OFFICIAL STATEMENT DATED SEPTEMBER 5, 2012

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

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

ST. CATHERINE UNIVERSITY

$25,630,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-Q (St. Catherine University)

(DTC Book Entry Only)

Dated Date: Date of Delivery **Interest Due: April 1 and October 1, commencing April 1, 2013**

$18,595,000 serial bonds to mature annually on October 1 as follows:

Year	Amount	Interest Rate	Yield	CUSIP 60416H:	Year	Amount	Interest Rate	Yield	CUSIP 60416H:
2013	$ 920,000	3.00%	1.21%	XS 8	2021	$1,305,000	5.00%	2.96%	YA 6
2014	$ 945,000	3.00%	1.40%	XT 6	2022	$1,370,000	5.00%	3.07%	YB 4
2015	$ 980,000	4.00%	1.53%	XU 3	2023	$1,440,000	5.00%	3.16%*	YC 2
2016	$1,020,000	4.00%	1.70%	XV 1	2024	$1,515,000	5.00%	3.22%*	YD 0
2017	$1,070,000	5.00%	1.97%	XW 9	2025	$1,590,000	5.00%	3.29%*	YE 8
2018	$1,120,000	5.00%	2.26%	XX 7	2026	$1,680,000	5.00%	3.34%*	YF 5
2019	$1,180,000	5.00%	2.53%	XY 5	2027	$1,220,000	5.00%	3.41%*	YG 3
2020	$1,240,000	5.00%	2.79%	XZ 2					

$7,035,000 5.00% Term Bonds due October 1, 2032 Yield 3.52%* CUSIP 60416H YH 1

**priced to the first optional call date of October 1, 2022*

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), at the direction of St. Catherine University (the "University"), a Minnesota nonprofit corporation, the Authority's Revenue Bonds, Series Seven-Q (St. Catherine University) (the "Bonds") are subject to redemption on October 1, 2022 or thereafter at par, in whole or in part prior to maturity, as described herein. The Bonds are subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. The Term Bonds are subject to mandatory redemption in installments as described herein. See "THE BONDS – Prior Redemption" and "THE BONDS – Determination of Taxability."

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

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the University pursuant to a Loan Agreement (the "Loan Agreement") between the Authority and the University dated as of September 1, 2012, or out of other amounts pledged pursuant to the Indenture as described herein. The Loan Repayments will be a general obligation of the University.

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter named below subject to the opinion as to validity and tax exemption of the Bonds by McGrann Shea Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Briggs and Morgan, Professional Association, Saint Paul and Minneapolis, Minnesota, and for the Underwriter by Kutak Rock LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter at DTC on or about September 25, 2012.

The Underwriter intends to engage in secondary market trading in the Bonds, subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of any holder thereof. For information with respect to the Underwriter, see "UNDERWRITING" herein.

Wells Fargo Securities

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

No dealer, broker, sales representative or other person has been authorized by the Authority, the University, or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the University or the Underwriter. The information contained herein, except as it relates to the Authority, DTC, and the Trustee, has been obtained from the University and is not guaranteed as to accuracy or completeness. Information relating to DTC and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the University since the date hereof.

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

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

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

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

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

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

Marianne T. Remedios, Executive Director

Bond Counsel
McGrann Shea Carnival Straughn & Lamb, Chartered

Financial Advisor
Springsted Incorporated

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MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES SEVEN-Q
(ST. CATHERINE UNIVERSITY)

(DTC Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota, and St. Catherine University, a Minnesota non-profit corporation and 501(c)(3) organization and the owner and operator of an institution of higher education with campuses located in Saint Paul and Minneapolis, Minnesota, (the "University"), in connection with the issuance of the Authority's $25,630,000 Revenue Bonds, Series Seven-Q (St. Catherine University) (the "Bonds").

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

The Bonds are also being issued pursuant to the Trust Indenture (the "Indenture") dated as of September 1, 2012 between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") dated as of September 1, 2012 between the University and the Authority relating to the Bonds, the Authority is loaning the proceeds of the Bonds to the University, and the University will covenant as a general obligation of the University to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The Bond proceeds, along with available University funds and any funds related to the $28,265,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-N1 (The College of Saint Catherine) (the "Prior Bonds") and the $6,500,000 Minnesota Higher Education Facilities Authority Revenue Notes, Series Six-N (The College of Saint Catherine) (the "Prior Notes," and, collectively with the Prior Bonds, the "Prior Debt") that are available for such purposes will be used to:

(1) refund on a current refunding basis the outstanding principal and interest on the Prior Bonds,
(2) refund on a current refunding basis the outstanding principal, interest, and pay the prepayment premium on the Prior Notes,
(3) fund a debt service reserve, and
(4) pay certain issuance costs.

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

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

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

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices IV and V for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

RISK FACTORS

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

Risk of Insufficient Collateral

The Bonds are secured solely by (a) a pledge by the Authority to the Trustee of amounts payable by the University under the Loan Agreement, and (b) amounts in the Reserve Account and other accounts and funds which will be held by the Trustee and applied to the payment of principal of and interest on the Bonds. The Bonds are not secured by a mortgage on or security interest in any real property or personal property. If an Event of Default occurs, there can be no assurance that such sources will be sufficient to pay the principal of, premium, if any, or interest on the Bonds when due.

Obligation of University

No entity or person other than the University is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Trust Indenture, or the Bonds, or for other obligations of the University under such documents. Accordingly, for payment of principal and interest on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the University under the Loan Agreement and the Reserve Account and other funds, if any, the Trustee holds under the Indenture.

Adequacy of Revenues

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

Competition

Competition among institutions of higher education is intense both nationally and within the upper Midwest region from which the University draws the majority of its students. Universities and colleges compete principally based on location, tuition rates, degree offerings, and academic reputation. To the extent that competitors have or achieve an advantage with respect to any of these factors, the University could be adversely affected. In addition, competitive pressures could result in tuition reductions or the inability to raise tuition, which could adversely affect or change the University's unrestricted net assets.

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

Reliance on Tuition

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

Financial Aid

Approximately 93% of the University's eligible undergraduate students currently receive some form of financial aid covering tuition and fees or living expenses. See Appendix I, "THE UNIVERSITY – Financial Aid" herein. No assurance can be given that federal and state financial aid and private third party financing will continue to be funded at current levels or that the University will continue to fund student aid at current levels. Curtailment of such aid could cause a decline in enrollment, which could in turn have an adverse effect on the University's revenues.

No assurance can be given that student loans will continue to be available to students and their parents at historical levels. Reductions in availability of such loans may cause a decline in enrollment, which may in turn have an adverse effect on the University's revenues.

Damage, Destruction or other Liability

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

Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the University and computed pro forma debt service coverage are provided in Appendix I under the caption "THE UNIVERSITY – Maximum Annual Debt Service and Pro Forma Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table. The pro forma coverage constitutes no assurance as to the future sufficiency of University revenues to satisfy University operations and Bond and other debt service requirements.

Bankruptcy

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

Variable Rate Demand Obligations

The Bonds are not Variable Rate Demand Obligations ("VRDOs"). A portion of the University's long-term debt is in the form of VRDOs. See Appendix I, "THE UNIVERSITY – Long-Term Debt of the University" herein. As of August 1, 2012, the University has $24,625,000 of VRDOs outstanding. The failure to remarket University VRDOs following a mandatory or optional tender may limit funds available to make Loan Repayments to the Authority, and hence the ability to make timely payments on the Bonds.

The University's VRDOs are secured by a letter of credit and are subject to certain risks:

(1) Holders of the University's VRDOs have the right to tender their bonds to the University for purchase on any business day upon seven days' notice. A remarketing agent is appointed to remarket tendered bonds to other purchasers. If the remarketing agent cannot place any or all of the tendered bonds with other purchasers, the trustee for such issue is required to draw on the letter of credit to pay the purchase price for the tendered bonds. The letter of credit Reimbursement Agreement between the University and U.S. Bank National Association (the "Bank") provides for the University to reimburse the Bank for such purchased bonds upon the happening of certain events, but no later than the last business day of the 12th month following the month of such purchase. The University may be required to retire similarly purchased bonds on a more accelerated schedule under the terms of an alternate letter of credit facility if the existing letter of credit is replaced in the future.

(2) The VRDO market is subject to market fluctuation due to a number of factors. Liquidity in the capital markets generally, and the VRDO market specifically, is subject to deterioration. In that event, the probability that the University's outstanding VRDOs will be tendered and become "Bank Bonds" will likely rise.

(3) The quality of the bank providing the letter of credit has played a significant role in whether VRDOs will be tendered and successfully remarketed. The ratings assigned to a bank may change over time and any downgrade of a bank's rating by the rating agencies, any bank insolvency or any bank default under the terms of the letter of credit related to a VRDO may cause the bonds to become "Bank Bonds." The number of banking institutions providing letters of credit has declined significantly in recent years and this trend may continue into the future, which may make it difficult for the University to replace an existing letter of credit provider, or secure an alternate letter of credit if an existing letter of credit is not renewed at the end of its stated term or is subject to early termination. Failure to find an alternate letter of credit when required will cause VRDO

obligations to be subject to a mandatory tender for purchase. As of July 20, 2012, the University's letter of credit provider, U.S. Bank National Association, was rated as follows:

	Long Term Rating	Short Term Rating
Standard and Poor's	A+	A-1
Moody's	Aa3	P-1
Fitch	AA-	F1+

Derivative Products

The University is a party to an interest rate swap agreement pursuant to which the University has fixed its interest rate obligation with respect to certain VRDOs. The swap agreement will expire on October 1, 2012. See Note 7 to the University's financial statements, Appendix VII hereto. The University intends not to renew its existing swap agreement and does not intend at this time to enter into a new swap agreement. The University may enter into other interest rate swap agreements or similar arrangements in the future. Under certain market conditions, termination of the interest rate swap agreement prior to its expiration may require the University to pay a termination fee to the swap counterparty and such payment could be material to the University. See also Appendix I, "THE UNIVERSITY – Interest Rate Hedge" and "Long-Term Debt of the University."

LIBOR Manipulation Claims

The interest rate swap agreement to which the University is a party (see Appendix I, "THE UNIVERSITY – Interest Rate Hedge") returns a variable rate to the University from the counterparty of 67% of 3-month LIBOR. The London Interbank Offered Rate, or LIBOR, serves as a global benchmark for home mortgages, student loans and what various issuers pay to borrow money. Certain financial institutions have been accused by various regulators of manipulating LIBOR, and have been alleged to have altered costs when reporting them to regulators. While the regulatory investigations are ongoing, several plaintiffs are waiting for a judge in the Southern District of New York to rule on whether a case for potential damages arising from LIBOR manipulation can move forward. It is unknown at this time what effect, if any, these investigations or any related litigation will have on the use of LIBOR as a global benchmark going forward. Regardless, the University intends to allow its existing agreement to expire according to its terms on October 1, 2012, at which time the University will not be a party to any LIBOR based instruments.

Endowment Portfolio Risk

Market conditions that negatively affect the University's investments may adversely affect debt service coverage and endowment spending. The University's Board of Trustees has approved an investment policy which gives specific guidance about portfolio investments. See Appendix I, "THE UNIVERSITY – Endowment Investment and Spending Policies."

Other Possible Risk Factors

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

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

(2) Adoption of federal, State or local legislation or regulations having an adverse effect on the future operating or financial performance of the University.

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

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

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the University will enter into an undertaking (the "Undertaking") with the Trustee for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the University to the Municipal Securities Rulemaking Board, and to provide notices of the occurrence of any of the fourteen events enumerated in the Rule not later than ten business days after the occurrence of the event. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of listed events is set forth in the Continuing Disclosure Agreement to be executed by the University at the time the Bonds are delivered, a copy of which is available from the University or the Trustee. Appendix III, "ANNUAL REPORT INFORMATION," contains a summary of the financial information and operating data to be provided annually. The Continuing Disclosure Agreement may be amended under certain circumstances as permitted by the Rule.

Furthermore, the University has reserved its right to discontinue providing information required by the Continuing Disclosure Agreement or the Rule if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the University determines that such modification is required or permitted by the Rule.

The University has never failed to comply in any material respect with any previous undertakings under the Rule to provide annual reports or notices of listed events. The University's failure to comply with the Undertaking will not constitute an event of default on the Bonds (although holders may have other remedies in the event of noncompliance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the University pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General

The Bonds will be dated as of their date of delivery. The Bonds will mature annually each October 1, commencing October 1, 2013, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing April 1, 2013.

Prior Redemption

Mandatory Redemption

Portions of the Bonds maturing on October 1 in the year 2032 (the "Term Bonds") shall be called for redemption on October 1 in the years set forth immediately below in the principal amounts set forth immediately below, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account.

Term Bond Due
October 1, 2032

Year	Amount
2028	\$1,280,000
2029	\$1,345,000
2030	\$1,415,000
2031	\$1,485,000
2032†	\$1,510,000

† *Final maturity*

The Term Bonds or portions thereof to be so redeemed shall be selected by the Trustee by lot or in such other random manner as the Trustee shall determine.

The Term Bonds to be redeemed pursuant to the mandatory redemption provisions set forth above may, at the University's option, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

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

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

Optional Redemption

At the University's request, the Authority may elect to prepay on October 1, 2022 and on any day thereafter Bonds due on or after October 1, 2023. Redemption may be in whole or in part. All prepayments shall be at a price of par plus accrued interest.

Extraordinary Optional Redemption

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

Partial Redemption

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

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

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than 20 days, and if more than 60 days, then again not less than 20 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

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

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

Book Entry Only System

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

For further information on DTC, see Appendix VI, “THE DEPOSITORY TRUST COMPANY.”

USE OF PROCEEDS

Bond proceeds will be loaned to the University. Proceeds of the Bonds along with available University funds will be used to:

(1) refund on a current refunding basis the outstanding principal and interest on the Prior Bonds,
(2) refund on a current refunding basis the outstanding principal, interest, and pay the prepayment premium on the Prior Notes,
(3) fund a debt service reserve, and
(4) pay certain issuance costs.

Refunding of Prior Bonds

The Prior Bonds are outstanding in the principal amount of $23,515,000 and have a maturity date of October 1, 2032. The Prior Bonds are callable on any date beginning October 1, 2012 at par plus accrued interest to the redemption date.

On or before the Closing Date, the University will make a deposit in an amount equal to the scheduled October 1, 2012 principal and interest payment on the Prior Bonds to the Bond and Interest Sinking Fund Account for the Prior Bonds. On the Closing Date, any balances in the Prior Bonds Reserve Account and other Accounts held by the Prior Bonds Trustee and available for such purpose will be transferred to the Prior Bonds Redemption Account. At that time, Bond proceeds in an amount sufficient, along with balances in the Prior Bonds Redemption Account, to fully pay outstanding principal and accrued interest on the Prior Bonds on the Redemption Date of October 26, 2012, will be deposited into the Prior Bonds subaccount of the Refunding Account for immediate transfer to the Prior Bonds Redemption Account. In accordance with the Prior Bonds Indenture, the Prior Bonds will no longer be considered outstanding under the Indenture upon such deposit for payment, and the Prior Bonds will be payable solely from the funds held by the Prior Bonds Trustee.

The Prior Bonds Trustee will make the scheduled October 1, 2012 principal and interest payment on the Prior Bonds from the Bond and Interest Sinking Fund Account for the Prior Bonds and will, per instruction from the University and the Authority, redeem the outstanding Prior Bonds at par plus accrued interest from the Prior Bonds Redemption Account on October 26, 2012.

Refunding of Prior Notes

The Prior Notes are outstanding in the principal amount of $5,567,504.44 and have a maturity date of April 26, 2027. The Prior Notes are callable on any semiannual payment date (April 26 and October 26) beginning April 26, 2012. The redemption price consists of principal and interest due on the interest payment date plus a Termination Value that appears in a schedule to the underlying Prior Note Loan and Note Purchase Agreement and which equals, for the October 26, 2012 interest payment date, $5,491,790.75 to fully redeem the Prior Notes.

On or before the Closing Date, the University will deposit an amount equal to the scheduled October 26, 2012 principal and interest payment on the Prior Notes to the Prior Notes subaccount of the Refunding Account for the Bonds. On the Closing Date, Bond proceeds in an amount equal to the Prior Notes Termination Value as of October 26, 2012 will be deposited to the Prior Notes subaccount of the Refunding Account. On October 26, 2012, the Trustee will transfer funds from the Prior Notes subaccount of the Refunding Account to the Paying Agent for the Prior Notes in an amount equal to the principal and interest due on the Prior Notes plus the Termination Value of the Prior Notes. The Prior Notes Paying Agent will make the scheduled October 26, 2012 principal and interest payment and will, per instruction from the University, redeem the outstanding Prior Notes at the scheduled Termination Value on October 26, 2012.

SOURCES AND USES OF FUNDS

Sources	
Par Amount of Bonds	$25,630,000.00
Net reoffering premium or discount	3,309,204.55
Prior Bonds Reserve Account	1,907,318.76
Total Sources:	$30,846,523.31
Uses of Funds	
Refunding Account – for Prior Bonds	$22,958,852.00
Refunding Account – for Prior Notes	5,491,790.75
Reserve Account	2,134,750.00
Costs of Issuance, including Underwriter Discount	261,130.56
Total Uses	$30,846,523.31

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

SOURCE OF PAYMENT FOR THE BONDS

General

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

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

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

The Bonds shall not be legal or moral obligations of the State of Minnesota, nor shall they constitute a debt for which the faith and credit of the Authority or the State of

Minnesota, or the taxing powers of the State, are pledged. The Authority has no taxing powers.

Financial Covenants

The University also covenants in the Loan Agreement that so long as the Bonds shall remain outstanding:

(a) On May 31, 2013 and at the end of each Fiscal Year thereafter, the Funded Debt Ratio will be no less than 30%. Within 180 days after the end of each Fiscal Year, the University shall furnish to the Trustee a certificate of an Authorized Institution Representative showing the calculation of the Funded Debt Ratio as of the end of the Fiscal Year. If at the end of any Fiscal Year, the Funded Debt Ratio is below 30%, the University shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) additional Unrestricted Liquid Funds at least equal to the amount necessary to restore the Funded Debt Ratio to 30%, as promptly as possible, but in any event no later than 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the University for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

(b) The University shall incur no Funded Debt (except for a refunding or refinancing of Funded Debt which does not increase the Maximum Annual Debt Service and further excepting indebtedness for capital projects for which the University has secured funds on hand or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless the Debt Service Coverage Ratio for the two most recent Fiscal Years for which audited financial statements are available was at least 110%; provided that, if the additional Funded Debt proposed to be incurred is to finance student housing, student dining, student union or other revenue-producing facilities, there shall be added to the amount of Net Income Available for Debt Service for such Fiscal Year the estimated amount of Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an Independent Management Consultant to the University and the Trustee; and provided further that if the Board of Trustees has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, for purposes of this paragraph, there shall be added to Net Income Available for Debt Service for such Fiscal Year the amount of such increase net of increased operating expenses, as estimated in a report of an Independent Management Consultant to the University and the Trustee; and provided further that if the additional Funded Debt proposed to be incurred is to finance equipment or facilities which will produce savings in operating costs of the University, as estimated in a report of an Independent Management Consultant to the University and the Trustee, there shall be added to the amount of Net Income Available for Debt Service for such Fiscal Year, the estimated net savings to be derived from such equipment or facilities in the first Fiscal Year following the estimated date of acquisition or construction of such equipment or facilities.

For purposes of these covenants, the following terms shall have the following meanings:

"Adjusted Increase (Decrease) in Unrestricted Net Assets" means the Increase (Decrease) in Unrestricted Net Assets, as reported in the Statement of Activities section of the audited financial statements of the University; adjusted to (a) exclude depreciation and amortization expense and include (as a reduction to unrestricted net assets) the cost of current year equipment acquisitions which have been funded through operations and capitalized; (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment and not funded through operations, or the release from temporarily restricted net assets of capital campaign or other non-recurring gift contributions representing payment of all or a portion of multi-year pledges previously recorded as temporarily restricted revenue; (c) exclude extraordinary gains or losses; (d) exclude Total Return; (e) include the Endowment Spending Policy; and (f) exclude contributions representing collections of capital gifts pursuant to a capital campaign which are not includable in the University's Annual Fund collections.

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

"Endowment Spending Policy" means an amount determined by applying the percentage then in effect, as determined from time to time by the Board of Trustees as part of the University's endowment spending policy, to a principal amount which is the sum of (i) all cash and cash equivalents, and (ii) unrestricted, temporarily and permanently restricted cash and investments.

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

"Funded Debt Ratio" means for any particular period, the ratio (expressed as a percentage) determined by dividing Unrestricted Liquid Funds by the total outstanding principal balance of Funded Debt.

"Maximum Annual Debt Service" means the largest total amount of principal of and interest on Funded Debt payable by the University in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding, including debt service on any proposed debt to be incurred, subject to the following:

(i) If any portion of the Funded Debt is variable rate indebtedness, the rate of interest on the variable rate indebtedness for future Fiscal Years shall be computed at 110% of the average actual rate of interest on such debt for the most recent 24-month period; if variable rate indebtedness is proposed to be issued, the rate of interest shall be the greater of (A) the initial variable rate as estimated by an Independent Management Consultant or an investment banking firm selected by the University to underwrite the sale of such variable rate indebtedness, or (B) a rate calculated at 110% of the average of the most recent 24-month period published SIFMA Swap Index;

(ii) the amount of debt service with respect to "balloon" indebtedness shall be calculated on a level debt service basis (principal plus interest) over the period ending the Fiscal Year when the balloon is payable; as used herein, "balloon indebtedness means Funded Debt, 25% or more of the principal of which is due in any 12 month period;

(iii) the amount of debt service with respect to "put" indebtedness shall be calculated at the maximum amount of the principal or interest on such indebtedness which the University may be required to purchase or redeem in any Fiscal Year; provided that if there is a written commitment from a bank or other financial institution to refinance the amount of any indebtedness which the University may be required to redeem or purchase, the debt service with respect to such put indebtedness may, at the option of the University, be calculated on the basis of the repayment schedule contemplated by such written commitment, commencing the date such commitment will (unless renewed) expire; "put" indebtedness means Funded Debt (A) which the University may be required, at the option of the holder thereof, to prepay or purchase prior to the stated maturity date thereof, in whole or in part, but if in part, in an amount 25% or more of the original principal amount thereof and (B), if subject to variable rates, is then in an interest rate reset period of more than two years;

(iv) there shall not be taken into account any part of the Funded Debt of the University which has been refunded, refinanced or otherwise defeased under an arrangement whereby all future payments of such indebtedness will be met from moneys and investments held by an indenture trustee or escrow agent, provided that any such investments shall be direct obligations of or obligations fully guaranteed by the United States of America;

(v) if any part of such Funded Debt consists of crossover refunding debt, no part of the debt service with respect to such crossover refunding debt shall be taken into account prior to the crossover date, and after the crossover date, no part of the debt service of the refunded debt shall be taken into account;

(vi) any debt of any other Person guaranteed by the University *("Guaranteed Debt")* shall constitute Debt of the University; however, the following percentages of the Guaranteed Debt or the debt service thereon may be excluded for the purposes set forth herein, so long as the primary obligor with respect to the Guaranteed Debt maintains a debt service coverage ratio (calculated in the same manner as the Debt Service Coverage Ratio) with respect to all of its long term debt as follows:

COVERAGE RATIO OF PRIMARY OBLIGOR	PERCENTAGE OF GUARANTEED DEBT WHICH MAY BE EXCLUDED
2.00x or more	80%
At least 1.75x but less than 2.00x	75%
At least 1.50x but less than 1.75x	50%
At least 1.25x but less than 1.50x	25%
Less than 1.25x	0%

provided that if the University has made any payments with respect to the Guaranteed Debt at any time, none of the Guaranteed Debt or debt service thereon shall be so excluded;

(vii) if any part of such Funded Debt is "nonrecourse" indebtedness or "subordinated" indebtedness, no part of the debt service with respect thereto shall be taken into account; "nonrecourse" indebtedness means indebtedness payable only from a limited fund and secured only by property purchased or acquired from the proceeds of such indebtedness; "subordinated" indebtedness means indebtedness the principal and interest on which are subordinated to payment of the Bonds by a written instrument of the holder, a copy of which is filed with the Trustee;

(viii) the amount of any reserve fund for any Funded Debt issued or proposed to be issued may be deducted from debt service for the Fiscal Year or Years in which such Funded Debt finally matures and for payment of which the reserve fund moneys may be used without creating a default.

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

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

"Unrestricted Liquid Funds" means the Total Unrestricted Net Assets of the University, adjusted to exclude Net Investment in Property, Plant and Equipment, as reported in the Statement of Financial Position section of the audited financial statements of the University.

For purposes of (a), (b), and (c) above, all capitalized terms used but not otherwise defined herein shall have the meanings provided for audits of colleges and universities, as applied by the University's auditors in the report of the University's financial statements for the Fiscal Year ended May 31, 2011.

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which the proceeds of the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Refunding Account, a Bond and Interest Sinking Fund Account, a Reserve Account, a Costs of Issuance Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Refunding Account, except that the amount of the Reserve Requirement will be deposited into the Reserve Account, the amount of the costs of issuance of the Bonds will be deposited into the Costs of Issuance Account, and accrued interest, if any, will be deposited in the Bond and Interest Sinking Fund Account. Following the Closing Date, amounts received by the Trustee from the University as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, or the Redemption Account, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds when due.

Refunding Account

There will be deposited initially into the Prior Bonds subaccount of the Refunding Account certain Bond proceeds which shall be in an amount sufficient, along with available moneys held by the Prior Bonds Trustee, to pay the redemption price of the Prior Bonds on October 26, 2012. There will also be deposited into the Prior Notes subaccount of the Refunding Account certain bond proceeds and University funds which shall be sufficient, along with available moneys from the Prior Notes Paying Agent, to pay the principal and interest due on, and the Termination Value of, the Prior Notes on October 26, 2012.

The monies deposited to the Prior Bonds subaccount of this account shall immediately be transferred to the Prior Bonds Trustee for deposit into the Prior Bonds Redemption Account. The monies deposited to the Prior Notes subaccount of this account shall be transferred on

October 26, 2012 to the Prior Notes Paying Agent to pay principal and interest due on that date plus the Termination Value of the Prior Notes. See "USE OF PROCEEDS – Refunding of Prior Bonds" and "USE OF PROCEEDS – Refunding of Prior Notes."

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, if any, and the rounding amount, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the University. Deposits into the Bond and Interest Sinking Fund Account shall be made at least two Business Days prior to each April 1 and October 1 in amounts equal to the interest and principal, if any, due on the following April 1 or October 1.

The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the amount of the Reserve Requirement that is irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time. All amounts paid by the University as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account will be deposited into the Reserve Account in order to maintain the Reserve Account in an amount not less than the Reserve Requirement.

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the University shall immediately restore such deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the University for amounts so withdrawn. The Trustee shall value investments in the Reserve Account at market value not less frequently than as of March 1 2013 and semiannually thereafter. If upon any valuation date the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the amount of the Reserve Requirement, or more than the amount (if less than the Reserve Requirement) allowed for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not more than 30 days.

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

Costs of Issuance Account

There shall be deposited into the Costs of Issuance Account the amount specified in the Indenture to be applied to the costs, fees and expenses incurred in connection with the issuance of the Bonds. The Trustee shall disburse funds from this account upon presentation to the Trustee of an invoice approved by the Authorized Institution Representative or the Authorized Authority Representative. Any funds remaining in the Costs of Issuance Account after a period of six months shall be transferred to the Bond and Interest Sinking Fund Account.

Redemption Account

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

Amounts on deposit to the credit of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account; second, to create and maintain the required balance in the Reserve Account; and, third, for the redemption of outstanding Bonds at the request or direction of the University for the purchase of outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the University or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Reserve Account, the Costs of Issuance Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time. Section 5.04 of the Indenture sets forth the specific parameters to the type, credit quality, and maturity of investments. See Appendix V – "SUMMARY OF DOCUMENTS – The Indenture" herein.

Monies deposited in the Refunding Account will not be invested in that account, but will be transferred to the Prior Bond Trustee for deposit into the appropriate Redemption Account and to the Prior Notes Paying Agent for application to the Prior Notes payment and refunding. See "USE OF PROCEEDS – Refunding of Prior Bonds" and "USE OF PROCEEDS – Refunding of Prior Notes."

FUTURE FINANCING

The University regularly improves and expands its campus facilities. The University does not anticipate financing any such projects with debt within the next six months. The University continually evaluates project needs and market conditions and although there are no plans for future financing during the next six months, that may change given the historical low interest rates and continued operational growth and needs of the University.

THE AUTHORITY

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

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

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $1.3 billion. The Authority has had 190 issues (including refunded and retired issues) totaling over $1.9 billion, of which approximately $966 million is outstanding as of August 1, 2012. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

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

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

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

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

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

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

FINANCIAL ADVISOR

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

UNDERWRITING

The Bonds are being purchased by Wells Fargo Securities (the "Underwriter"). Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

The Underwriter has agreed to purchase the Bonds at a purchase price of $28,827,714.15 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $111,490.40 plus net original issue premium of $3,309,204.55).

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

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

Wells Fargo Bank, National Association ("WFBNA") has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

CERTAIN RELATIONSHIPS

Wells Fargo Bank, National Association is serving as both underwriter and Trustee for the 2012 Series Seven-Q bonds.

RATING

As noted on the cover page hereof, Moody's Investors Service has assigned a rating of Baa1 on the Bonds. The rating reflects only the view of such rating agency. Further information concerning the rating is available from Moody's.

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

LITIGATION

The Authority and the University are unaware of any pending or threatened litigation which would affect the validity of the Bonds, the tax-exempt nature of the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either to perform as described herein, or the ability of the University to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by McGrann Shea Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the University by Briggs and Morgan, Professional Association, Saint Paul and Minneapolis, Minnesota; and for the Underwriter by Kutak Rock LLP, Minneapolis, Minnesota.

TAX EXEMPTION

Federal Tax Considerations

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

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

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings, interest on the Bonds is not includable in gross income for federal income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations.

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

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

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

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal or state tax legislation.

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

Minnesota Tax Considerations

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

Original Issue Premium

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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THE UNIVERSITY

St. Catherine University is the largest Catholic university for women in the United States. The University is a four-year liberal arts college and, through a diversity of programs, offers the opportunity to complete baccalaureate, associate, master's and doctoral degrees in a variety of health-care specialties, liberal arts and professional programs. Committed to meeting the educational needs of women of all ages, the University offers many of its bachelor's and master's degree programs in both traditional day and weekend formats. With campuses in Saint Paul and Minneapolis, the University has a total enrollment of 4,622.

The University's mission is to educate students to lead and influence. Inspired by its visionary founding in 1905 by the Sisters of St. Joseph of Carondelet, more than a century later the University serves diverse students, with a baccalaureate college for women at its heart and graduate and associate programs for women and men.

At all degree levels, the University integrates liberal arts and professional education within the Catholic tradition, emphasizing intellectual inquiry and social teaching, and challenging students to transformational leadership. Committed to excellence and opportunity, the University develops ethical, reflective and socially responsible leaders, informed by the philosophy of the women's college and the spirit of the founders.

The University's Saint Paul campus comprises the traditional baccalaureate women's college and several certificate and graduate programs offered to both women and men. The Minneapolis campus provides educational opportunities in health-care and human-service fields to a diverse coeducational student body. Both campuses offer graduate degree programs for both women and men.

The University is an independent non-profit 501(c)(3) corporation organized under the laws of the State of Minnesota. The University is sponsored by the Sisters of St. Joseph of Carondelet, also a non-profit 501(c)(3) corporation. The Sisters of St. Joseph of Carondelet is a pontifical religious institute with headquarters in Saint Louis, Missouri.

Governance

The University is governed by a Board of Trustees, currently composed of 25 elected members and two ex-officio members. The maximum number of trustees, exclusive of ex officio trustees, is 28. At least one-quarter of the Board of Trustees must be vowed members of the Sisters of St. Joseph of Carondelet ("CSJ"). The President of the University and the Province Leadership Team liaison of CSJ are each an ex officio trustee. Except for ex officio trustees, all trustees serve four-year terms and are eligible for up to three consecutive terms.

Seven trustees comprise the Sponsorship Council Trustees. They include the Province Leadership Team liaison of CSJ, the President of the University, and the chair of the Board of Trustees. These three select four additional trustees to be the remaining Sponsorship Council Trustees. Four of the seven Sponsorship Council Trustees must be vowed members of CSJ. The Sponsorship Council Trustees have additional rights and responsibilities regarding sponsorship and mission for the University. In addition to other rights granted to the Sponsorship Council in the University's Articles of Incorporation and bylaws, an affirmative vote of at least four of the Sponsorship Council Trustees is required for the selection of trustees; for the Board to act on any matter that substantially affects or alters the mission or Catholic identity of the Corporation; and for other actions specified in the bylaws.

Following is a list of the members of the Board of Trustees of the College and their business or professional affiliation, as of August 2012:

Administration

The principal officers of the University are as follows:

President

Andrea J. Lee, IHM, has been the University president since 1998. Sister Andrea holds an M.Ed. and a Ph.D. in educational administration from the Pennsylvania State University and received the Pennsylvania State University's Outstanding Alumna Award in 1989. She also holds a B.A. in Music and Elementary Education from Northeastern Illinois University and an A.A. in Italian from Villa Walsh College, Morristown, New Jersey. In 1990, she attended Harvard University's Institute for Educational Management. Sister Andrea's previous positions were at Marygrove College as dean of continuing education and community services (1981-84), as executive vice president and chief operating officer (1984-1997), and as interim president (1998).

Vice President of Enrollment Management and Student Affairs

Brian Bruess, Ph.D., joined the University in 1995. He has served in a number of positions, including Dean of Students, Dean of Student Affairs and Enrollment Management, and Interim Vice President for Finance and Business Operations. In his current role he has oversight responsibility for the University's enrollment management, information technology, and student affairs functions. Before joining the University, Dr. Bruess served in a variety of positions at Ohio University in Athens, Ohio, including Assistant to the Vice President for Student Affairs and Interim Assistant Director of University Judiciaries. He earned a B.A. in sociology and psychology at St. Norbert College in DePere, Wisconsin, and an M.Ed. and Ph.D. in College Student Personnel and Research and Evaluation at Ohio University in Athens, Ohio.

Senior Vice President for Academic Affairs

Colleen Hegranes, M.S.Ed., has been at the University since 1977. She has been Senior Vice President of the University and Chief Academic Officer responsible for academic programs since 2004. She holds an M.S.Ed. in Counseling and a Bachelor of Arts in English from Minnesota State University Moorhead. She is currently a doctoral candidate in Organizational Development at the University of St. Thomas and expects the degree to be conferred in September of 2012. She received the Minnesota State University Moorhead Distinguished Alumna Award in 1988, the Minnesota College Personnel Association Linda Schrempp Alberg Award for Outstanding Contribution to Minnesota Higher Education in 1997, and was named an American College Personnel Association Diamond honoree in 2005. The University named her one of the 100 individuals with the most significant impact in the University's development and success in its 100 year history. Positions she has held at the University include Director of Housing, Dean of Students, Vice President for Enrollment Management and Vice President for Student Affairs.

Vice President for Finance and Administration, CFO, Treasurer

Thomas Rooney, M.B.A., Certified Treasury Professional, joined the University in July 2010 as its Vice President for Finance and Administration and Chief Financial Officer. He is also the Treasurer of the University. Mr. Rooney holds a bachelor's degree in business administration and economics and an MBA in finance, both from the University of St. Thomas. Prior to joining the University he was a vice president and treasurer at both G&K Services and Fingerhut Direct Marketing, was assistant treasurer and business unit controller at Polaris Industries, and served as senior business advisory officer and in various financial planning and analysis roles at Wells Fargo & Company.

Vice President for External Relations

Marjorie Mathison Hance, M.A., Vice President for External Relations, oversees the offices of development and marketing and communications. Prior to her current position, Ms. Hance served as chair of the Business Administration Department, director of Corporate Relations, and as a member of the University's Board of Trustees. Before coming to the University, she was national sales manager for Honeywell Lighting Controls and director of management development for Honeywell Worldwide. In 2002 she was recognized as one of the top 25 "Women of Influence" in the Twin Cities by the Business Journal. Ms. Hance holds a B.A. degree from the University and an M.A. degree from Indiana University.

Facilities

The University has two campuses. The main campus is located in Saint Paul and the other campus is in Minneapolis. The University's physical facilities in Saint Paul consist of 18 buildings located on 110 acres. The Saint Paul campus has classrooms, office facilities, student residence halls and apartments, O'Shaughnessy Auditorium, the Butler Sports and Fitness Center, and Coeur de Catherine, a student center that houses dining, library, bookstore, coffee shop, post office, and other facilities. The five residence halls and two apartment buildings have a total capacity of approximately 900 students.

The Minneapolis campus consists of one acre with two multi-purpose buildings. The University has leased one building on the Minneapolis campus from Carondelet Life Care Corporation for a 30-year period that terminates on December 31, 2022.

As of May 31, 2011, the book value of all property and equipment, net of depreciation, was $75,423,505; buildings and contents have an insured value of $225,262,569.

Faculty and Staff

The University's faculty-student ratio in the baccalaureate programs is approximately 1 to 12 with an average day class size of 19. There is no religious or denominational prerequisite or any participatory religious requirement for faculty or staff membership. The University subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

As of fall 2011, the University employed 487 faculty, including 169 adjuncts. Total employees number approximately 1,060. The total payroll for the Fiscal Year ended May 31, 2011 was $41,633,680 (salaries and wages only).

The following table lists the average salary of the lay members of the full-time University faculty for the 2011/2012 academic year.

Title	Average Salary
Professor	$77,207
Associate Professor	$63,375
Assistant Professor	$53,146
Instructor	$46,010

The following table lists the degrees and professional designations held by the full-time faculty members for the 2011/2012 academic year.

	Number
Doctorate, professional or other terminal Degree	199
Professional or graduate degree, non-terminal	67
Bachelor of Arts or Science	18
Associate Degree	1
Total	285

Student Body

There is no religious or denominational prerequisite or any participating religious requirement for students of the University. The fall term undergraduate enrollment at the University for the 2011/2012 academic year was 3,826 with a full-time equivalent ("FTE") of 3,306, and the University's total enrollment was 5,227 with an FTE of 4,501. Approximately 83.2% of the 2011/2012 undergraduate freshman class was from the State of Minnesota. The students were from 15 states and 6 countries.

Women comprise 97% of the total undergraduate student body. Associate, certificate and graduate programs are coeducational. Women comprise 90% of the graduate student body.

Enrollments

The following table sets forth the enrollment at the University as of the fall term for the five most recent academic years.

	2007/08	2008/09	2009/10	2010/11	2011/12
Headcount					
Undergraduate	3,811	3,727	3,797	3,830	3,826
Graduate and Professional	1,427	1,474	1,480	1,498	1,401
Total	5,238	5,201	5,277	5,328	5,227
FTEs					
Undergraduate	3,286	3,208	3,266	3,338	3,306
Graduate and Professional	1,172	1,228	1,221	1,261	1,195
Total	4,458	4,436	4,487	4,599	4,501

Freshman Applications, Acceptances and Enrollments

	2007/08	2008/09	2009/10	2010/11	2011/12
Applications	1,638	1,528	2,151	2,441	2,808
Acceptances	1,267	1,177	1,445	1,494	1,451
Percent Accepted	78%	77%	68%	61%	52%
Fall Enrolled	341	351	408	414	364
Percent Enrolled to Accepted	27%	30%	29%	28%	25%
Mean ACT Scores	23	22	22	23	23

As of August 27, 2012, for the 2012/13 academic year, the University has received 2,551 applications and has made 1,427 acceptances.

New Transfer Student Enrollment – Fall Semester – Undergraduate Program

2007/08	2008/09	2009/10	2010/11	2011/12
811	795	816	782	765

Student Retention based on incoming Fall first-time, full-time baccalaureate seeking students

Fall	Percent of Students Returning			Graduates after 4 years or
Semester	2nd Year	3rd Year	4th Year	returning for 5th year
2007	75.7	67.1	61.4	37.4
2008	77.8	69.1	62.6	n/a
2009	83.7	75.2	n/a	n/a
2010	83.8	73.2	n/a	n/a
2011	82.0	n/a	n/a	n/a

The University has made a deliberate effort to increase its enrollment of “at-risk” students (for example, first generation college students and students with English as a second language). As a result, the retention rate of first year students has declined. The University has implemented programs to respond to the decline. The challenge is being further addressed through the University’s strategic plan for strengthening key academic and student affairs programs.

Tuition

The University meets the cost of educational programs primarily through tuition and fees. The following table lists the tuition and mandatory fees charged full-time students in the University's major programs for the academic years listed:

	2008/09	2009/10	2010/11	2011/12	2012/13
Day Program (full-time) per academic year	$27,414	$28,758	$29,888	$31,360	$32,896
Weekend College (full-time per academic year	$10,281	$10,702	$11,112	$11,616	$11,976
Minneapolis Campus Programs per credit	$ 510	$ 533	$ 557	$ 582	$ 608
Graduate Programs per credit	$ 679	$ 720	$ 763	$ 798	$ 834

The following table lists total revenue derived from tuition and fees, before deducting University funded financial aid, for the Fiscal Years ended May 31, 2007 through 2011.

Year	Tuition and Fees
2007	$65,369,607
2008	$70,009,206
2009	$73,163,290
2010	$78,014,378
2011	$83,705,793

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2012/2013 Undergraduate Rate Comparison of Minnesota Private Colleges
(Ranked by Comprehensive Fees)

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges*
Carleton College	$44,445	$11,553	$55,998
Macalester College	$43,693	$ 9,726	$53,419
St. Olaf College	$39,560	$ 9,090	$48,650
Gustavus Adolphus College	$38,056	$ 8,880	$46,936
College of Saint Benedict	$36,218	$ 9,270	$45,488
Saint John's University	$35,486	$ 8,638	$44,124
University of St. Thomas	$33,787	$ 8,778	$42,565
Hamline University	$33,596	$ 8,700	$42,296
St. Catherine University**	**$33,176**	**$ 8,288**	**$41,464**
Augsburg College**	$31,922	$ 8,455	$40,377
Bethel University**	$30,840	$ 8,900	$39,740
The College of St. Scholastica**	$30,398	$ 8,040	$38,438
Minneapolis College of Art and Design	$31,650	$ 6,600	$38,250
Concordia College (Moorhead)**	$30,860	$ 7,000	$37,860
Concordia University, St. Paul**	$29,700	$ 7,750	$37,450
Saint Mary's University of Minnesota**	$28,320	$ 7,440	$35,760
Bethany Lutheran College	$23,140	$ 7,060	$30,200
Average	**$33,815**	**$ 8,480**	**$42,295**

* *These are standard charges for first-time, full time, full-year undergraduate students, including fees assessed on all undergraduates. Some charges may vary depending on room, board and program choices.*

** *Seven colleges have differential tuition for upper-level students or other policies that result in some variation across class levels.*

Source: The Minnesota Private College Council, website at: http://www.mnprivatecolleges.org/paying/tuition.php as of August 2012

Financial Aid

Approximately 93% of the University's eligible undergraduate students currently receive some form of financial aid through scholarship, grant, work-study, and/or loan funds from federal, state, University, or private sources. Funds are first applied toward the cost of tuition and fees, with any remaining credit balance made available for living expenses such as transportation, housing (on or off campus) and personal expenses unless program requirements specifically restrict aid to tuition and fees only.

Financial aid funds, excluding merit scholarships, are awarded based on the results of the Free Application for Federal Student Aid (FAFSA) application. Need based awards and non-need based awards are offered up to the demonstrated need of the student or the maximum allowed by the various programs

Pensions

The University terminated its defined benefit retirement plan effective as of December 31, 2011. The University has submitted the plan to the Internal Revenue Service for a favorable determination letter. Once it receives a favorable determination letter, the University will liquidate all assets and distribute all benefits owed under the plan. The University expects all plan assets, with minimal if any additional contributions from the University, to be distributed no later than December 31, 2012.

The University participates in a discretionary individual retirement plan administered by Teachers Insurance and Annuity Association ("TIAA"), College Retirement Equities Fund, or Fidelity which covers substantially all faculty and administrative personnel. Participants of the plan contribute 5% of their salary and the University contributes up to an equivalent of 8% of the participant's salary. Retirement plan expense was $2,170,568 and $2,056,237 for the years ended May 31, 2011 and 2010, respectively.

Presentation of Financial Statements

Appendix VII sets forth the audited Financial Statements of the University with Independent Auditors' Report for the Fiscal Year ended May 31, 2011. The Financial Statements were prepared in accordance with generally accepted accounting principles (GAAP) and were audited by LarsonAllen LLP (nka CliftonLarsonAllen LLP), independent auditors, as indicated in their report which also appears in Appendix VII.

The University's Fiscal Year 2012 audit is not complete as of the date of this Official Statement. See instead Appendix VIII, "UNAUDITED FISCAL YEAR 2012 OPERATING FUND BUDGET TO ACTUAL" for information regarding the University's finances for Fiscal Year 2012. The unaudited budget to actual presentation is not necessarily indicative of what the University's final Fiscal Year 2012 audit will show.

Statement of Financial Activity for Fiscal Years 2007 through 2011

The following table summarizes the University's statements of unrestricted activities for the Fiscal Years ended May 31, 2007 through 2011. For more complete information of the University for the Fiscal Year ended May 31, 2011, see Appendix VII of this Official Statement.

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ST. CATHERINE UNIVERSITY

Statement of Unrestricted Activities
For the years ended May 31,

	2007	2008	2009	2010	2011
Revenue:					
Tuition and instructional fees, net of internally funded student aid	$ 51,171,871	$ 53,759,133	$ 55,692,796	$ 57,762,484	$ 60,194,652
Grants	1,912,365	462,821	437,352	295,827	573,520
Contributions	6,072,135	2,236,317	2,268,544	2,103,516	3,212,988
Auxiliary services	9,402,529	10,181,795	10,237,413	11,359,302	10,744,302
Investment income, net	7,359,810	3,498,804	1,390,469	1,016,308	969,113
Net gain (loss) on investments	6,011,279	(2,899,897)	(7,012,076)	4,249,967	5,058,322
Interest on student loans	21,372	34,735	42,813	40,280	44,762
Other	1,287,104	1,036,642	1,104,665	1,101,942	1,195,571
Net assets released from restrictions	1,370,812	3,328,853	6,361,018	7,045,904	6,308,284
Total revenues and net assets released from restrictions	84,609,277	71,639,203	70,522,994	84,975,530	88,301,514
Expenses:					
Instructional	27,984,241	30,299,300	31,032,933	33,155,745	34,319,332
Academic support					
Library	3,529,357	3,597,956	3,487,809	3,489,932	3,542,853
Other	2,376,664	3,165,489	3,597,946	3,367,301	3,705,188
Student services	12,731,873	13,440,686	13,342,831	11,739,957	12,221,510
Institutional support	12,533,931	12,291,071	13,263,599	13,000,652	13,213,638
Government funded grant aid to students	0	0	0	0	0
Auxiliary enterprises	10,396,257	11,663,635	11,551,350	12,755,156	12,686,016
Sponsored research	1,733,380	1,870,009	2,284,265	2,089,028	2,034,776
Total expenses	71,285,703	76,328,146	78,560,733	79,597,771	81,723,313
Unrealized loss on interest rate swap agreement	(108,824)	(388,438)	(420,912)	23,666	103,785
Changes in net assets before cumulative effect of change in accounting principle	13,214,750	(11,810,273)	(8,458,651)	5,401,425	6,681,986
Cumulative effect of change in accounting principle		398,714	(17,659,206)	0	0
Change in net assets	13,214,750	(11,411,559)	(26,117,857)	5,401,425	6,681,986
Net assets at beginning of year	90,107,170	103,321,920	91,910,361	65,792,504	71,193,929
Net assets at end of year	$ 103,321,920	$ 91,910,361	$ 65,792,504	$ 71,193,929	$ 77,875,915

Source: Audited financial statements of the University

Contributions Receivable

The University actively solicits and receives gifts and bequests from a variety of donors and also receives various grants from private community and corporate foundations and from agencies of the federal government.

Major development programs, including efforts to raise capital funds and a variety of annual giving programs among alumnae, parents of students, businesses and friends of the University, have been maintained for a number of years.

The University's contributions receivable for the past two fiscal years are shown below. Unconditional promises are recognized at the estimated present value of the future cash flows net of allowances.

	2010	2011
In one year or less	$1,573,655	$1,802,848
Between one year and five years	1,611,995	1,963,686
More than five years	1,309,985	907,704
Total face value of pledges outstanding	4,495,635	4,674,238
Discount	(438,142)	(358,265)
Contributions receivable, net	$4,057,493	$4,315,973

Capital Campaign

On November 18, 2001, the University publicly announced a five-year, $80 million fund raising campaign to support the strategic initiatives of the institution. The campaign raised gifts and pledges exceeding $85 million, including a lead unrestricted gift of $20 million from the Sisters of St. Joseph of Carondelet and $17.8 million of deferred gifts. Campaign pledge balances as of May 31, 2011 were approximately $0.6 million.

Campaign gifts were solicited primarily from alumnae of the University, current students, parents and other friends of the University, as well as from corporations and other business organizations, private foundations, religious organizations and other funding consortia. In most cases, the individuals and organizations had some level of prior relationship with the University.

The University has retained a campaign consultant and may embark on a capital campaign in the next Fiscal Year.

Endowment Investment and Spending Policies

The University uses the total return method of accounting for income from its investments of endowment funds. Under this method, a rate of return is established which is considered to be a prudent return on investment, consisting of both yield (dividend and interest) and realized and unrealized gains.

Endowment funds are managed primarily by outside fund managers selected by the University. The University retains an investment consultant who works with management and the investment subcommittee of the Board of Trustees on selecting the outside fund managers. The University currently has four fund managers managing its endowment funds. The University uses an asset allocation model, which currently allocates approximately 60% of the endowment to equity investments and 40% of the endowment to fixed rate income investments. Income earned and appreciation, both realized and unrealized, are measured to calculate a total return. The investment subcommittee of the Board's Finance Committee is charged with reviewing the allocation of endowment funds between equity investments and fixed rate income investments.

Because of the risk associated with its stated investment objectives, the University's Board of Trustees has adopted a set of investment and spending policies to which the investment subcommittee must adhere in order to minimize the investment risks. To this end, the investment policies mandate a diversified investment portfolio, and the investment subcommittee reviews and evaluates the investment objectives and performance periodically at scheduled meetings.

The University's policies allow for a maximum spending rate of up to 5.5 percent of the rolling three-year average of the market value of certain cash and investments as of the mark date (November 30) for the next fiscal year. For fiscal years 2001 through 2011, the effective payout percentage was 5 percent. The investment and spending policies are periodically reviewed and revised by the Board of Trustees.

Summary of Net Assets and Investments

The following two tables display a five-year history of the University's Net Assets and Investments, itemized as Unrestricted, Temporarily Restricted, and Permanently Restricted:

NET ASSETS

Fiscal Year Ended May 31	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2011	$ 77,875,915	$ 34,791,730	$ 32,919,331	$ 145,586,976
2010	$ 71,193,929	$ 24,759,154	$ 31,020,228	$ 126,973,311
2009	$ 65,792,504	$ 18,406,097	$ 29,609,899	$ 113,808,500
2008	$ 91,910,361	$ 12,842,805	$ 29,986,828	$ 134,739,994
2007	$ 103,321,920	$ 6,544,445	$ 27,447,784	$ 137,314,149

INVESTMENTS

Fiscal Year Ended May 31	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2011	$ 62,379,177	$ 30,491,641	$ 29,907,610	$ 122,778,428
2010	$ 54,158,603	$ 21,070,592	$ 27,976,482	$ 103,205,677
2009	$ 46,001,396	$ 14,300,702	$ 27,432,902	$ 87,735,000
2008	$ 69,537,505	$ 7,949,763	$ 26,861,419	$ 104,348,687
2007	$ 81,867,140	$ 1,846,294	$ 24,246,923	$ 107,960,357

Long-Term Debt of the University

The University's long-term debt outstanding as of August 1, 2012, is as follows:

1. $28,265,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-N1, dated August 1, 2002 (the "Series Five-N1 Bonds"). The outstanding principal balance is $23,515,000. The Series Five-N1 Bonds will be refunded with Bond proceeds.

2. $24,625,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-N2, dated August 22, 2002 (the "Series Five-N2 Bonds"). The Series Five-N2 Bonds are secured by the full faith and credit of the University and an irrevocable direct pay letter of credit from U.S. Bank National Association which expires in January 2014, unless terminated or extended. Interest on the Series Five-N2 Bonds is calculated at variable rates and averaged 0.14% during Fiscal Year 2012. The Series Five-N2 final maturity is October 1, 2032. The outstanding principal balance is $24,625,000.

3. $8,000,000 Minnesota Higher Education Facilities Authority Notes, Series Six-L, dated August 28, 2006 (the "Series Six-L Notes"). The Series Six-L Notes are secured by the full faith and credit of the University. The Series Six-L Notes pay principal and interest semiannually on February 28 and August 28 with a final maturity of August 28, 2031. The rate on the Series Six-L Notes is 5.43%. The outstanding principal balance is $7,166,374.

4. $6,500,000 Minnesota Higher Education Facilities Authority Notes, Series Six-N, dated April 26, 2007 (the "Series Six-N Notes"). The outstanding principal balance is $5,567,504. <u>The Series Six-N Notes will be refunded with Bond proceeds.</u>

Upon the issuance of the Bonds, the only long term debt of the University will be the Bonds, the Series Five-N2 Bonds, and the Series Six-L Notes.

Interest Rate Hedge

To hedge interest rate exposure on a portion of its Variable Rate debt, the University has entered into a fixed-pay interest rate swap agreement which is summarized below.

Bond Issue:	Series Five-N2
Counterparty:	Royal Bank of Canada ("RBC")
Current notional amount:	$9,625,000
Termination Date:	October 1, 2012
Rate paid by Counterparty:	67% of 3-month LIBOR
Rate paid by University:	2.93%

The University intends to allow the existing swap agreement to expire by its terms on October 1, 2012. The University does not intend at this time to enter into a new swap agreement.

See also "RISK FACTORS – LIBOR Manipulation Claims" herein.

Maximum Annual Debt Service and Pro Forma Coverage Statement

The following table displays the pro forma debt service coverage for outstanding University Funded Debt, including debt service on the Bonds. Coverage is calculated based on net income available for debt service for Fiscal Year 2011 and estimated maximum annual debt service (MADS). The calculation of the amount available for debt service is detailed following the table.

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

The table is intended merely to show the relationship of amounts available for the University's debt service for Fiscal Year 2011 to MADS based on existing outstanding University debt after issuance of the Bonds. It is not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the University. There is no assurance that the future amounts available for debt service and debt service coverage of the University or the respective relationships thereof will correspond to the pro forma amount available for debt service, pro forma debt service coverage, combined estimated long-term debt service or the respective relationships thereof shown by or reflected in the following table.

	Amount Available for Debt Service	MADS*	Coverage (times)
FYE May 31, 2011	$13,680,580	$4,021,129	3.40

* MADS excludes debt service on the Series Five-N1 Bonds and the Series Six-N Notes, both of which will be refunded with Bond proceeds. MADS includes debt service on the Bonds. Debt service on the variable rate Series Five-N2 Bonds is calculated at an assumed rate of 0.44%, which represents 110% of the average rate on Series Five-N2 Bonds for the 24 months ending July 19, 2012. The Series Five-N2 Bonds are assumed to amortize with level annual debt service to the final maturity date of October 1, 2032.

Calculation of Net Income Available for Debt Service

	Fiscal Year 2011
Change in Unrestricted Net Assets	$ 6,681,986
Adjustments to Investments	
Less: Investment Income, Net	(969,113)
Less: Net (Gains) Losses on Investments	(5,058,322)
Add: Investment Income Available for Operations (1)	6,546,512
Net Assets Released from Restrictions	
Net Assets Released related to Capital Projects/Gifts (2)	0
Other Adjustments	
Add back:	
Depreciation & Amortization	3,757,548
Interest Expense	2,721,969
Net Income Available for Debt Service	$13,680,580

(1) Calculated as 5% of the total of cash, cash equivalents and investments of the University's Unrestricted, Temporarily Restricted, and Permanently Restricted assets.

(2) Adjusts Net Assets Released for non-cash items or non-recurring campaign collections.

Pro Forma Funded Debt Ratio

The following table displays the pro forma Funded Debt ratio for outstanding University Funded Debt, including the Bonds. The ratio is calculated based on Unrestricted Liquid Funds for Fiscal Year 2011 divided by the outstanding principal balances of Funded Debt. Unrestricted Liquid Funds and Funded Debt are adjusted for the redemption of the Prior Bonds and Prior Notes and for the issuance of the Bonds.

The table is intended merely to show the pro forma relationship of the University's Unrestricted Liquid Funds to the University's Funded Debt. It is not intended and should not be considered a projection of future unrestricted funds balances, net property, plant, and equipment of the University, or Funded Debt of the University. There is no assurance that future changes in these components will produce a ratio that will correspond to the pro forma Funded Debt Ratio shown by or reflected in the following table.

		Fiscal Year 2011
Unrestricted Liquid Funds		$77,875,915
Less property, plant, and equipment (net):		
Property, plant, and equipment	75,423,505	
Notes payable FYE 2011	(13,186,644)	
Adjust for Series Six-N Notes refunded	5,817,292	
Bonds payable FYE 2011	(48,513,146)	
Adjust for Series Five-N1 Bonds refunded	24,130,000	
Series Seven-Q Bonds	(25,630,000)	
Property, plant, and equipment (net):		$18,041,007
Unrestricted Liquid Funds		$59,834,908
Total long term debt		$57,382,498
Funded Debt Ratio		1.04

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PROPOSED FORM OF LEGAL OPINION

MCGRANN SHEA CARNIVAL STRAUGHN & LAMB, CHARTERED

ATTORNEYS AT LAW

WILLIAM R. MCGRANN	CARLA J. PEDERSEN	CHRISTINE L. MENNEN
DOUGLAS M. CARNIVAL	JOSEPH T. BAGNOLI	MICHAEL T. HATTING
ROBERT O. STRAUGHN	ROGER J. STELLJES	MARK D. MEANEY
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DEBRA E. YERIGAN	JASON H. THOMAS	Of Counsel
SCOTT B. CROSSMAN	AMY L. COURT	ANDREW J. SHEA
TIMOTHY J. NOLAN	~~~~~~	

$25,630,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Seven-Q
(St. Catherine University)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered Revenue Bonds, Series Seven-Q (St. Catherine University), in the aggregate principal amount of $25,630,000 (the "Bonds"), dated as of their date of delivery, more fully described in and issued pursuant to the Indenture (defined below).

The Bonds are issued for the purpose of funding a loan from the Authority to St. Catherine University, a Minnesota nonprofit corporation and institution of higher education with its main campus in the City of Saint Paul, Minnesota (the "University"), in order to refinance existing educational facilities, all owned and operated by the University and located on its campuses in Saint Paul and Minneapolis, Minnesota. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the University and the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"), each dated as of September 1, 2012, one or more opinions of Briggs and Morgan, Professional Association, as counsel to the University, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the University without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Briggs and Morgan, Professional Association, as to the Loan Agreement having been duly authorized and executed and being binding upon the University and as to the corporate organization, tax-exempt status, good standing, and powers of the University. As to title to the Project Site (as defined in the Loan Agreement and Indenture), we have relied on information contained in owner and encumbrances reports, title insurance policies or commitments, or title opinions, provided to us by the University or by counsel engaged by it, and have not undertaken any examination of the records of the University or original title records or abstracts of title.

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

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

1. The Authority is an agency of the State of Minnesota duly organized and existing under the laws of the State of Minnesota with authority under Sections 136A.25 to 136A.42,

Minnesota Statutes, to issue the Bonds, to loan the proceeds thereof to the University and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.

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

3. The Bonds are valid and binding limited obligations of the Authority payable from the loan repayments payable by the University under the Loan Agreement which have been assigned to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and are further secured by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payments held by the Trustee, as assignee, under the Loan Agreement. The Bonds are not a general obligation or indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority or charge against its general credit, but are payable solely from amounts pledged thereto in accordance with the provisions of the Indenture.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in net taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"), or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. The Authority has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code. The opinion set forth in this paragraph is subject to the conditions that the Authority, the Trustee and the University comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in federal gross income or Minnesota taxable net income retroactive to the date of issuance of the Bonds. The Authority, the Trustee and the University have covenanted to comply with such requirements.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership or disposition of the Bonds.

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

Dated at Minneapolis, Minnesota, September __, 2012.

McGrann Shea Carnival
Straughn & Lamb, Chartered

ANNUAL REPORT INFORMATION

Annual Reporting

The Annual Report Date will be the date that is 180 days after each fiscal year end, commencing with the fiscal year ending May 31, 2012. The Annual Report will contain:

1. Audited financial statements for the most recent complete fiscal year.
2. The following financial and operating data contained in Appendix I to the Final Official Statement:
   a. Information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:
      - Facilities (Book Value and Insured Value)
      - Faculty and Staff
      - Student Body
      - Enrollments
      - Freshman Applications, Acceptances and Enrollments
      - New Transfer Student Enrollment – Fall Semester – Undergraduate Program
      - Student Retention based on Fall first-time, full-time baccalaureate seeking students
      - Tuition
      - Financial Aid
      - Pensions
      - Contributions Receivable
      - Capital Campaign
      - Endowment Investment and Spending Policies

   b. An update of Calculation of Net Income Available for Debt Service.

Events to be Disclosed

The events enumerated in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, which are to be disclosed, if material, are as follows:

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

(xiii) The consummation of a merger, consolidation, or acquisition involving the Reporting Party or the sale of all or substantially all of the assets of the Reporting Party, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

DEFINITION OF CERTAIN TERMS

Account or *Accounts*: One or more of the Accounts created under Article V of the Indenture.

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

Arbitrage Regulations: All regulations and proposed regulations from time to time issued and in effect under Section 148 of the Internal Revenue Code (and former Section 103(c) of the Internal Revenue Code of 1954), including without limitation Treasury Regulations Sections 1.148-1 to 1.150-1.

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the Corporation and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates and in that case, specimen signatures for the alternates shall be provided as well.

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

Authorized Institution Representative: The President, the Vice President for Finance and Administration, the Chief Financial Officer or the Treasurer of the Corporation, or other person, if any, at the time designated to act on behalf of the Corporation by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the Corporation by the Chair, the Vice-Chair, or the Secretary of its Board of Trustees or the President or a Vice President of the Corporation. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the Accounts created under Article V of the Indenture and described in Section 5.04 thereof.

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

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

Bond and Interest Sinking Fund Account: The Bond and Interest Sinking Fund Account established pursuant to the Indenture.

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

Bond Purchase Agreement: The Bond Purchase Agreement among the Authority, the Underwriter, and the Corporation related to the Series Seven-Q Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on July 18, 2012 authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Bonds, (a) the period from the Issue Date to the close of business on October 1, 2012, and (b) each succeeding 12-month period ending at the close of business on October 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

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

Book-Entry System: A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and Participants (or Indirect Participants).

Building Equipment: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the Corporation and located on the Project Site acquired from funds other than the proceeds of the Bonds, the Prior Bonds, or the Series Three-M1 Bonds.

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

Corporation: St. Catherine University, a Minnesota nonprofit corporation formerly known as The College of Saint Catherine, as owner and operator of the Institution, its successors and assigns.

Continuing Disclosure Agreement: The Continuing Disclosure Agreement between the Trustee and the Corporation, dated as of September 1, 2012.

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

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

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

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

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

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

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

Fiscal Year: The Corporation's Fiscal Year, initially the 12-month period commencing on June 1 in each year.

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

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, dated as of September 1, 2012, under which the Bonds are authorized to be issued, and including any indenture supplemental hereto.

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

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

Independent Management Consultant: An Independent certified public accountant, Independent financial consultant or Independent management consultant having a favorable reputation for skill and experience in studying and reporting on operations of private nonprofit institutions of higher education satisfactory to the Authority.

Institution: St. Catherine University, a Minnesota institution of higher education with campuses located in Saint Paul and Minneapolis, Minnesota and owned and operated by the Corporation.

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

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

Loan Agreement: The Loan Agreement between the Authority and the Corporation relating to the Bonds, dated as of September 1, 2012, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the Corporation to the Trustee pursuant to the Loan Agreement.

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

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

Notice of Deficiency: The statutory notice of deficiency issued by the Internal Revenue Service to a taxpayer identifying a tax deficiency and providing a specified period of time to appeal such deficiency.

Outstanding or outstanding: When used as of any particular time with reference to Bonds, without regard to capitalization of such term, means (subject to the provisions of the Indenture pertaining to Bonds held by the Authority and the Corporation) all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which funds or direct obligations of or obligations fully guaranteed by the United States of America in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Article III of the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.07 of this Indenture pertaining to replacement of Bonds.

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

Prior Bond Documents: The Series Five-N1 Bond Documents and the Series Six-N Notes Document.

Prior Bonds: The Series Five-N1 Bonds and the Series Six-N Notes.

Project: The refunding, on a current refunding basis, of the outstanding principal of, and accrued interest on, the Series Five-N1 Refunded Bonds, the refunding, on a current refunding basis, of the Series Six-N Refunded Notes by the payment of the applicable Termination Value, funding a debt service reserve for the Bonds and paying a portion of the issuance costs of the Bonds.

Project Buildings: The buildings financed or refinanced with the proceeds of the Prior Bonds.

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

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

Project Site: Those portions of land or interests in land described on Exhibit A to the Loan Agreement as the Project Site, which are owned or leased by the Corporation and on which any Project Buildings are located or otherwise improved by improvements financed or refinanced by the Series Five-N1 Bonds Project or the Series Six-N Notes Project.

Redemption Date: October 26, 2012.

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

Refunded Bonds: The Series Five-N1 Refunded Bonds and the Series Six-N Refunded Notes.

Series Five-N1 Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-N1 (The College of Saint Catherine), dated August 1, 2002, issued in the original principal amount of $28,265,000, the proceeds of which were loaned by the Authority to the Corporation to provide financing for the Series Five-N1 Bonds Project.

Series Five-N1 Bonds Project: The financing of (a) various projects described as follows: the construction, furnishing and equipping of the Coeur de Catherine building, a joined Student Center and Learning Commons; the renovation of, and upgrades to, St. Joseph Hall and the Library; the renovation of, and upgrades to, Whitby Hall and Mendel Hall; the relocation, equipping and furnishing of the Food Consumer and Nutritional Science Program space in Fontbonne Hall; the relocation, furnishing and equipping of the Health and Wellness Center space located in Butler Center; and the funding of a portion of the conversion of the steam plant from high pressure to low pressure, all owned and operated by the Corporation and located on the Corporation's Saint Paul campus, the principal street address of which is 2004 Randolph Avenue, Saint Paul, Minnesota (the "St. Paul Campus"); and (b) the refunding of the Authority's outstanding Mortgage Revenue Bonds, Series Three-M1 (The College of Saint Catherine), dated January 1, 1993, which were issued in the original principal amount of $5,725,000 to finance (i) a portion of the costs of the construction, equipping and furnishing of Butler Center; the renovation of St. Joseph Hall; the costs of acquiring and installing air conditioning in the Arts Building; and the costs of acquiring and installing replacement windows in Mendel Hall, all owned and operated by the Corporation and located on the Corporation's St. Paul Campus; and (ii) the costs of remodeling, furnishing and equipping of the Education Building and Old Main, both owned and operated by the Corporation and located on the Corporation's Minneapolis campus, the principal street address of which is 601 25th Avenue South, Minneapolis, Minnesota.

Series Five-N1 Refunded Bonds: The Series Five-N1 Bonds maturing on October 1 in the years 2013 through 2032, inclusive.

Series Seven-Q Bonds or the Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-Q (St. Catherine University).

Series Six-N Notes: The Minnesota Higher Education Facilities Authority Revenue Notes, Series Six-N (The College of Saint Catherine), dated April 26, 2007, issued in the original principal amount of $6,500,000, the proceeds of which were loaned by the Authority to the Corporation to provide financing for the Series Six-N Notes Project.

Series Six-N Notes Document: The Loan and Note Purchase Agreement by and among the Corporation, the Authority and Wells Fargo Brokerage Services, LLC, dated as of April 26, 2007.

Series Six-N Notes Project: The financing of the construction, furnishing and equipping of a four-story student residence hall for approximately 140 students owned and operated by the Corporation and located on the Corporation's St. Paul Campus.

Series Six-N Refunded Notes: All scheduled principal and interest on the Series Six-N Notes payable after October 26, 2012.

Series Three-M1 Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-M1 (The College of Saint Catherine), dated January 1, 1993, issued in the original principal amount of $5,725,000,

Termination Value: For the applicable date, the After Payment Termination Value identified in Exhibit A to the Series Six-N Notes.

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

Trust Estate: The interest of the Authority in the Loan Agreement assigned under Granting Clause I of the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause II of the Indenture; and additional property held by the Trustee pursuant to Granting Clause III of the Indenture.

Underwriter: Wells Fargo Bank, National Association, as original purchaser of the Bonds.

University: The Corporation.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Financial Covenants

See "SOURCE OF PAYMENT FOR THE BONDS – Financial Covenants" herein.

Redemption of Series Five-N1 Bonds and Prepayment of Series Six-N Notes

The Corporation represents that it will cause the outstanding Series Five-N1 Bonds to be redeemed on the Redemption Date and the Series Six-N Notes to be prepaid on the Redemption Date.

Loan Repayments

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

(a) at least two (2) Business Days prior to each April 1 and October 1, commencing April 1, 2013, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on the next succeeding interest payment date, and, on each October 1 when principal is due whether at maturity or mandatory sinking fund redemption, the amount payable as principal on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account; and (ii) any credits permitted by Sections 5.01, 5.02, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

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

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

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

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

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

The Corporation agrees that, so long as there are Bonds outstanding, the Corporation will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs, modifications, and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation and may make such repairs, modifications and replacements as in the judgment of the Corporation are desirable, subject to the same conditions. The Corporation may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities, so long as (i) the tax-exempt status of the Bonds will not be affected thereby, (ii) such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture or the Act, (iii) the Corporation shall remain fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made, and (iv) in the case of such sale, transfer or conveyance, or in the case of any lease to or occupancy by persons who are not students, employees or faculty of the Corporation, an opinion of Bond Counsel is provided to the Trustee to the effect that tax exemption of the interest on the Bonds is not adversely affected; provided further, that the Corporation may demolish any of the Project Facilities that, in the judgment of the Corporation, are worn out, obsolete, or require replacement, are no longer used, or the Corporation, by resolution of its Board of Trustees, has determined in its judgment are no longer useful.

Title to Property and Liens

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

Taxes and Other Governmental Charges

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

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

Insurance

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

(a) Insurance against loss and/or damage to the buildings and facilities owned or leased by the Corporation and located on the Institution's campuses in Saint Paul and Minneapolis (the "campus buildings"), including fire and extended coverage in an amount not less than the lesser of (i) full insurable replacement value of the campus buildings, or (ii) the principal amount of the outstanding Bonds or (if greater) 80 percent of the full insurable replacement value of the campus buildings, with a deductible amount of not more than $500,000.

(b) Comprehensive general public liability insurance, including blanket contractual liability and personal injury liability and automobile insurance, in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $5,000,000, with a deductible amount of not more than $500,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $500,000.

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

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

Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the Corporation and the Trustee at least thirty days before the cancellation or modification of the policy limits below the insurance requirements set forth above becomes effective. The Corporation shall, on or before November 1 of each year, provide the Trustee with a certificate of insurance compliance.

Damage or Destruction

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

The Bonds may be redeemed in part if (i) all or a portion of the Project Facilities have been damaged or destroyed, (ii) the Corporation determines that the Project Facilities so damaged or destroyed are not needed in its operations, (iii) the Corporation has elected not to repair, rebuild, restore or replace such Project Facilities and (iv) the Corporation elects that the available Net Proceeds (and not more than the amount of such available Net Proceeds) (i) are deposited in the Redemption Account and used to redeem or purchase Bonds or (ii) are retained by the Corporation upon the Corporation furnishing the Trustee an Opinion of Counsel stating that the intended use of such Net Proceeds by the Corporation shall not cause interest on the Bonds to be includible in gross income of the recipient for federal income tax purposes.

Condemnation

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

If the Bonds are to be redeemed in whole or in part, such redemption shall be as described in the second paragraph under the caption “Damage or Destruction” above.

Removal or Release of Project Equipment and Building Equipment

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

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

(b) the Corporation may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the Corporation pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the Corporation, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of any item of Equipment so removed was less than $250,000, such release without substitution and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an independent engineer upon such showing by the Corporation as may be satisfactory to the Trustee; and

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

In connection with (a) above, if the depreciated book value of the Project Equipment or, in connection with (c) above, the depreciated book value of Building Equipment, to be substituted, removed or released equals or exceeds $250,000 the Corporation will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal, or release, as the case may be, of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

Indemnification

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

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

Corporation to Maintain its Existence and Accreditation

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

Institution to be Nonsectarian

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

Federal Income Tax Status

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

Determination of Taxability

In the event a Determination of Taxability is made that interest payable on the Bonds is includable in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, in integral multiples of $5,000, as a whole or in part on the next date for which due notice can be given or any date thereafter and the redemption price in either event shall be equal to par plus accrued interest (including additional interest from the Date of Taxability). If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto shall be limited to the stepped-up interest rate, as more fully set forth in the Loan Agreement.

Other Covenants

The Corporation further agrees to comply with all applicable laws and regulations against unlawful discrimination, including Minnesota Statutes, Section 363A.13; to provide and file such financing statements and other instruments of further assurance as the Authority or the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Office of Higher Education subject to the right of contest. The Corporation agrees to indemnify the Authority from losses arising from certain representations made by the Corporation regarding the absence of hazardous waste on the Project Facilities.

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

Events of Default

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

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

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

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

(d) If the Corporation shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty days after written notice, specifying such default and requesting that it be remedied is given to the Corporation by the Authority or the Trustee; or

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

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

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

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

Remedies on Default

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

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

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

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

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

Amendments

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

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THE INDENTURE

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

Granting Clauses

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

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

(b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture; provided, however, the funds deposited in the Refunding Account shall be held for the exclusive benefit of the holders of the Refunded Bonds, and (ii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

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

Accounts

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

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

Trustee's Right to Payment

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

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

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

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

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

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

Remedies

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

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

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

Concerning the Trustee

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

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the Corporation shall:

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

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

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

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

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

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

Supplemental Indentures

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

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

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

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

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

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

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

Amendments to the Loan Agreement

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

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

Registration

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

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC") is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

Payment of principal, interest, and redemption premium, if any, on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Bond Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar, Issuer, or the Issuer's agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. The Authority, the University, and the Underwriter take no responsibility for the accuracy thereof.

FINANCIAL STATEMENTS (WITH INDEPENDENT AUDITOR'S REPORT THEREON)
FOR THE FISCAL YEAR ENDED MAY 31, 2011

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LarsonAllen LLP
CPAs, Consultants & Advisors
www.larsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
St. Catherine University
St. Paul, Minnesota

We have audited the accompanying statements of financial position of St. Catherine University (University) as of May 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Catherine University as of May 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

LarsonAllen LLP

LarsonAllen LLP

Minneapolis, Minnesota
October 7, 2011

ST. CATHERINE UNIVERSITY
STATEMENT OF FINANCIAL POSITION
YEAR ENDED MAY 31, 2011
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF MAY 31, 2010)

	2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2010 Total
ASSETS					
Cash and Cash Equivalents	$ 8,151,815	$ -	$ -	$ 8,151,815	7,322,787
Receivables, Net of Allowance for Doubtful Accounts of $1,770,032 in 2011 and $1,770,032 in 2010	1,882,205	5,416	-	1,887,621	3,245,798
Bookstore Inventories	431,821	-	-	431,821	429,800
Prepaid and Deferred Expenses	856,195	40,005	-	896,200	887,073
Deposits with Bond Trustee	1,908,856	-	-	1,908,856	1,908,843
Contributions Receivable, Net	33,500	3,758,070	524,403	4,315,973	4,057,493
Loans to Students, Net of Allowance for Doubtful Accounts of $450,000 in 2011 and $450,000 in 2010	8,444,012	-	-	8,444,012	8,775,482
Investments	62,379,177	30,491,641	29,907,610	122,778,428	103,205,677
Beneficial Interest in Perpetual Trusts	-	1,057,114	2,579,917	3,637,031	3,373,625
Property, Plant, and Equipment, Net	75,423,505	-	-	75,423,505	77,120,448
Total Assets	$ 159,511,086	$ 35,352,246	$ 33,011,930	$ 227,875,262	$ 210,327,026
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable	$ 3,520,527	$ 132,845	$ -	$ 3,653,372	$ 3,246,684
Accrued Expenses	7,375,203	53,044	-	7,428,247	7,723,822
Deferred Revenue and Deposits	278,920	-	-	278,920	411,007
Funds Held for Others	506,793	-	-	506,793	454,973
Interest Rate Swap Agreement	381,259	-	-	381,259	485,044
Liability Under Split-Interest Agreements	-	374,627	92,599	467,226	525,291
Notes Payable	13,186,644	-	-	13,186,644	13,617,374
Bonds Payable	48,513,146	-	-	48,513,146	49,091,897
U.S. Government Grants Refundable	7,872,679	-	-	7,872,679	7,797,623
Total Liabilities	81,635,171	560,516	92,599	82,288,286	83,353,715
NET ASSETS					
Unrestricted	77,875,915	-	-	77,875,915	71,193,929
Temporarily Restricted	-	34,791,730	-	34,791,730	24,759,154
Permanently Restricted	-	-	32,919,331	32,919,331	31,020,228
Total Net Assets	77,875,915	34,791,730	32,919,331	145,586,976	126,973,311
Total Liabilities and Net Asset	$ 159,511,086	$ 35,352,246	$ 33,011,930	$ 227,875,262	$ 210,327,026

See accompanying Notes to Financial Statements.

ST. CATHERINE UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2011
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF MAY 31, 2010)

	2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2010 Total
REVENUE					
Tuition and Instructional Fees	$83,705,793	$ -	$ -	$ 83,705,793	$ 78,014,372
Less: Scholarships Funded by Gifts and Endowment Income	(1,732,348)	-	-	(1,732,348)	(1,792,719)
Less: Institutionally Funded Aid	(21,778,793)	-	-	(21,778,793)	(18,459,169)
Net Tuition and Instructional Fees	60,194,652	-	-	60,194,652	57,762,484
Grants	573,520	3,195,927	-	3,769,447	3,347,991
Contributions	3,212,988	1,889,474	1,570,146	6,672,608	4,461,284
Change in Value of Split-Interest Agreements	-	(8,940)	17,088	8,148	18,904
Auxiliary Services	10,744,302	-	-	10,744,302	11,359,302
Investment Income, Net	969,113	1,487,958	29,986	2,487,057	2,517,772
Net Gain on Investments	5,058,322	9,575,429	38,207	14,671,958	11,755,269
Change in Fair Value of Beneficial Interest in Perpetual Trusts	-	-	243,676	243,676	175,605
Interest on Student Loans	44,762	-	-	44,762	40,280
Other	1,195,571	201,012	-	1,396,583	1,300,025
Net Assets Released from Restrictions	6,308,284	(6,308,284)	-	-	-
Total Revenue	88,301,514	10,032,576	1,899,103	100,233,193	92,738,916
EXPENSES					
Instructional	34,319,332	-	-	34,319,332	33,155,745
Academic Support:					
Library	3,542,853	-	-	3,542,853	3,489,932
Other	3,705,188	-	-	3,705,188	3,367,301
Student Services	12,221,510	-	-	12,221,510	11,739,957
Institutional Support	13,213,638	-	-	13,213,638	13,000,652
Auxiliary Enterprises	12,686,016	-	-	12,686,016	12,755,156
Sponsored Research	2,034,776	-	-	2,034,776	2,089,028
Total Expenses	81,723,313	-	-	81,723,313	79,597,771
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	6,578,201	10,032,576	1,899,103	18,509,880	13,141,145
Unrealized Gain/(Loss) on Interest Rate Swap Agreement	103,785	-	-	103,785	23,666
CHANGE IN NET ASSETS	6,681,986	10,032,576	1,899,103	18,613,665	13,164,811
Net Assets - Beginning of Year	71,193,929	24,759,154	31,020,228	126,973,311	113,808,500
NET ASSETS - END OF YEAR	$77,875,915	$34,791,730	$32,919,331	$ 145,586,976	$ 126,973,311

See accompanying Notes to Financial Statements.

ST. CATHERINE UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2010

	May 31, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Tuition and Instructional Fees	$ 78,014,372	$ -	$ -	$ 78,014,372
Less: Scholarships Funded by Gifts and Endowment Income	(1,792,719)	-	-	(1,792,719)
Less: Institutionally Funded Aid	(18,459,169)	-	-	(18,459,169)
Net Tuition and Instructional Fees	57,762,484	-	-	57,762,484
Grants	295,827	3,052,164	-	3,347,991
Contributions	2,103,516	1,213,489	1,144,279	4,461,284
Change in Value of Split-Interest Agreements	-	(24,662)	43,566	18,904
Auxiliary Services	11,359,302	-	-	11,359,302
Investment Income, Net	1,016,308	1,484,313	17,151	2,517,772
Net Gain (Loss) on Investments	4,249,967	7,475,574	29,728	11,755,269
Change in Fair Value of Beneficial Interest in Perpetual Trusts	-	-	175,605	175,605
Interest on Student Loans	40,280	-	-	40,280
Other	1,101,942	198,083	-	1,300,025
Net Assets Released from Restrictions	7,045,904	(7,045,904)	-	-
Total Revenue	84,975,530	6,353,057	1,410,329	92,738,916
EXPENSES				
Instructional	33,155,745	-	-	33,155,745
Academic Support:				
Library	3,489,932	-	-	3,489,932
Other	3,367,301	-	-	3,367,301
Student Services	11,739,957	-	-	11,739,957
Institutional Support	13,000,652	-	-	13,000,652
Auxiliary Enterprises	12,755,156	-	-	12,755,156
Sponsored Research	2,089,028	-	-	2,089,028
Public Service	-	-	-	-
Total Expenses	79,597,771	-	-	79,597,771
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	5,377,759	6,353,057	1,410,329	13,141,145
Unrealized Gain/(Loss) on Interest Rate Swap Agreement	23,666	-	-	23,666
CHANGE IN NET ASSETS	5,401,425	6,353,057	1,410,329	13,164,811
Net Assets - Beginning of Year	65,792,504	18,406,097	29,609,899	113,808,500
NET ASSETS - END OF YEAR	$ 71,193,929	$ 24,759,154	$ 31,020,228	$ 126,973,311

See accompanying Notes to Financial Statements.

ST. CATHERINE UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 18,613,665	$ 13,164,811
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	3,757,548	3,887,391
Allowance for Doubtful Accounts and Loans	-	(5,968)
Unrealized (Gain) Loss on Interest Rate Swap	(103,785)	(23,666)
Unrealized (Gain) Loss on Investments	(7,701,701)	(9,568,069)
Realized (Gain) Loss on Investments	(6,970,257)	(2,187,200)
Private Gifts for Long-Term Investments	(2,094,254)	(2,083,620)
Change in Fair Value of Beneficial Interest in Perpetual Trusts	(243,676)	(175,605)
Adjustment of Actuarial Liability for Split-Interest Agreements	(8,148)	(18,904)
Change in Assets and Liabilities:		
Receivables	1,358,177	(466,279)
Bookstore Inventories	(2,021)	7,208
Prepaids and Deferred Expenses	(61,545)	31,937
Loans to Students	331,470	911,873
Contributions Receivable	(258,480)	(437,586)
Accounts Payable and Accrued Expenses	111,113	470,012
Deferred Revenue and Deposits	(80,267)	218,046
Net Cash Provided by Operating Activities	6,647,839	3,724,381
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(33,310,376)	(14,999,623)
Proceeds from Sale of Investments	28,409,583	11,284,215
Purchase of Property, Plant, and Equipment	(1,996,938)	(1,642,909)
Change in Beneficial Interest in Perpetual Trust	(19,730)	74,814
Net Cash Used by Investing Activities	(6,917,461)	(5,283,503)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Deposits with Bond Trustee	(13)	-
Proceeds from Private Gifts for Long-Term Investment for Endowment	2,094,254	2,083,620
Payments on Notes Payable	(430,730)	(409,770)
Payments on Bonds Payable	(590,000)	(565,000)
Payments on Split-Interest Agreements	(74,595)	(78,448)
Change in Annuity and Unitrust Liability	24,678	54,635
U.S. Government Grants Repayable	75,056	(213,142)
Net Cash Provided by Financing Activities	1,098,650	871,895
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	829,028	(687,227)
Cash and Cash Equivalents - Beginning of Year	7,322,787	8,010,014
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 8,151,815	$ 7,322,787
SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash Paid During the Year for Interest, Net of Amounts Capitalized	$ 2,721,969	$ 2,733,396

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

St. Catherine University (the University) is the largest and most comprehensive Catholic University for women in the nation. The University offers traditional four-year liberal arts programs as well as non-traditional opportunities to pursue weekend baccalaureate, associate and master's degrees in the liberal arts, healthcare and other professional programs. Committed to meeting the educational needs of all women with campuses in Saint Paul and Minneapolis, the University had a total enrollment of 5,328 for 2010-2011.

St. Catherine University's mission is to educate students to lead and influence. Inspired by its visionary founding in 1905 by the Sisters of St. Joseph of Carondelet, more than a century later the University serves diverse students, with a baccalaureate college for women at its heart and graduate and associate programs for women and men. At all degree levels, St. Catherine integrates liberal arts and professional education within the Catholic tradition, emphasizing intellectual inquiry and social teaching, and challenging students to transformational leadership. Committed to excellence and opportunity, St. Catherine University develops ethical, reflective and socially responsible leaders, informed by the philosophy of the women's college and the spirit of the founders.

The University is an independent non-profit 501(c)(3) corporation organized under the laws of the State of Minnesota. The University is sponsored by the Sisters of St. Joseph of Carondelet, also a non-profit 501(c)(3) corporation. The Sisters of St. Joseph of Carondelet is a pontifical religious institute with headquarters in Saint Louis, Missouri.

Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

The University maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund.

For financial reporting purposes, resources are classified into net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of trustees.

Temporarily Restricted – Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all, or part, of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Temporarily restricted net assets for which donor-imposed restrictions are met in subsequent reporting periods, contributions and return on endowment investments for which donors have stipulated restrictions but which are met within the same reporting period, are reclassified to unrestricted net assets and reported as net assets released from restrictions. Net assets that have no donor-stipulated restrictions are reported as unrestricted support.

Contributions, including unconditional promises to give, are recognized as revenues in the period pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and cash equivalents designated for long-term investment purposes are included as investments. At times, cash may be in excess of the FDIC insurance limit.

Bookstore Inventories

Inventories consisting of books, clothing, and other bookstore merchandise held for resale are carried at the lower of cost (first-in, first-out) or market.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Receivables are stated at net realizable value and are unsecured. The University provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted and no payments have been received, accounts are individually assessed for collectability and are written off against the related allowance. Amounts over 90 days were $2,692,284 and $3,267,463 at May 31, 2011 and 2010, respectively. All accounts, notes, and other receivables are collectible within one year.

Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional promises are not included as revenue until such times as the conditions are substantially met.

Student Loans

Student loans receivable consist of loans made to students under U.S. government loan programs.

Investments

Investments are carried at fair value, based upon quoted market prices. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur due to market fluctuation and that such changes could materially affect the amounts reported in the statements of net assets. Changes in quoted market value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are determined using the average cost method and are recorded on a trade-date basis.

Fair Value of Financial Instruments

The University follows an accounting standard that defines fair value, establishes a fair value hierarchy based on the quality of the inputs used to measure fair value, and requires expanded disclosures about fair value measurements. The University accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. Certain financial assets and liabilities are accounted for at fair value in accordance with applicable standards.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments where it is practicable to estimate that value:

The carrying amounts of cash and cash equivalents, deposits with bond trustee, receivables, accounts payable, accrued expenses, and deferred revenue and deposits approximate fair value because of the short maturity of these financial instruments.

Contributions receivable and liability under split-interest agreements approximate fair value using appropriate discount rates. The discount rates used in the calculations are the rates applied when the receivable or liability was originally recorded. These rates are deemed to approximate fair value due to the relative current maturities and the narrow range of discount rates used which approximates the current discount rate. Investments are carried at fair value. The University's beneficial interest in perpetual trusts is recorded at fair value.

Student loans receivable consist primarily of loans to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements. It is not practicable to estimate the fair value of these receivables since they contain federally-mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. The fair value of loans receivable from students and the related U.S. Government Grants Refundable under the University's loan programs approximate carrying value.

The University's liability under its interest rate swap agreement is reported at fair value, as determined by market quotations and independent valuation.

The fair value of notes and bonds payable as of May 31, 2011 approximates $13,519,280 and $49,209,925 respectively, based on the current market rates for debt with similar maturities and credit quality. The fair value of notes and bonds payable as of May 31, 2010 approximates $14,165,493 and $50,148,020 respectively.

Fair Value Hierarchy

In accordance with accounting standards, the University has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for the identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Fair Value Hierarchy (Continued)

Financial assets and liabilities recorded on the Statement of Financial Position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2– Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Beneficial Interest in Perpetual Trusts

The University is the beneficiary of perpetual trusts held by third parties. Under the terms of the trusts, the University has the irrevocable right to receive the income generated by the trust in perpetuity, but never receive the corpus of the trust. The beneficial interest in the perpetual trusts is recorded at the University's proportional share of the fair value of the underlying trust assets.

Derivative Financial Instruments

The University investment strategy incorporates certain financial instruments which involve, to vary degrees, a certain element of risk. The University measures these instruments at fair value which are reported as assets or liabilities in the balance sheet. Changes in the fair value of derivatives during the year are reported in the statement of activities. The University's interest rate swap agreement is considered a derivative financial instrument and has been reported in the balance sheet at fair value. The change in the fair value of the agreement during the year is reported as an unrealized gain or loss in the statement of activities. The net cash received or paid under the terms of the interest rate swap agreement over its term is reported as a component of interest expense.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation less accumulated depreciation. Contributed items are recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Buildings are estimated to have 50-year lives. All other assets are depreciated over lives ranging up to 20 years. All expenses that extend useful life and meeting University criteria by category are capitalized. Items purchased which do not meet the defined criteria are expensed. When applicable, interest is capitalized in connection with the construction of facilities. If capitalized interest is recorded, it is classified as part of the asset to which it relates and is amortized over the asset's useful life.

U.S. Government Grants Refundable

Funds provided by the United States government under the Federal Perkins Loan and Health Professions Student Loan programs are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the United States government and are included as liability in the financial statements.

Split-Interest Agreements

The University's split-interest agreements include charitable remainder trusts and charitable gift annuities. The University recognizes the contribution from charitable trusts when the irrevocable trust is established and recognizes the contribution from the charitable annuity gifts when the agreement is executed. The contribution amount when the University is the trustee is the difference between the fair value of assets received and the present value of the future cash flows expected to be paid to the designated beneficiaries. The contribution amount when the University is not the trustee is the present value of expected future cash flows from the trust. The significant assumptions used to estimate the present value of the future cash flows include a discount rate of 6 percent, from the 2010 mortality tables, and for charitable remainder unit trusts an assumed rate of return on investments of 6 percent.

Tuition and Instructional Fees

Tuition and instructions fees are presented net of student-funded aid, which consists of gifts, and endowment income used for scholarships of $1,732,348 and $1,792,719 for the years ended May 31, 2011 and 2010, respectively, and institutionally funded aid of $21,778,793 and $18,459,169 for the years ended May 31, 2011 and 2010, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Expense

The University allocates certain facilities related expenses for reporting purposes based on internally developed methodology as follows:

	2011	2010
Interest	$ 2,701,589	$ 2,744,974
Depreciation	3,719,931	3,797,775
Facilities	6,735,475	5,649,200

Deferred Revenue

Deferred revenue results primarily from recognizing registration and tuition revenue in the period in which related educational instruction is performed. Accordingly, registration and tuition fees received for the next academic year are deferred until the instruction commences.

Income Taxes

The University has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal and state income tax only on net unrelated business income. The University engages in activities that are considered unrelated to its exempt purpose. These activities are subject to federal and state income taxes. However, such activities generated a loss in fiscal 2011 and 2010. Further, the University has a net operating loss carry-forward of $303,471 available to offset any taxable income from these unrelated activities. Accordingly, no federal or state tax provision is required. The net operating losses begin to expire in 2021.

The University adopted accounting standards for contingencies in evaluating uncertain tax positions and files as a tax exempt organization. No adjustments to the financial statements were required as a result of the implementation of this standard. The University has no current obligation for unrelated business income tax.

The University tax returns are subject to review and examination by federal authorities. Should that status be challenged in the future, the tax returns for the years 2008 to 2010 are subject to review by federal authorities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Subsequent Events

In preparing the financial statements, the University has evaluated events and transactions for potential recognition or disclosure through October 7, 2011, the date the financial statements were issued.

NOTE 2 INVESTMENTS

The fair value of investments as of May 31, 2011 and 2010 is as follows:

	2011	2010
Common Stock - Domestic	$ 47,170,488	$ 42,914,282
Common Stock - International	19,406,440	13,989,943
Corporate Bonds	39,193,715	33,671,150
Cash and Equivalents	15,590,785	11,234,802
CSV of Life Insurance	1,417,000	1,395,500
Total	$ 122,778,428	$ 103,205,677

The University uses the total return method of accounting for income from its investments of endowment funds. Under this method, a rate of return is established which is considered to be a prudent return on investment, consisting of both yield (dividend and interest) and realized and unrealized gains.

Investment expenses, including custodial and management fees, totaled $221,713 and $193,221 for the years ended May 31, 2011 and 2010, respectively.

In addition, included in investments is $1,106,358 and $961,270 of temporarily restricted and $272,471 and $220,038 of permanently restricted for the years ended May 31, 2011 and 2010, respectively, of split-interest agreements primarily comprised of annuities and charitable remainder trusts.

NOTE 2 INVESTMENTS (CONTINUED)

Endowments

The University endowment consists of approximately 300 individual endowments established for a variety of operating and scholarship purposes. The endowment includes both donor-restricted endowments and Board designated endowments (quasi). The University records the original value of the gifts, subsequent gifts, and any accumulated earnings as directed by donor agreement which are donor-restricted to the permanently restricted endowment.

Accumulated earnings which are not appropriated for expenditure are recorded as temporarily restricted. The University considers the following factors in making a determination to appropriate or accumulate donor restricted endowments funds:

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

Endowment funds are managed primarily by outside fund managers selected by the University. The University retains an investment consultant who works with the University on selecting outside fund managers. The University currently has four fund managers managing its endowment funds. The University uses an asset allocation model, with target allocations approximating 60% of the endowment to equity investments and 40% of the endowment to fixed rate income investments. Income earned and appreciation, both realized and unrealized, are measured to calculate a total return. The investment subcommittee is charged with reviewing the allocation of endowment funds between equity investments and fixed rate income investments.

Because of the risk associated with its stated investment objective, the University's Board of Trustees has adopted a set of investment guidelines to which it must adhere to in order to minimize the investment risks. To this end, the investment guidelines mandate a diversified investment portfolio, and the investment subcommittee reviews and evaluates the investment objectives and performance periodically.

NOTE 2 INVESTMENTS (CONTINUED)

Endowments (Continued)

The University uses the total return concept to manage its permanently restricted endowment investments and certain other investments designated by the University as endowment. Under this concept, a spending rate is established which is considered to be prudent and is drawn from both yield (dividends and interest) and realized and unrealized gains. For the years ended May 31, 2011 and 2010, the maximum spending rate was 5.5% of the 36-month moving average fair value of such investments. For fiscal years May 31, 2011 and 2010, the effective payout percentage was 5% and the book entry appropriating endowment net assets for expenditure was $2,094,254 and $2,083,620 respectively. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow and maintain the purchasing power of the endowment assets held in perpetuity as well as provide real growth through new gifts and investment return.

During 2008, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the State of Minnesota. In August 2008, the FASB guidance on the classification of endowment funds net assets for states that have enacted versions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhances disclosures for endowment funds. Under UPMIFA all unappropriated endowment fund assets are considered restricted. The University holds multiple types of investments of which the Endowment Net Asset Composition by Type of Fund as of May 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 18,816,822	$ 29,794,843	$ 48,611,665
Board-Designated Endowment Funds	3,394,582	2,842,941	-	6,237,523
Total Funds	$ 3,394,582	$ 21,659,763	$ 29,794,843	$ 54,849,188

NOTE 2 INVESTMENTS (CONTINUED)

Endowments (Continued)

Endowment related activities for the year ended May 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 1, 2010	$ 3,394,582	$ 12,917,163	$ 28,436,763	$ 44,748,508
Investment Return:				
Investment Income	-	1,411,379	-	1,411,379
Net Realized and Unrealized Gain	-	9,425,475	-	9,425,475
Total Investment Return	-	10,836,855	-	10,836,855
Contributions	-	-	1,353,611	1,353,611
Appropriations of Endowment Assets for Expenditure	-	(2,094,254)	4,469	(2,089,785)
Endowment Net Assets, May 31, 2011	$ 3,394,582	$ 21,659,763	$ 29,794,843	$ 54,849,188

Endowment net asset composition by type of fund as of May 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 11,133,679	$ 28,436,763	$ 39,570,442
Board-Designated Endowment Funds	3,394,582	1,783,484	-	5,178,066
Total Funds	$ 3,394,582	$ 12,917,163	$ 28,436,763	$ 44,748,508

NOTE 2 INVESTMENTS (CONTINUED)

Endowment related activities for the year ended May 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 1, 2009	$ 3,384,582	$ 6,398,109	$ 27,373,752	$ 37,156,443
Investment Return:				
Investment Income	-	1,400,729	-	1,400,729
Net Realized and Unrealized Gain	-	7,201,945	-	7,201,945
Total Investment Return	-	8,602,674	-	8,602,674
Contributions	10,000	-	1,059,732	1,069,732
Appropriations of Endowment Assets for Expenditure	-	(2,083,620)	3,279	(2,080,341)
Endowment Net Assets, May 31, 2010	$ 3,394,582	$ 12,917,163	$ 28,436,763	$ 44,748,508

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at May 31, 2011 and 2010:

	2011	2010
Land	$ 2,224,174	$ 2,224,174
Building and Improvements	94,745,713	94,675,899
Furniture and Equipment	27,088,905	25,920,205
Construction in Progress	392,485	43,627
Total	124,451,277	122,863,905
Accumulated Depreciation	(49,027,772)	(45,743,457)
Total Property, Plant and Equipment	$ 75,423,505	$ 77,120,448

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are discounted at rates ranging from 1.3% to 3.7% and are summarized as follows at May 31, 2011 and 2010:

	2011	2010
Less Than One Year	$ 1,802,848	$ 1,573,655
One Year to Five Years	1,963,686	1,611,995
More Than Five Years	907,704	1,309,985
Total	4,674,238	4,495,635
Discount	(358,265)	(438,142)
Contributions Receivable, Net	$ 4,315,973	$ 4,057,493

NOTE 5 FAIR VALUE MEASUREMENTS

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the University measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the University's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of May 31, 2011 and 2010.

	2011			
	Level 1	Level 2	Level 3	Total
Deposits with Bond Trustee	$ 1,908,856	$ -	$ -	$ 1,908,856
Investments:				
Cash	15,590,785	-	-	15,590,785
Bonds	39,193,715	-	-	39,193,715
Stocks - Domestic	12,793,654	34,376,834	-	47,170,488
Stocks - International	19,406,440	-	-	19,406,440
Beneficial Interest in Perpetual Trusts:				
Cash	-	-	-	-
Bonds	8,689	-	-	8,689
Stocks - Domestic	10,556	-	-	10,556
Stocks - International	2,270	-	-	2,270
Beneficial Interest in Perpetual Trusts (Not Trustee)	-	-	3,615,516	3,615,516
Total Assets	$ 88,914,965	$ 34,376,834	$ 3,615,516	$ 126,907,315
Interest Rate Swap Agreement	$ -	$ 381,259	$ -	$ 381,259

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

	2010			
	Level 1	Level 2	Level 3	Total
Deposits with Bond Trustee	$ 1,908,843	$ -	$ -	$ 1,908,843
Investments:				
Cash	11,234,802	-	-	11,234,802
Bonds	33,671,150	-	-	33,671,150
Stocks - Domestic	10,976,451	31,937,831	-	42,914,282
Stocks - International	13,989,943	-	-	13,989,943
Beneficial Interest in Perpetual Trusts:				
Cash				
Bonds	11,596	-	-	11,596
Stocks - Domestic	8,616	-	-	8,616
Stocks - International	2,440	-	-	2,440
Beneficial Interest in Perpetual Trusts (Not Trustee)	-	-	3,350,973	3,350,973
Total Assets	$ 71,803,841	$ 31,937,831	$ 3,350,973	$ 107,092,645
Interest Rate Swap Agreement	$ -	$ 485,044	$ -	$ 485,044

The following tables present the University's activity for assets measured at fair value and a recurring basis using significant unobservable inputs (*Level 3*) as defined in Note 1 – Summary of Significant Accounting Policies for the years May 31, 2011 and 2010:

	Split-Interest Agreements
Balance June 1, 2010	$ 3,350,973
Unrealized Gains	264,543
Change in Value	-
Distributions	-
Balance May 31, 2011	$ 3,615,516

	Split-Interest Agreements
Balance June 1, 2009	$ 3,148,340
Unrealized Gains (Losses)	202,633
Change in Value	-
Distributions	-
Balance May 31, 2010	$ 3,350,973

NOTE 6 NOTES PAYABLE

The University obtained financing for the construction of two residence halls in the year ended May 31, 2007. The notes contain no additional compliance covenants and consist of the following at May 31, 2011 and 2010:

Description	2011	2010
Revenue Notes, Series Six-N (St. Catherine University), bearing interest at 4.75%; matures in 2027. General obligation note, no security interest granted.	$ 5,817,292	6,055,624
Revenue Notes, Series Six-L (St. Catherine University), bearing interest at 5.426%; matures in 2031. General obligation note, no security interest granted.	7,369,352	7,561,750
Total Notes Payable	$ 13,186,644	$ 13,617,374

Below are the scheduled maturities of notes payable for each of the next five years and thereafter:

Year Ended	Amount
2012	$ 452,765
2013	475,935
2014	500,294
2015	525,907
2016	552,837
Thereafter	10,678,906
Total	$ 13,186,644

NOTE 7 BONDS PAYABLE

Bonds payable at May 31, 2011 and 2010 consists of the following:

Description	2011	2010
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-N1 (St. Catherine University), bearing interest at rates ranging from 3.0% to 5.375%; due in varying annual installments through 2012, plus term amounts due in 2018, 2022, and 2032.	$ 24,130,000	$ 24,720,000
Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-N2 (St. Catherine University), variable interest rates determined weekly, 0.18% as of May 31, 2011. Total principal due in 2032.	24,625,000	24,625,000
Total	48,755,000	49,345,000
Less: Unamortized Discount	(241,854)	(253,103)
Total Bonds Payable	$ 48,513,146	$ 49,091,897

In August 2002, the University issued $28,265,000 of Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-N1 and $24,625,000 of Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-N2 to finance capital improvement projects including the construction of a new Student Center and Learning Commons building.

The Series Five-N2 bonds are backed by an irrevocable letter of credit from US Bank N.A., which expires in December 2014, unless terminated or extended. The University also entered into a remarketing agreement with Wells Fargo Brokerage Services, LLC, and entered into a ten-year swap agreement with Royal Bank of Canada. The remarketing agreement allows the bonds to be remarketed every 7 days. In the unlikely event remarketing is unsuccessful; the letter of credit will be drawn upon to pay the Trustee.

NOTE 7 BONDS PAYABLE (CONTINUED)

The University has a liability to the Trustee immediately upon a draw on the letter of credit. The balance of the Series Five-N2 bonds was $24,625,000 at May 31, 2011 and 2010. Interest rate swaps involve the contractual exchange of fixed and floating rate interest payment obligations based on a notional principal amount. The University entered into the interest rate swap contract to manage interest rate risk caused by fluctuations in interest rates. At May 31, 2011, the interest rate swap with a notional amount of $9,625,000 served to reduce the exposure for the interest payable on a portion of the Series Five-N2 bonds. The University is a receiver of floating rate interest and a payer of fixed rate interest in this arrangement. The fixed interest rate for the first ten years is 2.93%. As of May 31, 2011 and 2010, the University had an unrealized gain of $103,785 and $23,666, respectively, on the interest rate swap in the statement of activities. As discussed in Note 1 and Note 5, the interest rate swap on the balance sheet was reported at a fair value liability of $381,259 and $485,044 at May 31, 2011 and 2010, respectively.

The loan agreements and the reimbursement agreement associated with the bonds and the irrevocable letter of credit include usual and customary financial and nonfinancial covenants with which the University is required to comply. The covenants include filing of certain reports and certifications by the University within prescribed timeframes, maintenance of certain financial ratios and asset balances, and certain restrictions of the incurrence of additional long-term debt as specified in the agreements.

Due to the remarketing feature of the bonds, there is a legal obligation where the entire amount of the Series Five-N2 bond could become due immediately if remarketing is unsuccessful and therefore the bonds are considered current for financial statements purposes. If remarketing continues to be successful, the bonds would continue to be paid according to the terms of the bond agreements.

Below are the legal and practical scheduled maturities of bonds payable for each of the next five years and thereafter:

Year Ended	Legal Maturities	Scheduled Maturities
2012	$ 25,240,000	$ 615,000
2013	640,000	640,000
2014	670,000	670,000
2015	705,000	705,000
2016	740,000	740,000
Thereafter	20,760,000	45,385,000
Total	$ 48,755,000	$ 48,755,000

NOTE 8 ENVIRONMENTAL REMEDIATION

The University owns several buildings on campus that contain environment contaminants in various forms. At this time, the University plans to renovate or demolish certain buildings over their estimated remaining useful lives of 50-150 years. In addition to potential project work, in accordance with applicable standards, management has estimated the cost of any potential obligation to remove contaminants and annually undertakes abatement measures. The University used a future value rate assumption of 2.7% and brought that estimate back to present value using a risk-free rate of return of 5.0% in making this determination. The potential environmental remediation liability of $298,000 at both May 31, 2011 and 2010, is recorded as an accrued liability on the balance sheet.

NOTE 9 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at May 31, 2011 and 2010:

	2011	2010
Operations	$ 24,692,374	$ 15,900,633
Capital Expenditures	2,315,733	2,131,591
Scholarships	1,502,673	1,409,585
Faculty Chairs	832,340	807,833
Faculty and Staff Development	371,150	187,015
Special Programs	5,077,460	4,322,497
Total	$ 34,791,730	$ 24,759,154

Net assets released for time and purpose restrictions were $6,308,284 and $7,045,904 for the years ended May 31, 2011 and 2010, respectively.

Permanently restricted net assets are restricted for endowment investments. The purposes the income is expendable to support are as follows at May 31, 2011 and 2010:

	2011	2010
Scholarships	$ 18,986,260	$ 18,061,715
Faculty Chairs	3,718,865	2,920,420
Faculty and Staff Development	1,346,591	1,364,603
Special Programs	8,867,615	8,673,490
Total	$ 32,919,331	$ 31,020,228

NOTE 10 FUNCTIONAL EXPENSES

Expenses with the exception of depreciation and plant expenses are specifically allocated to the various programs and supporting services. Depreciation and plant expenses are allocated based on the ratio of functional category expenses to total expenses.

Expenses reported in the financial statements are classified among program services and supporting activities as follows:

	2011	2010
Program Services	$ 68,509,675	$ 66,597,119
Supporting Activities:		
Management and General	11,474,624	11,151,708
Fundraising	1,739,014	1,848,944
Total	$ 81,723,313	$ 79,597,771

NOTE 11 EMPLOYEE BENEFITS

Defined Benefit Plan

The University has a noncontributory defined benefit retirement plan covering substantially all of its full-time hourly employees. The funding policy is to make annual contributions of not less than the minimum required by applicable regulations. The plan assets are held by a bank-administered trust fund managed by the Plan's trustee.

The University complies with applicable recognition standards which require that the funded status of defined benefit pension and other postretirement plans be fully recognized in the statement of financial position.

The following sets forth information regarding the plan, using a measurement date of May 31, 2011 and 2010, respectively.

The changes in the projected benefit obligation are as follows:

	2011	2010
Change in Projected Benefit Obligation		
Projected Benefit Obligation at Beginning of Year	$ 2,893,450	$ 2,555,364
Service Cost	-	-
Interest Cost	160,534	166,804
Benefits Paid	(183,206)	(128,962)
Actuarial (Gain) Loss	166,160	300,244
Special Termination Benefits		
Projected Benefit Obligation at End of Year	$ 3,036,938	$ 2,893,450

NOTE 11 EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Plan (Continued)

	2011	2010
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	$ 2,579,797	$ 2,347,433
Employer Contributions	96,000	155,588
Benefits Paid	(183,206)	(128,962)
Actual Return on Plan Assets	486,951	205,738
Fair Value of Plan Assets at End of Year	$ 2,979,542	$ 2,579,797
Funded Status of the Plan		
Benefit Obligation	$ 3,036,938	$ 2,893,450
Fair Value of Plan Assets	2,979,542	2,579,797
Excess of Benefit Obligation over Fair Value of Plan Assets	$ 57,396	$ 313,653
Components of Net Periodic Benefit Costs		
Service Cost	$ -	$ -
Interest Cost	160,534	166,804
Expected Return on Plan Assets	(161,721)	(151,735)
Amortization of Unrecognized Prior Service Cost	-	-
Amortization of Unrecognized Net Actuarial Loss	21,612	14,143
Net Periodic Benefit Cost	$ 20,425	$ 29,212
Underfunded Plan Information		
Projected Benefit Obligation at End of Year	$ 3,036,938	$ 2,893,450
Accumulated Benefit Obligation at End of Year	3,036,938	2,893,450
Fair Value of Assets at End of Year	2,979,542	2,579,797
Actuarial Assumptions		
Assumptions Used to Determine Benefit Obligations at May 31:		
Discount Rate	5.25%	5.75%
Salary Increase Rate	N/A	N/A
Assumptions Used to Determine Net Periodic Benefit Cost at May 31:		
Discount Rate	5.75%	6.75%
Expected Return on Plan Assets	6.50%	6.50%
Salary Increase Rate	N/A	N/A

NOTE 11 EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Plan (Continued)

Estimated future benefit payments over the next ten years, which reflect expected future services, are expected to be paid as follows:

Year Ending May 31,	Pension Benefits
2012	$ 164,172
2013	166,194
2014	165,328
2015	167,986
2016	168,012
Years 2017-2021	911,260
Total	$ 1,742,952

No projected contributions are expected for the year ending May 31, 2012.

During the fiscal year 2008, the defined benefit plan was frozen. No employee of the University will be permitted to initiate participation in the Plan. The Plan will continue only to provide benefits to employees who already have valid accounts.

The long-term rate of return is based on the expected rates of return on various asset classes based on the long-term historical rates of return (net of expenses) and weighted based on the plan asset portfolio mix.

Plan assets totaling $2,979,542 and $2,579,797 at May 31, 2011 and 2010, respectively, are all classified as Level 1 in the Fair Value Hierarchy. For additional information on how the University measures fair value refer to Note 1 – Summary of Significant Accounting Policies. Plan assets consist of the following at May 31, 2011 and 2010:

	2011	2010
Cash Equivalents	0.4 %	5.9 %
Fixed Income	99.6	35.6
Equity Funds	-	58.5
Total	100.0 %	100.0 %

At the request of management, the Board of Trustees approved the termination of the Defined Benefit plan effective December 31, 2011. With this pending change, management also positioned the plan holdings in a conservative investment approach to maintain the fund position.

NOTE 11 EMPLOYEE BENEFITS (CONTINUED)

Contributory Savings Plan

The University also participates in a discretionary individual retirement plan administered by Teachers Insurance and Annuity Association, University Retirement Equities Fund or Fidelity which covers substantially all faculty and administrative personnel. Participants of the plan contribute 5% of their salary and the University contributes up to an equivalent of 8% of the participant's salary. Retirement plan expense was $2,170,568 and $2,056,237 for the years ended May 31, 2011 and 2010, respectively.

Health Benefit Plan

On January 1, 1997, the University adopted an Employee Health Benefits Plan (the Plan) to provide comprehensive health benefits for covered employees and their covered dependents, as defined in the Plan agreement. This plan is self-insured and, as such, the University pays the benefits as claims for benefits and associated expenses are incurred subject to stop-loss limits of $100,000 per claimant. There is also a group aggregate stop-loss limit, which is recalculated quarterly based on plan enrollment. For the years ended May 31, 2011 and 2010, the aggregate stop-loss amount was approximately $5,563,100 and $4,993,900. The employees are required to contribute to the cost of coverage under the Plan. The liability is reported as a component of accrued expenses on the balance sheet.

NOTE 12 COMMITMENTS

Capital Lease Commitments

The University is a party to various cancelable and non-cancelable lease agreements involving equipment such as nursing technology and computer equipment. Interest rates implicit to the lease agreements ranged from 2% to 5%.

The University's equipment held under capital leases are recorded on the balance sheet and consists of the following:

	2011	2010
Assets Held Under Lease Agreements	$ 260,500	$ 260,500
Accumulated Depreciation for Leased Assets	260,500	234,450
Total	$ -	$ 26,050

There is $26,050 and $52,100 of capital lease amortization included in depreciation pertaining to this equipment for the year ended May 31, 2011 and 2010, respectively.

NOTE 12 COMMITMENTS (CONTINUED)

Capital Lease Commitments (Continued)

Minimum future lease obligations on capital leases have expired. Minimum future lease obligations in effect at May 31, 2011 are as follows:

Year Ending May 31,	Operating
2012	$ 18,921
2013	16,978
2014	15,924
2015	15,924
2016	15,924
Total Minimum Lease Payments	$ 83,671

Rental expense on operating leases was $32,880 and $35,034 for the years ended May 31, 2011 and 2010, respectively.

Construction Commitments

The University has entered into various contracts for the design and major renovation of two academic buildings on the St. Paul campus. The aggregate commitment under the contracts was approximately $3,200,000. As of May 31, 2011, approximately $2,800,000 of such commitments remained outstanding.

NOTE 13 RELATED-PARTY TRANSACTIONS

The University has entered into an agreement for leasing the Old Main building on the Minneapolis campus from the Province (through Carondelet Lifecare Corporation). The lease agreement is for 30 years at an annual cost of $1. The University received contributions from the Province totaling $18,185 and $84,345 for the years ended May 31, 2011 and 2010, respectively.

The University made payments of $257,600 and $310,300 for the years ended May 31, 2011 and 2010, respectively, for services performed by individual Sisters for the University.

The University provides operating support for the University of St. Catherine Alumnae Association (the Association). In return, the Association works with the University's fundraisers to plan and promote alumnae events, publish a quarterly magazine, and help maintain accurate alumnae files used in the annual fund drive. Funding for the Association totaled $255,347 and $314,317 for the years ended May 31, 2011 and 2010, respectively. The University received contributions from the Alumnae Association for only the fiscal year ended May 31, 2011 totaling $40,525.

NOTE 14 CONTINGENCIES

The University is subject to certain claims arising out of the ordinary course of business. Although it is not possible to predict the outcome of these claims, management believes they will not have a material effect on the financial condition of the University.

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UNAUDITED FISCAL YEAR 2012 OPERATING FUND BUDGET TO ACTUAL

Operating Fund Budget to Actual
12 Months Ending May, FY 12

$000's	2012 YTD	2012 BGT	Fav/ (Unfav)
Operating Revenue			
Tuition and Fees	87,163	87,536	(373)
Less Internally Funded Aid	(23,080)	(23,501)	421
Total	64,083	64,035	48
Grants and Gifts	2,910	4,270	(1,360)
Auxiliary Enterprises	10,435	11,342	(907)
Other	1,375	1,364	11
Total	14,720	16,976	(2,256)
Net Operating Revenue	78,803	81,011	(2,208)
Operating Expense			
Instructional	31,240	31,061	(179)
Academic Support: Library	2,105	2,112	7
Academic Support: Other	3,553	3,844	291
Student Services	10,676	10,371	(305)
Institutional Support	21,455	21,798	343
Auxiliary Enterprises	6,136	7,540	1,404
Total Operating Expense	75,165	76,726	1,561
Operating Income	3,638	4,285	(647)
Other Revenue and Gains (Losses)			
Net Gain/(Loss) on Investment	(1,730)	-	(1,730)
Investment Income (Loss)	1,221	350	871
Total	(509)	350	(859)
Other Expense			
FY11 Budgeted Capital	1,352	1,375	23
Special One-Time Projects	372	614	242
Financing	-	150	150
Debt Service: Res Hall	923	1,173	250
Other	-	1,323	1,323
Total	$ 2,647	$ 4,635	$ 1,988
Change in Net Assets From Operations	**$ 482**	**$ -**	**$ 482**

Includes General Fund revenue, expenses and investments as well as capital funds.
Report is unaudited and data is not final.

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