

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

RATING: MOODY'S INVESTORS SERVICE, INC. Aaa

In the opinion of Bond Counsel, the interest to be paid on the Bonds is not includable in gross income of the recipient for United States or 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). See "Tax Exemption" contained herein.

**STATE BOARD OF HIGHER EDUCATION OF THE STATE OF NORTH DAKOTA
NORTH DAKOTA STATE UNIVERSITY
\$5,990,000 Housing and Auxiliary Facilities Refunding Revenue Bonds, Series 2003A
(the "Bonds")**

THE BONDS ARE LIMITED OBLIGATIONS OF THE BOARD, PAYABLE SOLELY FROM NET SYSTEM REVENUES, AS DEFINED HEREIN, OF THE HOUSING AND AUXILIARY FACILITIES SYSTEM OF NORTH DAKOTA STATE UNIVERSITY (THE "UNIVERSITY"). THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE STATE BOARD OF HIGHER EDUCATION OF THE STATE OF NORTH DAKOTA (THE "BOARD"), AND ARE NOT SECURED BY THE FULL FAITH AND CREDIT OF THE BOARD OR BY ANY OF THE BOARD'S GENERAL FUNDS, REVENUES OR ASSETS (OTHER THAN AMOUNTS PLEDGED PURSUANT TO THE RESOLUTION DESCRIBED HEREIN). THE BOARD HAS NO TAXING POWER. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" HEREIN.

The Bonds are hereby offered solely in book-entry form for purchase by investors. All Bonds shall be issued as fully registered bonds without coupons, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), to whom all payments with respect to the Bonds will be made. See "The Bonds-Global Book Entry System" 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.



The Bonds are dated as of January 1, 2003 and will mature serially on April 1 as shown below with interest payable on April 1, 2003 and on each April 1 and October 1 thereafter:

| Year | Amount | Coupon | Price | Year | Amount | Coupon | Price |
|------|-----------|--------|--------|------|-----------|--------|--------|
| 2004 | \$600,000 | 1.70% | 100.0% | 2009 | \$675,000 | 3.45% | 100.0% |
| 2005 | 615,000 | 2.10% | 100.0% | 2010 | 700,000 | 3.65% | 100.0% |
| 2006 | 625,000 | 2.50% | 100.0% | 2011 | 725,000 | 3.85% | 100.0% |
| 2007 | 645,000 | 2.85% | 100.0% | 2012 | 750,000 | 3.95% | 100.0% |
| 2008 | 655,000 | 3.20% | 100.0% | | | | |

Redemption Feature: None.
Registrar/Paying Agent: U.S. Bank National Association, St. Paul, MN.
Not Bank Qualified: The Bonds are **not** "Qualified Tax-Exempt Obligations."
Alternative Minimum Tax: Interest on the Bonds is **not** a preference under the Alternative Minimum Tax.
Financial Consultant: FWW Financial, Ltd., Minnetonka, MN.
Legal Opinion: Furnished by Arntson & Stewart, P.C. of Fargo, North Dakota.

The Bonds are offered, subject to prior sale, when, as and if issued by the Board and accepted by the Underwriter named below, and subject to the opinion of bond counsel and certain other conditions. Certain legal matters were passed upon solely for the benefit of the Underwriter by Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota. Delivery of the Bonds will be made on January 7, 2003 in New York, New York, against payment therefore. Subject to prevailing market conditions, the Underwriter may, but is not obligated to, effect secondary market transactions, subject to applicable securities laws. Although the Underwriter intends to engage in secondary market transactions, there can be no assurance that a secondary market will develop. The Underwriter is not obligated to repurchase any Bonds at the request of the holder thereof. For additional information with respect to the Underwriter, see "UNDERWRITING" herein.

*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
Minneapolis, Minnesota**

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 Board, the Underwriter or the Financial Advisor. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Board since the date hereof. 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 Board and from other sources believed by the Board 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 any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the Board described herein 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.

THESE SECURITIES 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.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE INSIDE COVER HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS, AND THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The remainder of this page has been left blank intentionally.

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 below are used as defined within the text of this Official Statement.

| | |
|---------------------------------|---|
| Issuer: | The State Board of Higher Education of the State of North Dakota (the "Board"). See "The State Board of Higher Education" herein. |
| The Bonds: | The Bonds in the aggregate principal amount of \$5,990,000 dated as of January 1, 2003, are 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 April 1, 2003 and on each April 1 and October 1 thereafter. Principal is payable on the dates and in the amounts shown on the cover page hereof. See "The Bonds" for more specific information regarding details of the Bonds. |
| Use of Proceeds: | The Bonds are issued by the Board to refund the 2004 through 2012 maturities of the Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 1992 (the "Refunded Bonds"). Proceeds of the Bonds are also to be used to pay related issuance expenses and to fund the Debt Service Reserve Fund. See "Sources and Uses of Funds" herein. |
| Book-Entry System: | The Bonds are offered only in book-entry form. The Bonds are fully registered as to principal and interest in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Subject to certain exceptions described herein all payments or transfers of Bonds in book-entry form will be made pursuant to the book-entry system maintained by DTC and certain participants, and no investor will receive, hold or deliver any certificates as long as the depository or any successor securities depository is the registered owner of the Bonds. See "Appendix D-DTC" herein. |
| Security: | <p>The Bonds are limited obligations of the Board payable solely from Net System Revenues of the Housing and Auxiliary Facilities System, as described herein and pledged to be applied to the payment of principal of and interest on the Bonds as described herein, except that the Bonds will also be secured by a Debt Service Reserve Fund described herein in the amount of the Debt Service Reserve Requirement. See "Security and Sources of Payment for the Bonds" and "The Housing and Auxiliary Facilities System" herein. The Bonds do not constitute a debt for which the full faith and credit of the Board are pledged, nor do the Bonds constitute general obligations of the Board. The Board has no taxing powers.</p> <p>The Resolution provides for a Repair and Replacement Reserve Account in the amount of the maximum annual debt service on all Bonds and Parity Bonds. See "Security and Sources of Payment for the Bonds" herein.</p> |
| Optional Redemption: | The Bonds are not subject to prior redemption. |
| Additional Parity Bonds: | Additional Bonds having a parity lien on Net System Revenues with the Bonds may be issued in certain cases where the debt service coverage test described herein is met. See "Security and Sources of Payment for the Bonds—Additional Bonds" herein. |

| | | |
|-------------------------------|--|--|
| Tax Exemption: | The Bonds are generally exempt from federal and state income taxes. The Bonds are not “qualified tax-exempt obligations” and are not a preference under the federal alternative minimum tax. See “Tax Exemption” and “No Bank Qualification.” | |
| Professionals: | <i>Bond Registrar/ Paying Agent:</i> | U.S. Bank National Association St. Paul, Minnesota. |
| | <i>Bond Counsel:</i> | Arntson & Stewart, P.C. Fargo, North Dakota |
| | <i>Financial Advisor:</i> | FWW Financial, Ltd. Minnetonka, Minnesota |
| Delivery Date: | January 7, 2003. | |
| Continuing Disclosure: | The University has agreed to provide certain financial information and operating data after the date of issuance of the Bonds. See “Continuing Disclosure” and “Appendix C-Continuing Disclosure Agreement” herein for the specific terms of the University’s undertaking. | |

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\$5,990,000
State Board of Higher Education of the State of North Dakota
North Dakota State University
Housing and Auxiliary Facilities Refunding Revenue Bonds, Series
2003A (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 by the State Board of Higher Education of the State of North Dakota, (the “Board”) of \$5,990,000 aggregate principal amount of Housing and Auxiliary Facilities Refunding Revenue Bonds, Series 2003A (the “Bonds”) pursuant to a Resolution, adopted November 7, 1985, as supplemented by a Resolution, adopted November 21, 2002 (collectively, the “Resolution”). The Bonds are authorized by Section 15-55-02 of the North Dakota Century Code and are issued pursuant to the Resolution. See “The Resolution” herein.

Proceeds of the Bonds are used: (i) to refund the 2004-2012 maturities of the Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 1992 (the “Refunded Bonds”); (ii) to pay costs of issuance of the Bonds; and (iii) fund the Debt Service Reserve Fund. The Refunded Bonds bear interest ranging from 6.10% to 6.50% and will be called on April 1, 2003.

This Official Statement contains descriptions of, among other matters, the factors to be considered by investors, the Resolution, the University, the Board, the Housing and Auxiliary Facilities System (the “System”), 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 Resolution. Certain financial information relating to the University taken from the audited financial statements of the Board for the year ended June 30, 2001, is included as Appendix A to this Official Statement. All information relating to the Board, the University, and the System has been furnished by the Board and the University.

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 likelihood of payment of the principal of and interest on the Bonds.

Special Obligations

The Bonds are equally and ratably secured with the Board’s North Dakota State University Housing and Auxiliary Facilities Revenue Bonds, Series 1996B, Series 1999, Series 2002, and any Additional Bonds that may be issued under the Resolution (the “Parity Bonds”). The principal of and interest on the Bonds and the Parity Bonds will be paid solely from the Net System Revenues derived from the Housing and Auxiliary Facilities System and expressly pledged to the payment of the Bonds pursuant to the Resolution, and any other funds held by the Bond Registrar pursuant to the Resolution, including the Debt Service Reserve Fund and a Repair and Replacement Reserve Account. See “The Housing and Auxiliary Facilities System” herein.

The Parity Bonds, including the Bonds of this issue, are limited obligations of the Board and do not constitute or give rise to a general obligation of the Board, the University, or the State of North Dakota or a charge against their general credit. The Board has no taxing powers.

Subordinated Lien Bonds

The Board's \$3,000,000 Facilities Revenue Bonds, Series 2002 (the "Subordinated Lien Bonds") were issued in 2002 to make certain improvements to Minard Hall, to be paid from a subordinated lien on Net System Revenues of the Housing and Auxiliary Facilities System of North Dakota State University. Minard Hall is not a revenue producing unit and therefore is not a component of the Housing and Auxiliary Facilities System. See "Flow of Funds" herein.

Damage or Destruction of the System

The System is insured by policies maintained by the Board (including casualty and property damage insurance). In the event of damage to or destruction of any or all of the System, the receipt of Net Revenues may be reduced or eliminated. There can be no assurance either as to the adequacy of or timely payment under insurance in effect at that time. Furthermore, there can be no assurance that such insurance proceeds will be sufficient to defease the Bonds in whole.

Competition from Other Facilities

Private companies and individuals also offer services, such as housing and dining, which ultimately compete with the System. There can be no assurance that such competition may not ultimately adversely affect Gross System Revenues or the costs of the System, affecting Net System Revenues.

Market for the Bonds

Subject to prevailing conditions, it is expected that the underwriter for the Bonds will make a market for the Bonds. There is no assurance that a secondary market for the Bonds will develop. Consequently, bondholders may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

THE BONDS

General

The Bonds are dated January 1, 2003, as the date of original issue. The Bonds are issued in fully registered form in the denomination of \$5,000 each or integral multiples thereof, maturing in the amounts and on the dates set forth on the cover page of this Official Statement. Interest on the Bonds is payable to the registered owners of the Bonds appearing of record in the register as of the close of business on the 15th day of the immediately preceding month. U.S. Bank National Association will act as Registrar/Paying Agent and will keep appropriate records of the transfer of Bonds.

Interest on the Bonds is payable on April 1, 2003 and semiannually thereafter on April 1 and October 1 of each year. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Optional Redemption

The Bonds are issued without option of prior redemption.

Global Book Entry System

The Bonds are issued as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book entry form only. Purchasers will not receive certificates representing their interest in the Bonds purchased. See Appendix D-DTC for specific information relating to the global book entry system.

Sources and Uses

The Sources and Uses of funds for the Bonds are expected to be as follows:

Sources:

| | |
|------------------------|---------------------|
| Bond Proceeds | \$5,990,000.00 |
| Accrued Interest | 3,074.29 |
| Contributed Cash | <u>1,082,553.75</u> |
| Total Sources of Funds | \$7,075,628.04 |

Uses:

| | |
|---------------------------------|------------------|
| Deposit to Escrow Account | \$6,127,953.75 |
| Bond Insurance Premium | 26,291.64 |
| Deposit to Debt Service Reserve | 790,717.50 |
| Deposit to Debt Service Fund | 6,843.15 |
| Costs of Issuance | 39,962.00 |
| Underwriter's Compensation | <u>83,860.00</u> |
| Total Uses of Funds | \$7,075,628.04 |

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The principal of and interest on the Bonds and the Parity Bonds will be paid solely from the Net Revenues (defined in the Resolution as Gross Revenues including all rentals, fees, charges, income and revenues to be received from the continued use and operation of the System, less funds for the reasonable and necessary cost of maintaining, repairing, insuring and operating the System, including the establishment of an Operating Reserve) derived from the Housing and Auxiliary Facilities System and expressly pledged to the payment of the Bonds and the Parity Bonds pursuant to the Resolution, and any other funds held by the Bond Registrar pursuant to the Resolution, including the Debt Service Reserve Fund and a Repair and Replacement Reserve Account. See "The Housing and Auxiliary Facilities System" herein. **The Bonds and the Parity Bonds are limited obligations of the Board and will not constitute or give rise to a general obligation of the Board, the University, or the State of North Dakota or a charge against their general credit. The Board has no taxing powers.**

Covenants of the Board

The Board has covenanted in the Resolution to assess rates and charges for the use of the facilities included in the System sufficient to meet operation and maintenance expenses, to make annual debt service payments on the Bonds and all Parity Bonds and to meet all requirements for the Debt Service Reserve and the Repair and Replacement Reserve Accounts and all other funds and accounts required by the Resolution. In lieu of increasing rates and charges to cover operation and maintenance expenses, the Board may use other funds on hand for those purposes provided that an approving opinion of counsel is obtained and provided further, Net

System Revenues of the System are sufficient to pay all other operating and maintenance expenses and debt service on the Bonds and the Parity Bonds.

Debt Service Reserve

The Bonds are further secured by the Debt Service Reserve that is to be maintained as a part of the Bond and Interest Sinking Fund Account under the Resolution. The Resolution requires that the Debt Service Reserve be maintained at an amount equal to the maximum amount of debt service on all Bonds and Parity Bonds due in any fiscal year (the "Debt Service Reserve Requirement").

Upon the issuance of the Bonds, the Board will apply the existing Debt Service Reserve in the amount of \$894,600 to this refunding transaction and will use \$790,717.50 of Bond proceeds to create the new Debt Service Reserve for the Bonds.

Repair and Replacement Reserve Account

The Resolution provides for a Repair and Replacement Reserve Account. The Resolution provides that the Repair and Replacement Reserve Account be funded to an amount for all Bonds and Parity Bonds to an amount equal to the maximum amount of debt service on all Bonds and Parity Bonds due in any fiscal year. Upon the issuance of any series of bonds payable from Net Revenues on the same priority as the Bonds, the Repair and Replacement Reserve Account is to be increased in funding by an amount equal to two and one half percent (2½%) of the sum of: (1) the cost of construction of each project for which the Bonds or the Parity Bonds were issued and (2) the cost of the furnishings or movable equipment for each such project. No proceeds of the Bonds will be applied to the Repair and Replacement Reserve Account.

Prior to the issuance of the Bonds, the Repair and Replacement Reserve Account is fully funded with a balance of \$1,919,958.

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 Debt Service Fund or available from the Reserve Fund is insufficient to pay in full the interest and any principal then due on the Bonds, the Bondholders may submit a claim for such payments under the Insurance Policy. See "THE INSURANCE POLICY" and "APPENDIX E- Form of Insurance Policy" herein.

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 the University. The nine-member Board exercises jurisdiction over the financial, educational, and other policies of the University, and over its relations with state and federal government agencies. Execution of plans and policies together with the internal government and administration of the University is the responsibility of the President, faculty and other officers of the University.

One Board seat is vacant, current Board members are listed below:

Charles Stroup, President
Dr. Richard Kunkel, Vice President
James Grijalva, Faculty Advisor
Sue Andrews
Bruce Christianson
Beverly Clayburgh
Ralph Kingsbury
Joshua Askvig, Student Member

Hazen, North Dakota
Devils Lake, North Dakota
Grand Forks, North Dakota
Mapleton, North Dakota
Minot, North Dakota
Grand Forks, North Dakota
Grafton, North Dakota
Dickinson, North Dakota

The eleven institutions under the governance of the Board are North Dakota State University; the University of North Dakota; four state universities at Dickinson, Mayville, Minot and Valley City; Minot State University-Bottineau; North Dakota State College of Sciences 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 University is the state's land grant institution and a Doctoral and Research University-Intensive in the Carnegie classification system. The officers of the University are:

| | |
|------------------------|--|
| Joseph Chapman, Ph.D. | President |
| Keith Bjerke | Vice President for University Relations |
| Philip Boudjouk, Ph.D. | Vice President for Research, Creative Activities and Technology Transfer |
| Patricia Jensen, J.D. | Vice President and Dean of College of Agriculture, Food Systems, and Natural Resources |
| Richard L. Rayl | Vice President for Business and Finance |
| Craig Schnell, Ph.D. | Provost and Vice President for Academic Affairs |
| George 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. The University 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, the University 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, the University 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 the University, with staff members serving every county in North Dakota.

The University is a member of the Tri-College University, a voluntary consortium of the University, 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 the University.

Research is performed in many departments of the University. Direct expenditures for research exceeded \$47,702,199 in the 2000-2001 academic year, funded by the federal government, state appropriation and private industry and foundations. There are major research efforts in the areas of agriculture, science, and engineering.

The University 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 449 faculty members and 1,791 other personnel.

Student Enrollment

The following table, based on Fall semester registrations, shows enrollments for the past six academic years as well as enrollments projected by the University for the next three years.

Historical

| <u>Fall Semester</u> | <u>Undergraduate</u> | <u>Graduate</u> | <u>Total</u> | <u>FTE</u> |
|----------------------|----------------------|-----------------|--------------|------------|
| 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 | 8,994 | 908 | 9,902 | 8,476 |
| 2001 | 9,433 | 1,105 | 10,538 | 8,997 |
| 2002 | 9,874 | 1,272 | 11,146 | 9,368 |

Projected

| <u>Fall Semester</u> | <u>Undergraduate</u> | <u>Graduate</u> | <u>Total</u> |
|----------------------|----------------------|-----------------|--------------|
| 2003 | 9,926 | 1,174 | 11,100 |
| 2004 | 10,194 | 1,206 | 11,400 |
| 2005 | 10,185 | 1,515 | 11,700 |

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

During the Fall semester of 2002, approximately 57% of the students attending the University were North Dakota residents. Approximately 39% of the students came from other states (of whom approximately 70% came from Minnesota), and approximately 4% came from foreign countries.

The number of high school graduates in North Dakota is expected to decline over the next ten years. As the University 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. The University'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 Enrollment

For the fall of 2002 freshman undergraduate class:

| <u>Applications</u> | <u>Acceptances</u> | <u>Matriculants</u> | <u>%Acceptance</u> | <u>%Matriculation</u> |
|---------------------|--------------------|---------------------|--------------------|-----------------------|
| 3,547 | 2,131 | 1,860 | 60% | 52% |

Source: NDSU Office of Business and Finance.

Appropriations by North Dakota Legislature

The legislative appropriation for the University primarily is from the General Fund. The history of General Fund Appropriations is stated below:

| | Salaries, Operations & Equipment | Capital Improvements | Yearly Total | Biennial Total |
|------|--|-------------------------|--------------|----------------|
| FY01 | \$37,608,448 | \$747,832 | \$38,356,280 | \$75,483,705 |
| FY00 | 35,170,058 | 1,867,367 | 37,127,425 | |
| FU99 | 33,994,384 | 951,915 | 34,946,299 | 68,993,480 |
| FY98 | 33,151,352 | 895,829 | 34,047,181 | |
| FY97 | 32,519,736 | 471,754 | 32,991,490 | 62,383,629 |
| FU96 | 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 | |
| FU93 | 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 |
| FU90 | 27,730,004 | 121,585 | 27,851,589 | |
| FY89 | 24,253,893 | 476,719 | 24,730,311 | 50,043,064 |
| FY88 | 24,518,433 | 794,319 | 25,312,753 | |

Note: Table does not include Ag. Experiment Station, Extension Service, Forest Service.

Source: NDSU Office of Business and Finance.

THE HOUSING AND AUXILIARY FACILITIES SYSTEM

The Facilities

The Establishing Resolution, adopted on November 7, 1985, established the Housing and Auxiliary Facilities System on the campus of North Dakota State University. The management of the System is under the control of the Vice President for Business and Finance. The System is composed of the following facilities:

Housing. The University currently has 12 residence hall facilities, with related dining facilities, for approximately 2,735 students. The System also includes one single student apartment complex and two family student apartment complexes: F Court for single student housing with 32 units each having a capacity for four students; Bison Court with 58 units for students and their families and University Village Apartments with 241 units for students and their families.

The University is constructing a new residence hall with the capacity for 168 additional students.

Parking Facilities. The parking facilities have a total capacity of 6,478 cars. The facilities consist of 16 large surface parking lots and 29 small area lots. Of the total number of parking spaces provided, 2,077 are for student dormitory use and the balance for commuting students and faculty and staff.

Memorial Union. The Memorial Union was dedicated in 1953, and additions were constructed in 1958, 1964, and 1989. Activities provided by the Union include bowling and billiards, Recreation and Outing Center with facilities for the rental of equipment for camping and skiing, and a coordinated summer program. The Union also houses the bookstore, gallery, meeting facilities, barber shop, Group Decision Center, food service facilities, and a 300 seat theater.

Central Food Service Facility. The Central Food Service Facility was constructed in 1971 with remodeling and exterior renovation completed in 1980, and an addition and further remodeling completed in 1986. The facility consists of offices, a warehouse for food supplies, a central bakery, salad processing area, and vending supplies. This facility provides food for all cafeterias and snack bars on the University campus.

Student Health and Wellness Center. The 34,600 square foot Student Health and Wellness Center was constructed on the west edge of campus in 2000. The Center houses the Student Health Service, Fitness Center, Wellness Center, Child Care Center, Administration for the Center, and the Student Lounge.

Utilization of the System

The table below sets out the number of students and the percentage of utilization for the University's housing facilities. The years indicate the data is for fall semester of the calendar year shown:

| | <u>Historical</u> | | | | | | | | | |
|-----------------|--------------------------|-----------------|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|
| | <u>1998</u> | | <u>1999</u> | | <u>2000</u> | | <u>2001</u> | | <u>2002</u> | |
| | <u>#</u> | <u>%</u> | <u>#</u> | <u>%</u> | <u>#</u> | <u>%</u> | <u>#</u> | <u>%</u> | <u>#</u> | <u>%</u> |
| Residence Halls | 2,650 | 96.9% | 2,657 | 97.2% | 2,650 | 96.9% | 2,657 | 97.2% | 2,735 | 104.1% |
| Family Housing | 297 | 100.0% | 299 | 100.0% | 297 | 100.0% | 299 | 100.0% | 301 | 95.0% |
| Single Student | 48 | 100.0% | 48 | 100.0% | 48 | 100.0% | 48 | 100.0% | 62 | 95.0% |

| | <u>Projected</u> | | | |
|----------------------|-------------------------|-----------------|--------------------|-----------------|
| | <u>2003</u> | | <u>2004</u> | |
| | <u>#</u> | <u>%</u> | <u>#</u> | <u>%</u> |
| Residence Halls | 2,722 | 105.0% | 2,895 | 104% |
| Family Housing | 301 | 96.0% | 301 | 95% |
| Single Student Apts. | 62 | 34.0% | 62 | 95% |

Note: The total number of residence hall spaces available is currently 2,722. Family housing spaces available are 301. Single student housing apartments are 62. Percentage in single student apartments due to utilizing 31 units for overflow residence hall housing.

Indebtedness

The indebtedness of the System as of January 1, 2003, consists of the following issues payable out of the Net Revenues of the System:

| | <u>Issue</u> | <u>Final Maturity</u> | <u>Interest Rates</u> | <u>Outstanding Principal</u> |
|-------------------------------|-----------------------|------------------------------|------------------------------|-------------------------------------|
| Parity Debt | 1996B Refunding | 2008 | 4.45-5.25% | \$1,090,000 |
| | 1999 Student Health | 2029 | 5.0-5.6% | \$3,405,000 |
| | 2002 Residence Hall | 2032 | 3.50-5.50% | \$7,600,000 |
| | 2003 Refunding Bonds* | 2012 | 1.70-3.95% | <u>\$5,990,000</u> |
| | Total | | | \$18,085,000.00 |
| Subordinated Lien Debt | 2002 Minard Hall | 2032 | 2.10-5.10% | \$3,000,000 |

*The Bonds of this offering are refunding the Housing and Auxiliary Facilities Revenue Refunding Bonds, Series 1992.

Outstanding Parity Debt Service

The table below sets out the debt service outstanding on the Bonds and the Parity Bonds shown on a Fiscal year basis ending June 30.

| DATE | 1996B Refund | 1999 Health | 2002 Dorm Rev. | 2003A Refund | TOTAL |
|-------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 2003 | 73,855.00 | 239,972.50 | 403,227.50 | 46,114.38 | 763,169.38 |
| 2004 | 242,915.00 | 236,972.50 | 507,210.00 | 784,457.50 | 1,771,555.00 |
| 2005 | 243,795.00 | 233,972.50 | 507,485.00 | 789,257.50 | 1,774,510.00 |
| 2006 | 243,795.00 | 235,972.50 | 507,585.00 | 786,342.50 | 1,773,695.00 |
| 2007 | 243,295.00 | 237,722.50 | 507,510.00 | 790,717.50 | 1,779,245.00 |
| 2008 | <u>242,075.00</u> | 239,222.50 | 506,885.00 | 782,335.00 | 1,770,517.50 |
| 2009 | - | 240,472.50 | 505,685.00 | 781,375.00 | 1,527,532.50 |
| 2010 | - | 241,472.50 | 504,285.00 | 783,087.50 | 1,528,845.00 |
| 2011 | - | 237,222.50 | 507,272.50 | 782,537.50 | 1,527,032.50 |
| 2012 | - | 237,972.50 | 504,835.00 | <u>779,625.00</u> | 1,522,432.50 |
| 2013 | - | 238,382.50 | 506,735.00 | - | 745,117.50 |
| 2014 | - | 238,537.50 | 503,185.00 | - | 741,722.50 |
| 2015 | - | 243,337.50 | 504,410.00 | - | 747,747.50 |
| 2016 | - | 242,617.50 | 504,980.00 | - | 747,597.50 |
| 2017 | - | 241,465.00 | 504,875.00 | - | 746,340.00 |
| 2018 | - | 240,045.00 | 509,075.00 | - | 749,120.00 |
| 2019 | - | 243,357.50 | 507,075.00 | - | 750,432.50 |
| 2020 | - | 241,135.00 | 504,575.00 | - | 745,710.00 |
| 2021 | - | 243,435.00 | 506,575.00 | - | 750,010.00 |
| 2022 | - | 240,185.00 | 507,825.00 | - | 748,010.00 |
| 2023 | - | 241,660.00 | 508,325.00 | - | 749,985.00 |
| 2024 | - | 242,585.00 | 508,075.00 | - | 750,660.00 |
| 2025 | - | 237,960.00 | 507,075.00 | - | 745,035.00 |
| 2026 | - | 242,880.00 | 510,325.00 | - | 753,205.00 |
| 2027 | - | 241,960.00 | 507,575.00 | - | 749,535.00 |
| 2028 | - | 245,480.00 | 509,075.00 | - | 754,555.00 |
| 2029 | - | <u>248,160.00</u> | 507,625.00 | - | 755,785.00 |
| 2030 | - | - | 505,075.00 | - | 505,075.00 |
| 2031 | - | - | 506,425.00 | - | 506,425.00 |
| 2032 | - | - | <u>506,400.00</u> | - | <u>506,400.00</u> |
| Total | 1,289,730.00 | 6,494,157.50 | 15,097,265.00 | 7,105,849.38 | 29,223,832.50 |

Outstanding Parity and Subordinated Debt Service

The table below sets out the debt service outstanding on the Bonds, the Parity and Subordinated Bonds shown on a Fiscal year basis ending June 30.

| Year | 1996B Refunding | 1999 Health & Well | 2002 Dorm Rev. | 2002 Facilities Subord. | 2003A Refunding | TOTAL |
|------|--------------------|-----------------------|-------------------|-------------------------------|--------------------|-------------------|
| 2003 | 73,855.00 | 239,972.50 | 403,227.50 | 193,850.00 | 46,114.38 | 957,019.38 |
| 2004 | 242,915.00 | 236,972.50 | 507,210.00 | 185,775.00 | 784,457.50 | 1,957,330.00 |
| 2005 | 243,795.00 | 233,972.50 | 507,485.00 | 184,725.00 | 789,257.50 | 1,959,235.00 |
| 2006 | 243,795.00 | 235,972.50 | 507,585.00 | 183,425.00 | 786,342.50 | 1,957,120.00 |
| 2007 | 243,295.00 | 237,722.50 | 507,510.00 | 186,975.00 | 790,717.50 | 1,966,220.00 |
| 2008 | <u>242,075.00</u> | 239,222.50 | 506,885.00 | 190,215.00 | 782,335.00 | 1,960,732.50 |
| 2009 | - | 240,472.50 | 505,685.00 | 188,115.00 | 781,375.00 | 1,715,647.50 |
| 2010 | - | 241,472.50 | 504,285.00 | 185,895.00 | 783,087.50 | 1,714,740.00 |
| 2011 | - | 237,222.50 | 507,272.50 | 188,555.00 | 782,537.50 | 1,715,587.50 |
| 2012 | - | 237,972.50 | 504,835.00 | 190,955.00 | <u>779,625.00</u> | 1,713,387.50 |
| 2013 | - | 238,382.50 | 506,735.00 | 193,085.00 | - | 938,202.50 |
| 2014 | - | 238,537.50 | 503,185.00 | 189,897.50 | - | 931,620.00 |
| 2015 | - | 243,337.50 | 504,410.00 | 191,635.00 | - | 939,382.50 |
| 2016 | - | 242,617.50 | 504,980.00 | 193,075.00 | - | 940,672.50 |
| 2017 | - | 241,465.00 | 504,875.00 | 194,250.00 | - | 940,590.00 |
| 2018 | - | 240,045.00 | 509,075.00 | 190,110.00 | - | 939,230.00 |
| 2019 | - | 243,357.50 | 507,075.00 | 190,610.00 | - | 941,042.50 |
| 2020 | - | 241,135.00 | 504,575.00 | 190,860.00 | - | 936,570.00 |
| 2021 | - | 243,435.00 | 506,575.00 | 190,860.00 | - | 940,870.00 |
| 2022 | - | 240,185.00 | 507,825.00 | 190,610.00 | - | 938,620.00 |
| 2023 | - | 241,660.00 | 508,325.00 | 190,110.00 | - | 940,095.00 |
| 2024 | - | 242,585.00 | 508,075.00 | 194,360.00 | - | 945,020.00 |
| 2025 | - | 237,960.00 | 507,075.00 | 192,985.00 | - | 938,020.00 |
| 2026 | - | 242,880.00 | 510,325.00 | 191,355.00 | - | 944,560.00 |
| 2027 | - | 241,960.00 | 507,575.00 | 194,470.00 | - | 944,005.00 |
| 2028 | - | 245,480.00 | 509,075.00 | 192,075.00 | - | 946,630.00 |
| 2029 | - | <u>248,160.00</u> | 507,625.00 | 189,425.00 | - | 945,210.00 |
| 2030 | - | - | 505,075.00 | 191,520.00 | - | 696,595.00 |
| 2031 | - | - | 506,425.00 | 193,105.00 | - | 699,530.00 |
| | | | <u>506,400.00</u> | | | |
| 2032 | - | - | | <u>189,180.00</u> | - | <u>695,580.00</u> |
| | 1,289,730.00 | 6,494,157.50 | 15,097,265.00 | 5,712,062.50 | 7,105,849.38 | 35,699,064.38 |

Financial Information

The table below sets out the historical results of operations from the System for the past three fiscal years and provides the projections prepared by the University for the next three fiscal years.

| | <u>Historical</u> | | <u>Actual</u> | |
|--|---------------------|---------------------|-----------------------------------|---------------------|
| | <u>2000</u> | <u>2001</u> | <u>(Unaudited)</u> <u>2002</u> | |
| Gross System Revenues | <u>\$22,049,062</u> | <u>\$23,561,240</u> | <u>\$25,346,128</u> | |
| Operating & Maintenance costs | | | | |
| Cost of Goods Sold | 9,094,045 | 9,401,560 | 10,363,495 | |
| Salaries | 5,906,534 | 6,326,411 | 7,383,114 | |
| Operating expenses | <u>\$3,239,160</u> | <u>\$3,415,318</u> | <u>\$4,052,030</u> | |
| Total Operating & Maintenance Costs | <u>\$18,239,739</u> | <u>\$19,143,289</u> | <u>\$21,798,639</u> | |
| Net System Revenues | <u>\$3,809,323</u> | <u>\$4,417,951</u> | <u>\$3,547,488</u> | |
| Maximum Future Annual Debt Service | <u>1,318,559</u> | <u>1,365,133</u> | <u>1,878,598</u> | |
| Debt Service Coverage* | 2.89 | 3.24 | 1.89 | |
| | <u>Projections</u> | | | |
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Gross System Revenues | <u>\$26,616,902</u> | <u>\$29,163,189</u> | <u>\$31,069,674</u> | <u>\$33,114,977</u> |
| Operating & Maintenance costs | | | | |
| Cost of Goods Sold | 10,328,161 | 11,209,157 | 11,657,523 | 12,065,536 |
| Salaries | 6,900,953 | 7,985,577 | 8,305,000 | 8,595,675 |
| Operating expenses | <u>3,577,525</u> | <u>4,382,675</u> | <u>4,557,982</u> | <u>4,717,512</u> |
| Total Operating & Maintenance Costs | <u>\$20,806,639</u> | <u>\$23,577,409</u> | <u>\$24,520,505</u> | <u>\$25,378,723</u> |
| Net System Revenues | <u>\$5,810,263</u> | <u>\$5,585,780</u> | <u>\$6,549,166</u> | <u>\$7,736,254</u> |
| Debt Service on 1996B, 1999, 2002, 2003 | | | | |
| Principal | 720,000 | 985,000 | 1,005,000 | 1,045,000 |
| Interest | <u>1,053,533</u> | <u>803,685</u> | <u>773,640</u> | <u>740,010</u> |
| Total Debt Service on Prior Bonds | <u>\$1,773,533</u> | <u>\$1,788,685</u> | <u>\$1,778,640</u> | <u>\$1,785,010</u> |
| Debt Service Coverage on Prior Bonds (Net system revenues divided by total debt service) | 3.28 | 3.12 | 3.68 | 4.33 |
| Pledged Revenues | <u>\$4,036,731</u> | <u>\$3,797,095</u> | <u>\$4,770,526</u> | <u>\$5,951,244</u> |
| Debt Service on 2002 Bonds | | | | |
| Principal | 100,000 | 50,000 | 50,000 | 50,000 |
| Interest | <u>93,850</u> | <u>135,775</u> | <u>134,725</u> | <u>133,425</u> |
| Total Debt Service on 2002 Bonds | <u>\$193,850</u> | <u>\$185,775</u> | <u>\$184,725</u> | <u>\$183,425</u> |
| Total Debt Service on All Bonds | <u>\$1,967,383</u> | <u>\$1,974,460</u> | <u>\$1,963,365</u> | <u>\$1,968,435</u> |
| Coverage of 2002 Bonds by Pledged Revenues | 20.82 | 20.44 | 25.83 | 32.45 |
| Coverage of All Bonds by Net System Revenues | 2.95 | 2.83 | 3.34 | 3.93 |
| Equipment & Capital Improvements | <u>\$954,810</u> | <u>\$983,454</u> | <u>\$1,012,958</u> | <u>\$1,048,411</u> |
| Net Increase | <u>\$2,627,866</u> | <u>\$2,627,866</u> | <u>\$3,572,743</u> | <u>\$4,719,408</u> |

Note: The 2002 Bonds are the Subordinated Debt Minard Hall Bond Issue.

Source: NDSU Office of Business and Finance.

THE RESOLUTION

The Bonds are being issued under a Resolution adopted by the Board on November 7, 1985, and a Supplemental Resolution adopted by the Board on November 21, 2002 (collectively, the "Resolution").

Pledge of Revenues and Income

The Bonds are payable from and secured by a pledge and lien on (i) the Net System Revenues, (ii) the Debt Service Reserve, and (iii) the Repair and Replacement Reserve Account, and all such income and revenues are irrevocably pledged for the prompt and punctual payment of the principal of and interest on the Bonds according to their terms. The Bonds and the Parity Bonds, excluding the subordinate Facilities Revenue Bonds, Series 2002, are equally and ratably secured by the pledge and lien without priority of preference of one over the other by reason of series designation, maturity, date of sale or otherwise.

Flow of Funds

All Gross Revenues derived from the operation of the System ("Gross System Revenues") are credited to a special account known as the Housing and Auxiliary Facilities Revenue Fund Account (the "Revenue Fund"). The Revenue Fund is required to be maintained as a special account so long as any of the Bonds are outstanding. The moneys therein are used and expended first for the purposes stated in subparagraphs (a), through (e) in order and only in the following manner:

- (a) Revenue Fund. Within the Revenue Fund, there is required to be maintained an Operating Reserve in such amount as is from time to time certified by the Chief Financial Officer of the University as adequate and necessary for working capital for operation and maintenance of the System; provided, that such Operating Reserve shall not exceed one-fourth (1/4) of the operating and maintenance expenses of the System for the preceding twelve (12) months. Funds on deposit in the Revenue Fund, including the Operating Reserve, shall be applied to pay when due all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs, properly allocated share of charges for insurance, and all other expenses incident to the operation of the System, but shall exclude depreciation, all general administrative expenses of the University, and the payments required to be made into the Repair and Replacement Reserve Account hereinafter described.
- (b) Bond and Interest Sinking Fund Account. The Board maintains a separate account, known as the "Bond and Interest Sinking Fund Account" held by the Bond Registrar into which will be deposited all accrued interest received from the sale of the Bonds and the Parity Bonds. On or before each March 15 and September 15, after retaining in the Revenue Fund the then current Operating Reserve and payment of operation and maintenance expenses then due, the Chief Financial Officer of the University shall transfer and deposit to the credit of the Bond and Interest Sinking Fund Account such amounts which, when added to the balance therein, will be sufficient to equal (i) the interest then due on the Bonds and the Parity Bonds and one-half (1/2) of the principal due on the Bonds and the Parity Bonds within the next twelve (12) months, (ii) plus ten percent (10%) of the amounts in clause (i) to create a Debt Service Reserve, until the amounts so accumulated shall be equal to the Debt Service Reserve Requirement. Thereafter, on or before each March 15 and September 15, said Bond Registrar and Paying Agent and Chief Financial Officer of the University shall transfer from the Revenue Fund such sums as may be necessary to meet the interest due on the Bonds and the Parity Bonds then Outstanding on the next interest payment day and one-half (1/2) of the principal of said Bonds and the Parity Bonds maturing within the next succeeding twelve (12) months and maintain the Debt Service Reserve. All moneys credited to Bond and Interest Sinking Fund Account shall be irrevocably pledged to and shall be used solely for the payment of the principal and interest on the Bonds and the Parity Bonds. The Debt Service Reserve is expected to be fully funded in an amount equal to the Debt Service Reserve Requirement upon the issuance of the Bonds and the Parity Bonds.
- (c) Repair and Replacement Reserve Account. The Board maintains a separate account known as the Repair and Replacement Reserve Account held by the Bond Registrar. As soon as the balance in the Debt Service Reserve is equal to the Debt Service Reserve Requirement, there shall be transferred

from the funds remaining in the Revenue Fund to the Repair and Replacement Reserve Account on or before the close of each fiscal year ten percent (10%) of the maximum annual debt service on the Outstanding Bonds and the Parity Bonds until the funds and investments in the Repair and Replacement Reserve Account aggregate an amount equal to the Debt Service Reserve Requirement. The Repair and Replacement Reserve Fund is expected to be fully funded in an amount equal to the Debt Service Reserve Requirement. All moneys and investments so held in the Repair and Replacement Reserve Account shall be used and held for use to pay the cost of unusual or extraordinary maintenance or repairs, renewals and replacement, and renovation or replacement of the furniture and equipment not paid as part of the ordinary maintenance and operation of the facilities constituting the System.

In the event the funds in the Bond and Interest Sinking Fund Account should be reduced at any time below the amounts required to be on deposit therein, including the amount to be held as a Debt Service Reserve, then the funds credited to the Repair and Replacement Reserve Account shall be transferred by the Bond Registrar and Chief Financial Officer for deposit in the Bond and Interest Sinking Fund Account, to the extent necessary for that purpose. All moneys so transferred shall thereafter be replaced by the resumption of the specified deposits into the Repair and Replacement Reserve Account.

- (d) Subordinated Lien Obligations. The principal of and interest on the Subordinated Lien Bonds will be paid solely from the Net System Revenues derived from the Housing and Auxiliary Facilities System and expressly pledged to the payment of the Subordinated Lien Bonds pursuant to the Indenture, and any other funds, including a reserve fund. The Gross System Revenues will be applied as described in Section (a), (b) and (c) and then to payment of principal of and interest on the Subordinated Lien Bonds (and any additional Subordinated Lien Bonds) and replenishment of reserves required for the Subordinated Lien Bonds.
- (e) Disposition of Residual Funds in the Revenue Fund Account. At the close of each fiscal year and after all transfers and maximum deposits described above have been made, and after any deficiencies in any such transfers and deposits which may exist from any previous fiscal year have been remedied, the balance of any excess funds in the Revenue Fund may be used by the Board (i) to redeem, on the next interest payment date, the Bonds of each Series then outstanding which are subject to redemption prior to maturity; (ii) for any expenditures, including the payment of debt service, improving or restoring any existing housing and auxiliary facilities or providing for such additional facilities; or (iii) any other lawful purpose of the University.

Rate Covenant

The Board has covenanted in the Resolution to assess rates and charges for the use of the facilities included in the System sufficient to meet operation and maintenance expenses, to provide the annual debt service payments on the Bonds and the Parity Bonds, to replenish reserves related to those bonds, to meet all requirements for the Reserve Fund and all other funds and accounts required by the Resolution. In addition to the requirement contained in the Resolution, the Board has further covenanted in the Indenture, related to the issuance of the \$3,000,000 Facilities Revenue Bonds, Series 2002, to maintain rates and charges sufficient to provide for 110% of the combined Debt Service for the Bonds, any Parity Bonds and the Subordinated Bonds issued under the Indenture.

Additional Bonds

The Board will not issue any other bonds or obligations payable from the Net System Revenues pledged under the terms of the Resolution for the payment and redemption of the Bonds nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or any other charge against the same or against the System, having a preference or priority to the source of payment of the Bonds; provided that additional Parity Bonds may be issued on parity with the Bonds and the existing Parity Bonds subject to and only upon compliance with the following conditions at the time of issuance:

- (a) The facility to be constructed or refinanced shall be a part of the System and the revenues derived from the operation thereof are pledged as additional security for the payment of all Bonds Outstanding;

- (b) The Board is current in all transfers and deposits to be made under the terms of the Resolution;
- (c) The Chief Financial Officer of the University files a certificate with the Board certifying that the Board and the University are each in full compliance with all of the covenants and undertakings in connection with all Bonds then Outstanding and payable from the Net Revenues of the System or any part of it;
- (d) The annual Net System Revenues, excluding facilities not available for use or occupancy on or before the beginning of the next preceding fiscal year, and defined as Gross System Revenues less current expenses of the System for the fiscal year next preceding the issuance of additional Parity Bonds, together with any other funds pledged by the University, are certified by the Chief Financial Officer or the State Auditor, to have been equal to at least one and ten hundredths (1.10) times the maximum annual requirements for principal and interest on all Bonds then outstanding and payable from the Net System Revenues, excluding Bonds issued for the purpose of construction and/or acquisition of System facilities which were not available for use or occupancy on or prior to the beginning of the next preceding fiscal year.
- (e) The annual Net System Revenues estimated to be derived in future fiscal years over the life of the additional Parity Bonds from the operation of the facility or facilities to be added to the System with the proceeds of additional Parity Bonds, when added to the annual estimated Net System Revenues, plus any other pledged income and revenues, as such System exists at the time of the issuance of the additional Parity Bonds, must be equal to at least one and ten hundredths (1.10) times the combined maximum annual principal and interest payments on all Bonds payable from the Bond and Interest Sinking Fund Account, including the additional Parity Bonds then proposed to be issued and all other authorized but as yet unissued additional Parity Bonds, if any. All estimates required to be made shall be made by the Chief Financial Officer of the University, shall be approved by the President of the University and by resolution of the Board duly adopted.
- (f) (i) Pursuant to the Indenture relating to Subordinated Lien Debt, FWW Financial, Ltd., Financial Advisor to North Dakota State University, shall certify to the Trustee that the estimated Net System Revenues to be received in each of the three (3) Fiscal Years following the date of issuance of such additional bonds shall equal at least 1.10 times the Combined Average Annual Debt Service of all Outstanding Bonds and all Housing and Auxiliary Facilities Bonds including the additional Housing and Auxiliary Facilities Bonds proposed to be issued; and (ii) The Financial Advisor shall certify that the estimated Pledged Revenues to be received in each of the three (3) Fiscal Years following the date of issuance of such additional bonds shall equal at least 1.10 times the Combined Average Annual Debt Service on all Outstanding Bonds

Defeasance

Upon certain terms and conditions specified in the Resolution, the Bonds or portions thereof will be deemed to be paid and the security provided in the Resolution may be discharged prior to maturity or redemption of the Bonds upon the provision for the payment of such Bonds. In that case, the Bonds will be secured only by the cash and securities deposited with the Bond Registrar for such purpose.

THE INSURANCE POLICY

Payment Pursuant to Financial Guaranty Insurance Policy

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, in 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 the Obligor (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/Paying Agent/Bond Registrar. 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 Paying Agent/Bond Registrar has notice that any payment of principal of or interest on an Bond 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 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 of 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 and the Commonwealth of Puerto Rico, with admitted assets of approximately \$5,802,000,000 (unaudited) and statutory capital of approximately \$3,564,000,000 (unaudited) as of September 30, 2002. 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, Inc. 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 a Bond by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such Bond 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 Bonds.

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 INSURANCE POLICY".

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, 2002 and filed on January 25, 2002;
- 2) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and filed on March 26, 2002;
- 3) Company's Current Report on Form 8-K dated April 17, 2002 and filed on April 18, 2002;
- 4) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2002 and filed on May 13, 2002;
- 5) The Company's Current Report on Form 8-K dated July 17, 2002 and filed on July 19, 2002;
- 6) The Company's Current Report on Form 8-K dated August 14, 2002 and filed on August 14, 2002;
- 7) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2002 and filed on August 14, 2002;
- 8) The Company's Current Report on Form 8-K dated October 16, 2002 and filed on October 17, 2002; and
- 9) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2002 and filed on November 14, 2002.
- 10) The Company's Current Report on Form 8-K dated November 18, 2002 and filed on November 20, 2002.

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 Board has retained FWW Financial, Ltd., of Minnetonka, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon 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 or, to the knowledge of the Board, threatened which questions the validity of the Bonds or of any proceedings of the Board taken with respect to the issuance or sale thereof.

CERTIFICATION

The Board has authorized the distribution of the Official Statement for use in connection with the initial sale of the Bonds.

As of the date of the settlement of the Bonds, the Underwriter will be furnished with a certificate signed by the appropriate officers of the Board. The certificate states that as of the date of the Official Statement, it did not and does not as of the date of the certificate contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

UNDERWRITING

The Bonds were purchased from the Board by Allison-Williams Company in Minneapolis, MN (the "Underwriter"). Subject to the terms of a Bond Purchase Agreement between the Board and the Underwriters, the Underwriter agreed to purchase the Bonds at a price of \$5,906,140.00 (reflecting a price of par, and an underwriters' discount of \$83,860.00), plus accrued interest from the date thereof to the date of closing anticipated to be January 7, 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.

RATING

Moody's Investors Service, Inc. has assigned its municipal bond rating of "Aaa," 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. Outstanding Bonds of the State Board of Higher Education of the State of North Dakota (North Dakota State University) carry an underlying rating of "A1" from Moody's Investors Service, Inc.

Any explanation of the significance of such rating may only be obtained from the rating agency. A rating expresses only the view of the agency issuing the rating. There is no assurance that such a rating, if and when received, will continue for any period of time or that it will not be revised or withdrawn entirely by the rating agency, if in its judgment circumstances so warrant. Any change in the rating may have an adverse effect on the market price of the Bonds.

LEGALITY

On the date of delivery of the Bonds, Arntson & Stewart, P.C., Fargo, North Dakota, will deliver their opinion dated the date thereof, in substantially the form attached hereto as Appendix B, that the Bonds and the Resolution are valid and legally binding on the Board, enforceable in accordance with their terms and with regard to the tax-exempt status of interest on the Bonds under existing laws. The Special Assistant Attorney General for the State of North Dakota will issue the opinion that the Resolution is a valid and legally binding agreement of the Board, enforceable in accordance with its terms. The foregoing opinions will be generally qualified to the extent that the enforceability of the respective instruments may be limited by laws, decisions, and equitable principles affecting remedies and by bankruptcy or insolvency or other laws, decisions and equitable principles affecting creditors' rights generally.

TAX EXEMPTION

Bond Counsel is of the opinion that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes and consequently is exempt from present federal income taxes based on gross income. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended, (the "Code") as described in the following paragraph, Bond Counsel is of the opinion that interest on the Bonds will continue to be exempt from present federal income taxes based on gross income. Bond Counsel is of the further opinion that interest on the Bonds does not constitute an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Owners of the Bonds are advised, however, that interest on the Bonds is includable in calculating adjusted current earnings of corporations and consequently is not exempt from federal income taxes based thereon.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Bonds in order to preserve the exemption from federal income taxes of interest on the Bonds. These requirements include, but are not limited to, provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts and provisions which require that certain investment earnings be rebated periodically to the federal government. The Board has covenanted in the Resolution to comply with the requirements of the Code relating to the exemption from federal income taxes of interest on the Bonds.

In rendering its opinion, Bond Counsel will rely upon a certificate of the Board with respect to certain material facts solely within the Board's knowledge relating to the application of the proceeds of the Bonds and the use of the property financed with such proceeds.

In the event that the Board fails to comply with the requirements of the Code, interest on the Bonds may become subject to federal income taxation retroactively to the date of issuance. In such event, the Resolution does not provide that any additional interest or penalties will be paid to the owners of the Bonds.

In addition to the foregoing, in the opinion of Bond Counsel, interest on the Bonds is exempt from present State of North Dakota income taxes other than the privilege tax imposed on financial institutions by North Dakota Century Code, Chapter 57-35.3.

Except as summarized above, Bond Counsel expresses no opinion with respect to the income tax treatment of the Bonds, or the collateral federal income tax consequences to certain taxpayers as a result of ownership of the Bonds. Prospective purchasers of the Bonds should be aware that ownership of tax-exempt Bonds may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations with substantial passive income and subchapter C earnings and profits, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt Bonds. Such prospective purchasers should consult their tax advisors as to any possible collateral consequences from their ownership of the Bonds.

NO BANK QUALIFICATION

The Bonds **are not** "qualified tax-exempt Bonds" within the meaning of Section 265(b)(3) of the Code.

FINANCIAL STATEMENTS

Certain financial information relating to the University taken from audited financial statements of the Board for the fiscal year ended June 30, 2001, audited by the North Dakota Office of the State Auditor have been attached as Appendix A to this Official Statement. A complete copy of the financial statements of the Board for the year ended June 30, 2001 is available from the Office of Business and Finance of the University.

CONTINUING DISCLOSURE

The University has covenanted for the benefit of Bondholders and the beneficial owners of the Bonds to provide certain financial information and operating data relating to the University and the System 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 the University to be material. The Annual Report will be filed by the Bond

Registrar on behalf of the University with each Nationally Recognized Municipal Securities Information Repository and with a North Dakota information depository, if any. The notices of material events will be filed by the Bond Registrar on behalf of the University with each Nationally Recognized Municipal Securities Information Repository of 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: Continuing Disclosure Agreement.

MISCELLANEOUS

Certain information contained in this Official Statement has been obtained from sources other than records of the Board and, while believed to be reliable, is not guaranteed as to completeness or accuracy. The foregoing summaries do not purport to be comprehensive or definitive and all references to the documents summarized are qualified in their entirety by reference to each such document. All references to the Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of those documents are available for inspection during the period of offering at the offices of FWW Financial, Ltd., Minnetonka, Minnesota, and thereafter at the principal office of the Bond Registrar. The information in this Official Statement is subject to change, and neither the delivery of the Official Statement nor any sale made under such document shall create any implication that no such change has occurred since the date thereof. The Board has not undertaken to provide secondary market disclosure except as discussed in "Continuing Disclosure" herein.

State Board of Higher Education of the State of North Dakota

By: /s/ Larry Isaak
Chancellor

APPENDIX A-EXCERPTS FROM AUDITED FINANCIAL REPORT

The Board's financial statements are audited annually by an Independent Certified Public Accounting firm. Excerpts from the Board's Audited Annual Comprehensive Financial Report for 2001, relating to the University, are attached hereto.

NORTH DAKOTA STATE UNIVERSITY
Fargo, North Dakota

BALANCE SHEET
June 30, 2001

| | CURRENT FUNDS | | | LOAN FUNDS | ENDOWMENT AND SIMILAR FUNDS | PLANT FUNDS | | | TOTAL ALL FUNDS (Memorandum Only) | | |
|--|----------------------|---------------------|----------------------|---------------------|-----------------------------------|----------------------|---|------------------------|--------------------------------------|-----------------------|-----------------------|
| | Unrestricted | Auxiliaries | Restricted | | | Unexpended | Retirement of Indebtedness/ Repair and Replacement | Investment in Plant | AGENCY | 2001 | 2000 |
| ASSETS: | | | | | | | | | | | |
| Cash Deposits at the Bank of North Dakota | \$ 72,946 | \$ 741,650 | \$ - | \$ 188,290 | \$ 28,739 | \$ 3,801,407 | \$ 171,957 | | \$ 1,376,621 | \$ 6,381,610 | \$ 7,381,529 |
| Cash and Cash Equivalents | 6,529,879 | 63,445 | | | 21,223 | | 996 | | 500 | 6,616,043 | 1,284,801 |
| Investments at the Bank of North Dakota | 17,451,469 | 3,410,000 | | | 2,275,000 | 8,000,000 | 97,638 | | | 31,234,107 | 32,087,249 |
| Investments | 3,268,478 | 1,136,023 | 2,278,931 | | 500,590 | | 4,177,092 | | 324,529 | 11,685,643 | 11,609,150 |
| Accounts Receivable-Net | 626,390 | 276,137 | 2,500 | 950 | | | | | 52,465 | 958,442 | 946,585 |
| Interest Receivable | 184,529 | 47,988 | | | | 116,934 | 1,500 | | | 350,951 | 493,618 |
| Loans and Notes Receivable-Net | 1,000 | | | 7,331,647 | | | | | | 7,332,647 | 7,241,090 |
| Interfund Receivable | 325,066 | | | | | | | | | 325,066 | 1,622,302 |
| Due from State's General Fund | 2,723,193 | | | | | 596,141 | | | | 3,319,334 | 1,889,244 |
| Due from Other State Funds | | | 803,675 | | | 133,000 | | | | 936,675 | 324,824 |
| Intergovernmental Receivable-Net | 1,580,803 | | 8,659,143 | | | 316,515 | | | 59,275 | 10,615,736 | 7,738,354 |
| Inventory | 357,120 | 1,623,130 | | | | | | | | 1,980,250 | 1,782,878 |
| Fixed Assets | | | | | | | | | 229,590,172 | 229,590,172 | 248,382,691 |
| Other Assets | 36,154 | 377,573 | 13,673 | | | | | | 168,543 | 595,943 | 600,983 |
| TOTAL ASSETS | 33,157,027 | 7,675,946 | 11,757,922 | 7,520,887 | 2,825,552 | 12,963,997 | 4,449,183 | 229,758,715 | 1,813,390 | 311,922,619 | 323,385,298 |
| LIABILITIES AND FUND BALANCES: | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | |
| Accounts Payable | 2,124,449 | 413,126 | 877,238 | 208 | | 696,094 | | | 1,194,228 | 5,305,343 | 3,743,750 |
| Interest Payable | | | | | | | 180,257 | | | 180,257 | 190,741 |
| Contracts Payable | 53,683 | | | | | 384,290 | | | | 437,973 | 285,117 |
| Accrued Payroll | 208,053 | 25,906 | 200,692 | | | | | | 1,093 | 435,744 | 1,584,689 |
| Compensated Absences Payable | 6,486,686 | 444,670 | | | | | | | | 6,931,356 | 6,755,230 |
| Amounts Held in Custody for Others | | | | | | | | | 618,069 | 618,069 | 610,015 |
| Deposits | 143,359 | 276,126 | | | | | | | | 419,485 | 509,997 |
| Interfund Payable | | | 325,066 | | | | | | | 325,066 | 1,622,302 |
| Due to Other State Funds | 358,088 | | | | | | | | | 358,088 | 294,677 |
| Advances from State | | | 3,550,000 | | | | | | | 3,550,000 | |
| Bonds Payable | | | | | | | | | 12,479,890 | 12,479,890 | 13,255,699 |
| Capital Leases Payable | | | | | | | | | 3,899,144 | 3,899,144 | 4,322,196 |
| Deferred Revenue | 85 | 49,650 | 4,485,476 | | | | | | | 4,535,211 | 3,886,253 |
| Total Liabilities | 9,374,403 | 1,209,478 | 9,438,472 | 208 | | 1,080,384 | 180,257 | 16,379,034 | 1,813,390 | 39,475,626 | 37,060,666 |
| Fund Balances: | | | | | | | | | | | |
| Investment in Fixed Assets | | | | | | | | 213,379,681 | | 213,379,681 | 230,983,061 |
| Fund Balance: | | | | | | | | | | | |
| Restricted: | | | | | | | | | | | |
| Reserved For: | | | | | | | | | | | |
| Federal Loan Funds | | | | 6,598,243 | | | | | | 6,598,243 | 6,498,390 |
| Specified Purposes | | | 2,319,450 | 855,926 | 438,797 | 200,000 | 3,041,749 | | | 6,855,922 | 9,214,736 |
| Unrestricted: | | | | | | | | | | | |
| Undesignated | 23,782,614 | 6,466,468 | | 66,510 | 2,386,755 | 11,683,613 | 1,227,177 | | | 45,613,137 | 39,628,445 |
| Total Fund Balances | 23,782,614 | 6,466,468 | 2,319,450 | 7,520,679 | 2,825,552 | 11,883,613 | 4,268,926 | 213,379,681 | | 272,446,983 | 286,324,632 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 33,157,017 | \$ 7,675,946 | \$ 11,757,922 | \$ 7,520,887 | \$ 2,825,552 | \$ 12,963,997 | \$ 4,449,183 | \$ 229,758,715 | \$ 1,813,390 | \$ 311,922,609 | \$ 323,385,298 |

NORTH DAKOTA STATE UNIVERSITY
Fargo, North Dakota

STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2001

| | CURRENT FUNDS | | LOAN FUNDS | ENDOWMENT & SIMILAR FUNDS | PLANT FUNDS | | |
|--|----------------------|----------------------|---------------------|---------------------------------|----------------------|--|-----------------------|
| | Unrestricted | Restricted | | | Unexpended | Retirement of | Investment |
| | | | | | | Indebtedness/ Repair and Replacement | |
| REVENUES AND OTHER ADDITIONS: | | | | | | | |
| Unrestricted Current Fund Revenue | \$ 77,215,686 | | | | | | |
| Student Fees-Restricted | | | | | | 271,491 | |
| Local Appropriations-Restricted | | 5,146,690 | | | | | |
| Federal Grants and Contracts-Restricted | | 29,290,252 | 27,582 | | 1,570,170 | | |
| State Grants and Contracts-Restricted | | 495,163 | | | 119,595 | | |
| Private Gifts, Grants and Contracts-Restricted | | 8,252,537 | | | 452,169 | | |
| Endowment and Investment Income-Restricted | | 61,494 | 2,851 | 18,970 | 510,155 | 360,136 | |
| Interest and Late Fees on Loans Receivable | | | 145,525 | | | | |
| Retirement of Indebtedness | | | | | | | 1,890,208 |
| Expended for Plant Facilities | | | | | | | 18,456,194 |
| Other Additions | 3,251 | | 48,356 | | | | 44,445 |
| Total Revenues and Other Additions | \$ 77,218,937 | \$ 43,246,136 | \$ 224,314 | \$ 18,970 | \$ 2,652,089 | \$ 631,627 | \$ 20,390,847 |
| EXPENDITURES AND OTHER DEDUCTIONS: | | | | | | | |
| Education and General Expenditures | 108,021,520 | 51,381,265 | | | | | |
| Auxiliary Enterprises Expenditures | 26,971,300 | 702,258 | | | | | |
| Indirect Costs Recovered | | 2,460,254 | 105,208 | | | | |
| Refunds to Grantors | 8,171 | 4,700 | 2,724 | | | | |
| Loan Cancellations and Write-Offs | | | (14,210) | | | | |
| Expended for Plant Facilities | | | | | 9,317,579 | | |
| Retirement of Indebtedness | | | | | | 720,433 | |
| Interest on Indebtedness | | | | | | 752,439 | 9,722 |
| Trustee Fees | | | | | | 1,357 | |
| Disposal of Plant Facilities | | | | | | | 37,293,157 |
| Debt Issuance | | | | | | | 691,347 |
| Other Deductions | 230,863 | | | | | | 1 |
| Total Expenditures and Other Deductions | 135,231,854 | 54,548,477 | 93,722 | 0 | 9,317,579 | 1,474,229 | 37,994,227 |
| TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS): | | | | | | | |
| <u>Mandatory:</u> | | | | | | | |
| Loan Fund Matching | (7,529) | | 7,529 | | | | |
| Principal and Interest-Unrestricted | (349,317) | | | | | 349,317 | |
| Principal and Interest-Auxiliary | (887,678) | | | | | 887,678 | |
| Nonmandatory Interfund Transfers | (3,753,099) | 112,548 | (157) | 1,533 | 3,892,126 | (252,951) | |
| Operating Transfers In from State | 65,645,506 | 11,168,821 | | | 3,582,192 | | |
| Total Transfers | 60,647,883 | 11,281,369 | 7,372 | 1,533 | 7,474,318 | 984,044 | 0 |
| Net Increase/(Decrease) for the Year | 2,637,966 | (20,972) | 137,964 | 20,503 | 808,828 | 141,442 | (17,603,380) |
| Fund Balance at Beginning of Year | 27,611,116 | 2,340,422 | 7,382,715 | 2,805,049 | 11,074,785 | 4,127,484 | 230,983,061 |
| Fund Balance at End of Year | \$ 30,249,082 | \$ 2,319,450 | \$ 7,520,679 | \$ 2,825,552 | \$ 11,883,613 | \$ 4,268,926 | \$ 213,379,681 |

NORTH DAKOTA STATE UNIVERSITY
Fargo, North Dakota

STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2000

| | CURRENT FUNDS | | LOAN FUNDS | ENDOWMENT & SIMILAR FUNDS | PLANT FUNDS | | |
|--|----------------------|----------------------|---------------------|---------------------------------|----------------------|--|-----------------------|
| | Unrestricted | Restricted | | | Unexpended | Retirement of | Investment |
| | | | | | | Indebtedness/ Repair and Replacement | |
| REVENUES AND OTHER ADDITIONS: | | | | | | | |
| Unrestricted Current Fund Revenue | \$ 77,771,684 | | | | | | |
| Student Fees-Restricted | | | | | | 260,774 | |
| Federal Grants and Contracts-Restricted | | 23,393,629 | 22,218 | | 831,808 | | |
| State Grants and Contracts-Restricted | | 329,207 | | | 9,555 | | |
| Private Gifts, Grants and Contracts-Restricted | | 6,922,142 | | | 553,301 | | |
| Endowment and Investment Income-Restricted | | 90,338 | | 29,852 | 516,959 | 270,416 | |
| Interest and Late Fees on Loans Receivable | | | 136,853 | | | | |
| Retirement of Indebtedness | | | | | | | 2,014,974 |
| Expended for Plant Facilities | | | | | | | 12,282,707 |
| Debt Issuance | | | | | 3,464,611 | | |
| Other Additions | 2,400 | | 33,292 | | | | |
| Total Revenues and Other Additions | \$ 77,774,084 | \$ 30,735,316 | \$ 194,829 | \$ 29,852 | \$ 5,376,234 | \$ 531,190 | \$ 14,297,681 |
| EXPENDITURES AND OTHER DEDUCTIONS: | | | | | | | |
| Education and General Expenditures | 105,296,479 | 31,936,322 | | | | | |
| Auxiliary Enterprises Expenditures | 26,159,989 | 677,514 | | | | | |
| Indirect Costs Recovered | | 1,748,639 | 35,997 | | | | |
| Refunds to Grantors | 8,259 | 37,193 | 4,875 | | | | |
| Loan Cancellations and Write-Offs | | | 152,686 | | | | |
| Expended for Plant Facilities | | | | | 5,854,534 | | |
| Retirement of Indebtedness | | | | | | 681,772 | |
| Interest on Indebtedness | | | | | | 794,235 | |
| Disposal of Plant Facilities | | | | | | | 7,457,925 |
| Debt Issuance | | | | | | | 4,495,492 |
| Other Deductions | 570,177 | 271,958 | | | | | 2,241,992 |
| Total Expenditures and Other Deductions | 132,034,904 | 34,671,626 | 193,558 | | 5,854,534 | 1,476,007 | 14,195,409 |
| TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS): | | | | | | | |
| <u>Mandatory:</u> | | | | | | | |
| Loan Fund Matching | (4,729) | | 4,729 | | | | |
| Principal and Interest-Unrestricted | (304,520) | | | | (28,642) | 333,162 | |
| Principal and Interest-Auxiliary | (885,763) | | | | | 885,763 | |
| Nonmandatory Interfund Transfers | 2,263,007 | 12,950 | (687) | (942,732) | (1,016,918) | (315,620) | |
| Operating Transfers In from State | 57,335,633 | 3,807,015 | | | 2,466,659 | | |
| Total Transfers | 58,403,628 | 3,819,965 | 4,042 | (942,732) | 1,421,099 | 903,305 | |
| Net Increase/(Decrease) for the Year | 4,142,808 | (116,345) | 5,313 | (912,880) | 942,799 | (41,512) | 102,272 |
| Fund Balance at Beginning of Year | 23,468,308 | 2,456,767 | 7,377,402 | 3,717,929 | 10,131,986 | 4,168,996 | 230,880,789 |
| Fund Balance at End of Year | \$ 27,611,116 | \$ 2,340,422 | \$ 7,382,715 | \$ 2,805,049 | \$ 11,074,785 | \$ 4,127,484 | \$ 230,983,061 |

NORTH DAKOTA STATE UNIVERSITY
Fargo, North Dakota

COMPARATIVE STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
For the Years Ended June 30, 2001 and 2000

| | 2001 | | | 2000 | | |
|---|---------------|-------------|---------------|---------------|--------------|---------------|
| | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total |
| <u>REVENUES AND STATE TRANSFERS:</u> | | | | | | |
| Tuition and Fees | \$ 33,824,231 | | \$ 33,824,231 | \$ 30,745,464 | | \$ 30,745,464 |
| Federal Appropriations | | 5,146,690 | 5,146,690 | 5,747,837 | | 5,747,837 |
| Local Appropriations | 663,434 | | 663,434 | 664,099 | | 664,099 |
| Federal Grants and Contracts | 2,539,837 | 27,005,235 | 29,545,072 | 1,758,017 | 21,749,927 | 23,507,944 |
| State Grants and Contracts | 277,917 | 474,611 | 752,528 | 791,322 | 311,075 | 1,102,397 |
| Private Gifts, Grants and Contracts | 1,287,393 | 8,226,672 | 9,514,065 | 1,598,642 | 6,745,819 | 8,344,461 |
| Investment and Endowment Income | 1,429,494 | 61,494 | 1,490,988 | 1,695,641 | | 1,695,641 |
| Sales & Services of Educational Depts. | 11,264,757 | | 11,264,757 | 11,647,047 | | 11,647,047 |
| Sales & Services of Auxiliary Enterprises | 25,928,623 | | 25,928,623 | 23,123,615 | | 23,123,615 |
| Total Revenues | 77,215,686 | 40,914,702 | 118,130,388 | 77,771,684 | 28,806,821 | 106,578,505 |
| Operating Transfers In from State | 65,645,506 | 11,168,821 | 76,814,327 | 57,335,633 | 3,807,015 | 61,142,648 |
| Total Revenues and State Transfers | 142,861,192 | 52,083,523 | 194,944,715 | 135,107,317 | 32,613,836 | 167,721,153 |
| <u>EXPENDITURES AND MANDATORY TRANSFERS:</u> | | | | | | |
| <u>Educational and General:</u> | | | | | | |
| Instruction | 37,071,916 | 2,134,013 | 39,205,929 | 34,913,133 | 1,609,363 | 36,522,496 |
| Research | 23,452,561 | 24,249,638 | 47,702,199 | 24,585,438 | 18,693,749 | 43,279,187 |
| Public Service | 8,861,961 | 7,944,206 | 16,806,167 | 12,029,939 | 5,181,491 | 17,211,430 |
| Academic Support | 13,915,476 | 96,070 | 14,011,546 | 12,438,104 | 88,144 | 12,526,248 |
| Student Services | 5,546,502 | 1,012,530 | 6,559,032 | 4,921,161 | 529,377 | 5,450,538 |
| Institutional Support | 5,499,210 | 13,337 | 5,512,547 | 4,681,336 | 11,812 | 4,693,148 |
| Operation and Maintenance of Plant | 10,253,013 | 9,268,567 | 19,521,580 | 9,006,173 | 8,268 | 9,014,441 |
| Scholarships and Fellowships | 3,420,881 | 6,662,904 | 10,083,785 | 2,721,195 | 5,814,118 | 8,535,313 |
| Total Educational and General Expenditures | 108,021,520 | 51,381,265 | 159,402,785 | 105,296,479 | 31,936,322 | 137,232,801 |
| <u>Mandatory Transfers For:</u> | | | | | | |
| Principal and Interest | 349,317 | | 349,317 | 304,520 | | 304,520 |
| Loan Fund Matching | 7,529 | | 7,529 | 4,729 | | 4,729 |
| Total Educational and General Expenditures and Mandatory Transfers | 108,378,366 | 51,381,265 | 159,759,631 | 105,605,728 | 31,936,322 | 137,542,050 |
| <u>Auxiliary Enterprises:</u> | | | | | | |
| Expenditures | 26,971,300 | 702,258 | 27,673,558 | 26,159,989 | 677,514 | 26,837,503 |
| Mand. Trans. For Principal & Interest | 887,678 | | 887,678 | 885,763 | | 885,763 |
| Total Auxiliary Enterprises | 27,858,978 | 702,258 | 28,561,236 | 27,045,752 | 677,514 | 27,723,266 |
| Total Expenditures and Mandatory Transfers | 136,237,344 | 52,083,523 | 188,320,867 | 132,651,480 | 32,613,836 | 165,265,316 |
| <u>OTHER TRANSFERS & ADDITIONS/(DEDUCTIONS):</u> | | | | | | |
| Excess of Restricted Receipts over | | | | | | |
| Transfers to Revenues | | (128,820) | (128,820) | | 179,856 | 179,856 |
| Refunded to Grantors | (8,171) | (4,700) | (12,871) | (8,259) | (37,193) | (45,452) |
| Nonmandatory Interfund Transfers | (3,753,099) | 112,548 | (3,640,551) | 2,263,007 | 12,950 | 2,275,957 |
| Other Additions(Deductions) | (224,612) | | (224,612) | (567,777) | (271,958) | (839,735) |
| Total Other Transfers and Additions(Deductions) | (3,985,882) | (20,972) | (4,006,854) | 1,686,971 | (116,345) | 1,570,626 |
| NET INCREASE (DECREASE) IN FUND BALANCES | \$ 2,637,966 | \$ (20,972) | \$ 2,616,994 | \$ 4,142,808 | \$ (116,345) | \$ 4,026,463 |

APPENDIX B-LEGAL OPINION

January 7, 2003

State Board of Higher Education
Capitol Building
600 East Boulevard
Bismarck, North Dakota 58505

Allison-Williams Company
333 South 7th Street, Suite 3000
Minneapolis, Minnesota 55402-2441

\$6,005,000
State Board of Higher Education
of the State of North Dakota
North Dakota State University
Housing and Auxiliary Facilities Refunding Revenue Bonds
Series 2003A

We have acted as Bond Counsel to the State Board of Higher Education of the State of North Dakota (the "Issuer") in connection with the issuance of \$6,005,000 North Dakota State University Housing and Auxiliary Facilities Refunding Revenue Bonds, Series 2003A, dated January 1, 2003 (the "Bonds"). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of North Dakota, including, particularly, Chapter 15-55 of the North Dakota Century Code and pursuant to a resolution duly adopted by the Issuer on November 7, 1985, and a supplemental resolution duly adopted by the Issuer on November 21, 2002 (collectively, the "Resolution"). Under the Resolution, the Issuer has pledged certain revenues (the "Revenues") for the payment of the principal of and interest on the Bonds when due.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

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

January 7, 2003

Page 2

1. The Issuer is duly created and validly existing as a public instrumentality of the State of North Dakota, with the power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.

2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. The Resolution creates a valid lien on the Revenues and other funds pledged by the Resolution for the security of the Bonds on a parity with the Issuer's outstanding Housing and Auxiliary Facilities Revenue Bonds, Series 1996B, Series 1999, Series 2002 and other bonds (if any) issued or to be issued under the Resolution.

4. 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 and other funds provided therefor in the Resolution.

5. 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; however, it should be noted 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 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 has covenanted to comply with all such requirements. 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.

6. 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).

7. The Bonds are exempt from registration under the Securities Act of 1933 and the Resolution is exempt from qualification under the Trust Indenture Act of 1939.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered in law or in equity.

January 7, 2003
Page 3

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,
on behalf of the
STATE BOARD OF HIGHER EDUCATION
OF THE STATE OF NORTH DAKOTA**

and

U.S. BANK NATIONAL ASSOCIATION

**STATE BOARD OF HIGHER EDUCATION
OF THE STATE OF NORTH DAKOTA**

**\$6,005,000
NORTH DAKOTA STATE UNIVERSITY
HOUSING AND AUXILIARY FACILITIES
REFUNDING REVENUE BONDS, SERIES 2003A**

Dated as of January 1, 2003

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Agreement”) is made and entered into as of January 1, 2003, by North Dakota State University (the “University”), on behalf of the State Board of Higher Education of the State of North Dakota (the “Board”), and U.S. Bank National Association, St. Paul, Minnesota (the “Trustee”), in connection with the issuance by the Board of \$6,005,000 North Dakota State University Housing and Auxiliary Facilities Refunding Revenue Bonds, Series 2003A (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted November 7, 1985, as supplemented by a Resolution adopted November 21, 2002 (together, the “Resolution”). Pursuant to the Resolution 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 Resolution, 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.

“Disclosure 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.

“Dissemination 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.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

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

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository, if any.

“Rule” 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.

“State 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.

“Tax-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, 2003, 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 January 1, 2002, regarding: Student Enrollment, Appropriations by North Dakota Legislature, Utilization of the System and Indebtedness.

(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 Resolution, 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: **State Board of Higher Education of the State of North Dakota**

Name of Bond Issue: **North Dakota State University
Housing and Auxiliary Facilities Refunding Revenue Bonds, Series 2003A**

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

Date of Issuance: **January _____, 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 Resolution adopted November 21, 2002, and the Continuing Disclosure Agreement dated as of January 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- DTC

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the securities (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 Board 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 Agent, or the Board, 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 Board or the Agent, 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 Board or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

The Board 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 Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

APPENDIX E- 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.



Authorized Officer of Insurance Trustee