UNIVERSITY	266,935,294	29,033,274	1,221,524	9,785,775	294,747,044

	Balance 6/30/02	Depreciation	Adjust.	Deletions		Balance 6/30/03
LESS ACCUMULATED DEPRECIATION						
LAND IMPROVEMENTS/INFRASTRUCTURE	18,613,516	976,688				19,590,204
BUILDINGS	89,252,551	4,215,821				93,468,372
EQUIPMENT	27,618,591	3,929,892		898,826		30,649,657
LIBRARY BOOKS	10,013,665	888,773	(631,190)	21,169		10,250,078
TOTAL ACCUMULATED DEPRECIATION	<u>145,498,322</u>	<u>10,011,175</u>	<u>(631,190)</u>	<u>919,995</u>	<u>-</u>	<u>153,958,312</u>
CAPITAL ASSETS, NET	<u>121,436,972</u>	<u>19,022,099</u>	<u>631,190</u>	<u>301,529</u>	<u>9,785,775</u>	<u>140,788,733</u>

Component Unit

See NDSU Research & Tech Park Inc., Audit Report

NOTE 6 - LONG-TERM LIABILITIES

Primary Government

Long-term liabilities of the University System consist of bonds payable, notes payable, capital and operating leases, and compensated absences. The changes in long-term liabilities are as shown below:

	Beginning Balance ⁽¹⁾	Additions	Retirements	Ending Balance	Current Portion ⁽³⁾	Noncurrent Portion
Bonds Payable	\$ 25,817,016	\$ 29,440,000	\$7,103,132	\$48,153,884	\$1,336,418	\$ 46,817,466
Notes Payable				-		-
Capital Leases (TCC 079)	3,635,371	1,258,412	1,656,693	3,237,090	1,111,418	2,125,672
Special Assessments (TCC 081)				-		-
Compensated Absences (TCC 080)	7,007,408	887,692		7,895,100	361,596 ⁽⁴⁾	7,533,504
Total	\$36,459,794	\$31,586,104	\$ 8,759,825	\$59,286,073	\$ 2,809,431 ⁽²⁾	\$56,476,642

Bonds Payable are scheduled to mature in the future as follows:

Bonds Payable

1996A Technology Fee	2006	4.3-4.75%	\$402,759
1996B Refunding	2008	4.6-5.25%	1,050,000
IACC Building Match	2009	None	166,125
1999 Student Health & Wellness Center	2028	5.0-5.6%	3,290,000
2002 Residence Hall	2029	5.0-5.6%	7,600,000
2000 Research & Tech Park (MIDA Bonds)	2022	4.95-5.4%	6,305,000
2002 Research & Tech Park (MIDA Bonds)	2024	3.0-5.0%	20,450,000
2002 Minard Hall	2032	2.1-5.0%	2,900,000
2003 Refunding	2012	1.7-3.95%	5,990,000
Total NDSU			\$48,153,884

North Dakota State University

The University, pursuant to resolutions adopted by the Board of Higher Education on November 7, 1985, issued \$4,833,813 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1985) on December 30, 1985. The purpose of issuing Series 1985 bonds was to refund in advance of maturity the outstanding advanced refunded bonds, which consisted of all bonds outstanding as of December 30, 1985, totaling \$7,675,000. The Series 1985 bonds do not pay the holder interest, but were sold at a discount so that principal payments will yield a return to maturity from 8.20% to 9.70%. In accordance with Financial Accounting Standards Board Statement No. 76, all of the refunded bonds are considered defeased. As such, neither the assets of the trust, nor the related bonds payable are included in the accompanying statement of net assets. The principal amounts outstanding as of June 30, 2003 of the original bonds refunded by the advance refunding total \$1,270,000.

The University, pursuant to resolutions adopted by the Board of Higher Education on June 4, 1992, issued \$8,810,000 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1992) on June 23, 1992. The purpose of issuing the Series 1992 bonds was to refund in advance of maturity the outstanding advanced refunding bonds, Series 1985. The proceeds of the Series 1992 bond issue were irrevocably deposited in an escrow account to provide for all debt service payments after the crossover date. This crossover refunding issue retired the outstanding Series 1985 bond issue (\$8,071,500) on the crossover date of April 1, 1996. Therefore, only the 1992 issue is included in the financial statements at June 30, 2003.

The University, pursuant to resolutions adopted by the Board of Higher Education on February 15, 1996, issued \$1,175,000 of Housing and Auxiliary Facilities Revenue bonds (Series 1996A) on March 13, 1996. The purpose of issuing the Series 1996A bonds was to advance refund a portion (\$980,000) of the Series 1988 Housing and Auxiliary Facilities Revenue Bonds. The portion of the Series 1988 Bonds advance refunding represents the bonds maturing April 1, 2004 through 2008. The proceeds of the Series 1996A issue were irrevocably deposited in an escrow account to provide for all debt service payments after the April 1, 2003 crossover date. The Series 1988 bonds are callable at the option of the Board on or after April 1, 2006. In accordance with Financial Accounting Standards Board Statement No. 76, the portions of the Series 1988 bonds that are advance refunded are considered defeased. As such, neither the assets of the escrow account nor the related bonds payable (i.e., the advance refunded portion of the Series 1988 bonds) are included in the accompanying statement of net assets. As of June 30, 2003 the principal amount outstanding of the advance refunded portion of the Series 1988 bonds is \$980,000.

As of June 30, 2003 the portion of the Series 1988 bonds that were not advance refunded by the Series 1996A bonds is reported on the university's statement of net assets in the amount of \$145,000.

Scheduled maturities of Bonds Payable are as follows:

Fiscal Year	Principal	Interest	Total
2004	\$ 1,336,418	\$ 2,225,364	\$ 3,561,782
2005	1,439,116	2,178,841	3,617,957
2006	1,937,600	2,130,129	4,067,729
2007	1,860,375	2,059,894	3,920,269
2008	1,865,000	1,993,607	3,858,607
2009-2013	8,450,375	8,883,541	17,333,916
2014-2018	6,990,000	7,216,653	14,206,653
2019-2023	8,400,000	5,196,808	13,596,808
2024-2028	8,320,000	3,262,985	11,582,985
2029-2033	7,555,000	975,665	8,530,665
	<u>\$ 48,153,884</u> ⁽¹⁾	<u>\$ 36,123,487</u>	<u>\$ 84,277,371</u>

Capital Leases

North Dakota State University – NDSU has the following assets under capital lease agreements: telecom cabling (infrastructure), a building, and various pieces of equipment. These leases have maturity dates through fiscal year 2019.

The assets acquired through capital leases are as follows:

	<u>Carrying Value</u>	<u>Accumulated Depreciation</u>
Land Improvements/Infrastructure	\$ 1,100,000	\$ 583,000
Buildings	635,701	368,707
Furniture, Fixtures, and Equipment	6,489,406	3,445,875
Total	<u>\$ 8,225,107</u>	<u>\$ 4,397,581</u>

Scheduled maturities of capital leases are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	1,111,418	140,966	1,252,383
2005	1,166,848	99,977	1,266,824
2006	316,076	52,623	368,700
2007	138,923	38,427	177,350
2008	145,827	30,248	176,075
2009-2013	357,998	74,964	622,962
Total	<u>3,237,090</u>	<u>437,205</u>	<u>3,864,294</u>

Operating Leases

North Dakota State University – NDSU is committed under various operating leases for farm land, buildings, and equipment.

Component Units

Long-term liabilities of the component units consist of bonds payable, notes payable, and special assessments. For further information see NDSU Research & Tech Park, Inc. Audit Report.

NOTE 7 - RETIREMENT BENEFITS

The North Dakota University System participate in two major retirement systems: North Dakota Public Employees' Retirement System administered by the State of North Dakota and a privately administered retirement system: Teachers' Insurance Annuity Association and College Retirement Equity Fund. The following is a brief description of each plan:

I. North Dakota Public Employees' Retirement System (NDPERS)

A. Description of Plan:

NDPERS is a cost-sharing, multiple-employer, defined benefit pension plan covering substantially all broadband employees of the University System. The plan provides retirement, disability and death benefits. If an active employee dies with less than five years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than five years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employees' normal retirement benefit calculated as if the employee were age 65 the day before the death occurred (or, effective August 1, 1995, monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death). If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65), equal to 2% of their final average salary for each year of service. The plan permits early retirement at ages 55-64, with five or more years of service. NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; P.O. Box 1657; Bismarck, ND 58502-1657.

B. Funding Policy:

NDPERS is funded by employee contributions (set by statute) of 4% of regular compensation. During the 1983-1985 biennium the State implemented the employer pickup provision of the IRS code whereby a portion or all of the required employee contributions are made by the employer. The State is paying the full employee contribution. Employer contributions of 4.12 percent of covered compensation are set by statute. The required contributions are determined using an entry age normal actuarial funding method.

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. The University System's required and actual

contributions to NDPERS for the fiscal year ending June 30, 2003, 2001, and 2000 were \$4,414,256, \$4,090,886, and \$3,883,067, respectively.

II. TIAA-CREF Retirement Plan

A. Description of Plan:

This is a privately administered defined contribution retirement plan which provides individual retirement fund contracts for eligible employees as defined by the Board of Higher Education in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. Further information can be obtained by writing to TIAA-CREF; Denver Regional Office; 1700 Broadway, Suite 770; Denver, Colorado 80290 or by calling 800-842-2009.

B. Funding Policy:

The plan required employees and employer contributions be based on a classification system and years of service.

Plan contributions are made on a tax-deferred basis in accordance with Section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The North Dakota University System has no further liability once annual contributions are made. The University System contributed \$15,311,048 to TIAA-CREF during the fiscal year ending June 30, 2003.

NOTE 8 - POST-RETIREMENT BENEFITS

State Group Health Plan

Members who receive retirement benefits from the Public Employees Retirement System may receive a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The benefits are set by statute and the plan is a cost-sharing multiple-employer defined benefit plan.

The employer contribution for the Public Employees Retirement System is set by statute on an actuarially determined basis (projected unit actuarial cost method) at 1% of covered compensation.

There are approximately 848 retired University System employees receiving these benefits and 3,162 active employees with retiree health credit. The actuarially determined required employer contribution of \$940,193, for the year ended June 30, 2003, is 1 percent of the covered payroll. The University System's actual and required contributions for the fiscal year ending June 30, 2003, were \$941,018.

Early Retirement Agreements

When early retirement is deemed to be in the mutual benefit of an employee and the University System, the Board has adopted Policy 703.1 on Early Retirement. This policy applies to tenured faculty, the chancellor, vice chancellors, and other system office professional staff, and presidents, executive deans, vice president, provosts, deans, and other officers responsible for a major unit of an institution who report directly to a president, vice president, provost, or executive dean who are members of TIAA-CREF, TFFR, or TIRF

Under the Tenured (Contract) Purchase Option, the employee is eligible for payment of up to 100% of the employee's final contract salary if the sum of the employee's age and total years of employment equals 70 or greater. Payments will be pursuant to the approved agreement, but cannot be made until at least 90 days after the date of Early Retirement Agreement.

The Phased Retirement is retirement over a period of time. The percentage of workload each year is negotiated. The University may pay all or any part of the retirement contributions on the current salary or any part of the individual's salary until the individual terminates all employment.

Reversible Retirement is an option that basically lets an employee test retirement to see if he or she finds retirement satisfactory. If not, the employee may return to full employment. There is a maximum 2-year time limit from the contract date to the time the individual returns to work.

Executive Compensation Agreements

In order to promote retention, the NDUS provides executive compensation benefits, in accordance with State Board of Higher Education policy, to all institution presidents and the MiSU-BC dean. The NDUS provides additional compensation equivalent to one month's base salary for each full year of service as president, MiSU-BC dean, or Lake Region State College executive dean. There is no entitlement to the additional compensation until after six full years of service, and the maximum payment may not exceed the final annual base salary. Payment of the additional compensation shall be made upon retirement or death while serving as president or dean; no additional compensation shall be paid if the employee is dismissed for cause or if the employee's contract is not renewed or the employee terminates employment prior to retirement.

An employee with six or more years of service, on or after November 16, 2001, is entitled to the full amount of the additional compensation for that service upon the employee's death while serving as president or dean. An employee with six or more years service, on or after November 16, 2001, is entitled to the full amount of the additional compensation for that service upon retirement on or after June 30, 2004, to two-thirds of the additional compensation upon retirement prior to June 30, 2004 but after June 30, 2003, and one-third of the additional compensation payment upon retirement on or before June 30, 2003.

Funds are internally designated on an annual basis with expenditures for executive compensation being recognized as payments are made to presidents or the executive dean as they become eligible. Currently there are four employees eligible to receive this benefit.

NOTE 9 - COMMITMENTS

Contracts for the construction of various projects on behalf of the University have been let as follows:

Project	Contracts Awarded	Expended Through June 30, 2003	Balance Authorized	Source of Funding for the Balance
RDC Renovation	\$ 868,538	\$ 265,824	\$ 602,714	Auxiliary revenues
New Residence Hall	\$6,609,154	\$ 5,514,111	1,095,042	Revenue Bonds Fund
Minard Hall	\$3,019,745	\$ 2,496,243	523,502	Revenue Bonds Fund
Langdon Headquarters	\$ 714,184	\$ 325,618	388,566	GF & OF Fund
Total	\$ 11,211,622	\$ 8,601,798	\$ 2,609,824	

NOTE 10 - RELATED PARTY TRANSACTIONS

Amount	Description*
\$224,529	NDSU paid Development Foundation for alumni records
\$125,000	NDSU paid Alumni Association for Rent of their building
\$628,973	NDSU paid Research & Tech Park for operating agreement
\$6,890.00	NDSU paid Development Foundation for vehicle lease
\$55,017	NDSU purchased equipment from Research & Tech Park
\$134,492	NDSU paid utilities for Research 1 Building
\$11,007	NDSU reimbursed Research Tech Park (RTP) for insurance
\$12,000	NDSU paid RTP for Skills Center rent
\$29,286	NDSU reimbursed RTP for paying NDSU specials in error
\$195,685	NDSU paid RTP from HUD grant under subcontract
N/A	Catering and Telecom Charges to Development Foundation
N/A	Catering Charges to Research Tech Park
	Also see note 11 on Equine Center and Downtown Campus

NOTE 11 - RELATED AND AFFILIATED ORGANIZATIONS

The related and affiliated organizations are separate North Dakota nonprofit corporations whose sole functions are to provide financial and other assistance to the institutions. The organizations conduct fundraising activities and receive moneys and pledges for institutionally sponsored programs. As such, the institutions neither display nor disclose pledges. The financial activity of the organizations is not reflected in the accompanying financial statements. The assets, revenues, and program service expenditures for each organization and the free services, or payments, each institution provides as of June 30, 2003 are shown below:

	Fiscal Year End	Assets	Revenues	Program Service Expenditures
Development Foundation		not available yet	not available yet	not available yet
Team Makers Club, Inc.	Dec. 31	2,030,439	1,401,123	1,292,036
North Dakota 4-H Foundation	Aug. 31	904,590	229,861	229,095

NDSU agreements and leases with NDSU Development Foundation

NDSU Equine Science Center

Effective January 1, 2003, NDSU and the NDSU Development Foundation entered into a ten-year lease agreement with an option for an additional ten year term to facilitate the building of an Equine Science Center. The 600' x 134' structure is located near 19th Avenue North, just east of 57th Street North in Fargo. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The exact amount of the rent has not yet been determined, however, it will be tied to the debt service retirement plus necessary insurance and taxes incurred by the Development Foundation.

As of June 30, 2003 construction of the facility was not complete, therefore, in fiscal 2003, the facility will be included on the financial reports of the NDSU Development Foundation as construction in progress and a short-term liability (for the construction loan). No asset or liability is reported in NDSU financials in fiscal 2003.

In fiscal 2004, when the facility is completed and the lease amount is finalized and payments begin, plans are for the transaction to be recorded as a capital asset and capital lease payable by NDSU. The cost of the facility will be approximately \$4.2 million.

NDSU Downtown Campus

The former Northern School Supply building was donated to the NDSU Development Foundation by a NDSU alum in December of 2001. During fiscal 2003, the NDSU Development Foundation began the renovation of the building with the intent to lease the facility to NDSU when it is scheduled for occupancy in fall 2004. Once renovated, the building will house facilities for the studio arts, architecture and landscape architecture departments and the Tri-College University office. It will include studios, classrooms, a wood shop, computer laboratory, gallery and an outdoor sculpture area.

The intent of the parties is for NDSU to pay rent to the NDSU Development Foundation for use of the premises. The exact amount of the rent has not yet been determined, however, it will be tied to the debt service retirement plus necessary insurance and taxes and other costs incurred by the Development Foundation. It is anticipated that grant funds, private donations coupled with federal and state income tax credits will be available to lower the amount of necessary long-term financing.

In fiscal 2003 and 2004, the facility will be reported on the financial statements of the NDSU Development Foundation as construction in progress and a short-term liability (for the construction loan). No asset or liability is reported in NDSU financials in fiscal 2003.

In fiscal 2005, when the facility is scheduled to be completed and the lease amount is finalized and payment begins, plans are for the transaction to be recorded as a capital asset and capital lease payable by NDSU. The cost of the facility will be approximately \$10 million; after deduction of donations and tax credits (yet to be finalized) the net cost is expected to be \$5 to \$6 million.

NOTE 12 - INTERFUND ACTIVITY

See inter-fund borrowing disclosure in Note 19.

NOTE 13 - CONTINGENCIES

Federal and State Grant Programs

Amounts received and expended by the University System under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the University System.

NOTE 14 - RECONCILIATION OF NATURAL EXPENSE CLASSIFICATION TO FUNCTIONAL EXPENSE CLASSIFICATION AS PRESENTED ON THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The University has chosen to present expenses using the “natural classification” on the Statement of Revenues, Expenses, and Changes in Net Assets. As required by GASB Statement No. 34, the following is the re-statement of the Statement of Revenues, Expenses, and Changes in Net Assets presented using the “functional classification”:

<u>Operating Expenses:</u>	
Instruction	\$ 45,890,427
Academic Support	13,865,751
Student Services	7,699,422
Institutional Support	7,289,706
Physical Plant	12,483,380
Scholarships and fellowships	3,458,296
Auxiliary Enterprises	29,790,303
Public Service	19,965,233
Research	63,909,590
Depreciation	10,119,504
Total	<u><u>\$ 214,471,611</u></u>

NOTE 15 - ADVANCES FROM STATE – BANK OF NORTH DAKOTA LINE OF CREDIT

North Dakota State University

North Dakota State University has reported advances from the Bank of North Dakota in the amount of \$ 7,550,000. This amount represents the amount borrowed as of June 30, 2003 on a \$12,500,000 line of credit with the Bank of North Dakota for rain event related expenditures.

On June 27, 2001, the Emergency Commission, under the provisions of NDCC 54-16-13, approved NDSU's request to borrow \$12,500,000 from the Bank of North Dakota to pay expenses caused by the excessive rain natural disaster occurring in Fargo on June 19 and 20, 2000. The line of credit is only available to pay expenses incurred as the result of the disaster and only as documented on a Project Work Sheet (PWS) approved by the Federal Emergency Management Agency (FEMA). The cost of enhancements or modifications beyond those on the PWS will not be covered by the line of credit. The line of credit is to be repaid as reimbursements are received from FEMA and can only be drawn upon as funds are needed to pay contractors. The rate of interest is variable with rate changes occurring on a quarterly basis. At June 30, 2003, the rate was 1.81625 %.

NOTE 16 - RAIN EVENT

North Dakota State University

With 7.7 inches of rain on June 19, 2000, North Dakota State University suffered extensive water damage to infrastructure, buildings, equipment and furnishings. On July 21, 2000, the North Dakota Emergency Commission authorized NDSU to borrow up to \$12.5 million from the Bank of North Dakota for purposes of expediting the repair of buildings and infrastructure, as well as the replacement of equipment and furnishings lost in the disaster. On June 27, 2001, the Emergency Commission extended this borrowing authority until June 30, 2003.

Overall, FEMA has estimated that total eligible NDSU losses should approximate \$19 million. FEMA has determined that insured losses should fund \$7.5 million, FEMA will fund \$9.9 million (i.e., 90% of eligible expenses, after insurance), and a \$1.6 million state deficiency appropriation will fund the remainder (including interest on the line of credit at the Bank of North Dakota). As of June 30, 2003, NDSU has expended approximately \$19 million in recovery costs, recovered less than \$100,000 from insurance, received \$9.2 million from FEMA, and received \$1.6 million in deficiency appropriations.

NOTE 17 - RISK MANAGEMENT

The University System is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the state for risk management issues:

Risk Management Fund

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of state's sovereign immunity. The RMF manages the tort liability of the state, its agencies, employees and the University System. All state agencies participate in the RMF and each fund's contribution was determined using a projected cost allocation approach. The system obtains most of its insurance through the RMF.

North Dakota Fire and Tornado and State Bonding Fund

The University System also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The University System pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the University System with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

North Dakota Workers Compensation Bureau

The University System participates in the North Dakota Workers Compensation Bureau, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and is a no fault insurance system. It covers the state's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

North Dakota Insurance Reserve Fund

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for over 2,000 state agencies and political subdivisions. The University of North Dakota purchases professional liability insurance for physicians at its Medical School from NDIRF. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

There have been no significant reductions in insurance coverage from the prior year and settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years except for rain event damages at NDSU as discussed in Note 16.

NOTE 18 - ASBESTOS SETTLEMENT

During fiscal year 1999, the University System settled an asbestos lawsuit against WR Grace & Co. The Chancellor has designated the dollars for asbestos related projects at the campuses. The designated amount for NDSU at June 30, 2003 is \$1,064,486.

NOTE 19 - DEFICIT FUND BALANCES > \$100,000

As of June 30, 2003, the Universities listed below had the following reportable fund balance deficits greater than \$100,000 and the institution's explanation and/or plan for elimination of the deficit:

- Fund 1541 Interfund Borrowing - 18th St Specials \$(744,728)

This deficit is caused by the early payoff of the 18th Street special assessments. The deficit is a planned event in order to achieve an interest expense savings. The deficit will be recovered in four to five years from rental income from the 19th avenue property.

- Fund 1596 June 2000 Rain Event Legal Expenses \$(230,639)

This deficit is due to legal expenses related to June 2000 rain event. At this time, it is not clear how this deficit will be covered. The possibilities include a positive outcome as the result of the lawsuits, insurance funds, or a deficiency appropriation.

NOTE 20 - SUBSEQUENT EVENTS

None

NOTE 21 – COMPONENT UNIT TRANSACTIONS

NORTH DAKOTA STATE UNIVERSITY AND NDSU RESEARCH AND TECHNOLOGY PARK, INC.

On December 30, 1999, North Dakota State University (included in the primary government) through the State of North Dakota and the North Dakota State Board of Higher Education entered into a ground lease, whereby the NDSU Research & Technology Park, Inc. (component unit) leases 40 acres of land for \$1 per year for the next seventy-five years.

On November 1, 2000, NDSU Research and Technology Park, Inc. entered into a \$6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on Lot 1, Block 2, NDSU Research and Technology Park First Addition to the City of Fargo (Research Building #1). Article IV, Section 4.12 of that agreement assigned to NDSU all of NDSU Research & Technology Park's obligations under the lease, including but not limited to the payment of all Basic Rent and Additional Rent, maintenance, and repair of the Project, maintenance of all insurance required under the Lease, and restrictions of use of the Project set forth in the Lease. Under the terms of Exhibit B, Assignment of Lease to the aforementioned lease agreement, "...that upon payment of all the Bonds, title to the Facility will revert to the Company." (Company is defined in the lease as NDSU Research & Technology Park, Inc.). Because of the lease assignment, NDSU accounted for this as a capital lease in fiscal 2002. In fiscal 2003, NDSU converted the classification of the debt to bonds payable.

On August 1, 2002, the same legal and financial structure used to construct Research Building #1 was used to construct a second Research Building. This time the lease agreement was \$20,450,000. NDSU is reporting the related assets and debt in its fiscal 2003 financial statements.

The audited financial statements of the NDSU Research & Technology Park, Inc. report these transactions as an operating lease and reports the related capital assets and related debt as assets and debt of the NDSU Research Technology Park. Since the NDSU Research and Technology Park, Inc, is a discretely presented component unit of the North Dakota University System and the component unit and the University System are reporting the same assets and debt for Research Buildings 1 and 2, an elimination entry is added to the component unit's financials to avoid duplication.

APPENDIX B – FORM OF LEGAL OPINION

December _____, 2003

NDSU Development Foundation
P.O. Box 5144
Fargo, ND 58105

Cass County
211 Ninth Street South
Fargo, ND 58103

\$4,360,000
Cass County, North Dakota
University Facility Revenue Bonds, Series 2003
(NDSU Development Foundation Project)

We have acted as Bond Counsel in connection with the issuance by Cass County, North Dakota (the “Issuer”), of its \$4,360,000 University Facility Revenue Bonds, Series 2003 (NDSU Development Foundation Project) dated December 1, 2003 (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other documents as we deemed necessary to render this opinion.

The Bonds are issued pursuant to Chapter 40-57 of the North Dakota Century Code and an Indenture of Trust dated as of December 1, 2003 (the “Indenture”), between the Issuer and U.S. Bank National Association, St. Paul, Minnesota, as Trustee (the “Trustee”). Pursuant to a Loan Agreement dated as of December 1, 2003 (the “Loan Agreement”), between the Issuer and North Dakota State University Development Foundation, a North Dakota nonprofit corporation (the “Company”), the Company has agreed to make payments to be used to pay when due the principal of, premium, if any, and interest on the Bonds. The Company has assigned its rights and obligations under the Loan Agreement to North Dakota State University (“NDSU”) and NDSU has assumed such rights and obligations pursuant to an Assignment of Leases and Rents dated as of December 1, 2003 (the “Assignment”). The payments and other revenues under the Loan Agreement and Indenture (collectively the “Revenues”) and the rights of the Issuer under the Loan Agreement (except certain

December _____, 2003

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rights to indemnification, reimbursements, and administrative fees) are pledged and assigned by the Issuer as security for the Bonds. The Bonds are payable solely from the Revenues.

_____, as counsel to the Issuer, has rendered an opinion of even date herewith regarding, among other matters, the authorization, execution and delivery by the Issuer of the Loan Agreement and the Indenture. Such opinion is in a form satisfactory to us. In rendering this opinion, we are relying on said opinion with respect to the valid existence of the Issuer and the due authorization of the officers of the Issuer to enter into the Loan Agreement and Indenture on behalf of the Issuer.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer and the Company contained in the Indenture and Loan Agreement, the certified proceedings and other certifications of public officials and others furnished to us, including certifications furnished to us by or on behalf of the Company and NDSU, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Issuer is a political subdivision duly created and validly existing under the laws of the State of North Dakota with the power to enter into and perform the Indenture and the Loan Agreement and issue the Bonds.

2. The Indenture and the Loan Agreement have been duly authorized, executed, and delivered by the Issuer and are valid and binding obligations of the Issuer enforceable upon the Issuer. The Indenture creates a valid lien on the Revenues and on the rights of the Issuer under the Loan Agreement (except certain rights to indemnification, reimbursements, and administrative fees).

3. The Bonds have been duly authorized, executed, and delivered by the Issuer and are valid and binding limited obligations of the Issuer, payable solely from the Revenues.

4. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer and the Company comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Company have

December _____, 2003

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covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is excluded from gross income for State of North Dakota income tax purposes (other than the franchise tax measured by net income imposed on financial institutions by North Dakota Century Code, Chapter 57-35.3).

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Sincerely,

ARNTSON & STEWART, P.C.

APPENDIX C – CONTINUING DISCLOSURE

CONTINUING DISCLOSURE AGREEMENT

between

NORTH DAKOTA STATE UNIVERSITY,

and

U.S. BANK NATIONAL ASSOCIATION

\$4,355,000

**CASS COUNTY, NORTH DAKOTA
UNIVERSITY FACILITY REVENUE BONDS, SERIES 2003
(NDSU DEVELOPMENT FOUNDATION PROJECT)**

Dated as of December 1, 2003

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the **ADisclosure Agreement@**) is made and entered into as of December 1, 2003, by North Dakota State University (the **AUniversity@**), and U.S. Bank National Association, St. Paul, Minnesota (the **ATrustee@**), in connection with the issuance by Cass County, North Dakota (the **AIssuer@**) of \$4,355,000 University Facility Revenue Bonds, Series 2003 (NDSU Development Foundation Project) dated December 1, 2003 (the **ABonds@**). The Bonds are being issued pursuant to an Indenture of Trust dated as of December 1, 2003, between the Issuer and the Trustee (together, the **AIndenture@**). Proceeds of the Bonds will be loaned to the North Dakota State University Development Foundation, a North Dakota nonprofit corporation (the **AFoundation@**) pursuant to a Loan Agreement between the Issuer and the Foundation to finance the construction of the Facility (as defined in the Loan Agreement). The Facility will be leased to the University pursuant to a Lease Agreement dated as of December 1, 2003, between the Foundation and the University. Pursuant to Section 2.1(i) of the Loan Agreement and this Disclosure Agreement, the University and the Dissemination Agent covenant and agree as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the University and the Dissemination Agent for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with the Rule (defined below).

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Indenture, which apply to any capitalized term use in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report@ shall mean any Annual Report provided by the University pursuant to and as described in, Sections 3 and 4(a) of this Disclosure Agreement.

ADisclosure Representative@ shall mean the Vice President for Business and Finance of the University or his or her designee, or such other person as the University shall designate in writing to the Dissemination Agent from time to time.

ADissemination Agent@ shall mean the Trustee acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the University and which has filed with the Dissemination Agent a written acceptance of such designation.

AListed Events@ shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

ANational Repository@ shall mean any Nationally Recognized Municipal Securities Information Repository as recognized from time to time by the Securities and Exchange Commission.

AParticipating Underwriter@ shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

AREpository@ shall mean each National Repository and each State Repository, if any.

ARule@ shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

AState Repository@ shall mean any public or private repository or entity designated by the State of North Dakota as a state repository for the purpose of the Rule. As of the date of this Disclosure Agreement, there is no State Repository.

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

SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The University shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2004, provide to each Repository an Annual Report which is consistent with the requirements of Section 4(a) of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the University shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4(c) of this Disclosure Agreement; provided, that the financial statements of the Board may be submitted separately from the balance of the Annual Report.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the University to determine if the University is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository or the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any;

(ii) transmit the Annual Report to each Repository by (A) electronic facsimile transmissions, confirmed by first class mail, postage prepaid, or (B) first class mail, postage prepaid, or any overnight delivery service selected by the Dissemination Agent; and

(iii) file a report with the University certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. CONTENT OF ANNUAL REPORTS.

(a) The University's Annual Report shall contain or incorporate by reference the following:

(i) unaudited financial statements of the University,

(ii) updated information contained in the Official Statement relating to the Bonds dated November __, 2003, regarding: Student Enrollment; Applications, Acceptances and Enrollments; General Fund Appropriations; and Outstanding Bonds Payable.

(b) At the same time as the Annual Report described in Section 4(a) is to be filed, or if not then available within 30 days after they are available, the University shall also provide to the Dissemination Agent the combined audited financial statements of the University System prepared in accordance with generally accepted accounting principles.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements, which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Board shall clearly identify each such other document so incorporated by reference.

SECTION 5. REPORTING OF MATERIAL EVENTS.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events if material with respect to the Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the Tax-Exempt status of the Bonds;
- (vii) Modifications to rights of Owners of the Bonds;
- (viii) Bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) Rating changes.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event and request that the University promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the University obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the University shall as soon as possible determine if such event would constitute material information for holders of Bonds.

(d) If the University has determined that knowledge of the occurrence of a Listed Event would be material, the University shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the University determines that the Listed Event would not be material, the University shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the University to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the University by such methods of information transmission as shall be requested or recommended by the designated recipient.

SECTION 6. TERMINATION OF REPORTING OBLIGATION. The University's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. DISSEMINATION AGENT. The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Vice President for Finance of the University shall be the Dissemination Agent.

SECTION 8. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Agreement, the University and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the University) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the University and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. ADDITIONAL INFORMATION. Nothing in this Disclosure Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the University chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the University shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. DEFAULT. In the event of a failure of the University or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Bondholder, including beneficial owners, may seek mandate or specific performance by court order, to cause the University or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this

Disclosure Agreement in the event of any failure of the University or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the University agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent=s negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review or verify any information provided to it by the University or to determine the materiality of a Listed Event and shall not be deemed to be acting in any fiduciary capacity for the University, the Bond owners or any other party. The Dissemination Agent shall have no responsibility for the University=s failure to report to the Dissemination Agent a Listed Event. The obligations of the University under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. BENEFICIARIES. This Disclosure Agreement shall inure solely to the benefit of the Board, the University, the Dissemination Agent, the Participating Underwriter, and Holders, including beneficial owners, from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. COUNTERPARTS. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the University and the Dissemination Agent have cause this Disclosure Agreement to be executed by their duly authorized officers, all as of the date first above written.

NORTH DAKOTA STATE UNIVERSITY

By: _____
Vice President for Business and Finance

U.S. BANK NATIONAL ASSOCIATION

By: _____
Its: _____

EXHIBIT A

**NOTICE TO REPOSITORIES
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: **Cass County, North Dakota**

Name of Bond Issue: **University Facility Revenue Bonds, Series 2003
(NDSU Development Foundation Project)**

Name of Obligated Person: **North Dakota State University**

Date of Issuance: **December __, 2003**

NOTICE IS HEREBY GIVEN that the University has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of December 1, 2003 between the University and U.S. Bank National Association. The University anticipates that the Annual Report will be filed by _____
_____.

Dated: _____.

U.S. Bank National Association
on behalf of the North Dakota State
University

cc: North Dakota State University

APPENDIX D – FORM OF INSURANCE POLICY

Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)



Authorized Officer of Insurance Trustee