OFFICIAL STATEMENT DATED MARCH 22, 1991

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

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

$24,405,000
Minnesota Higher Education Facilities Authority
Mortgage Revenue Bonds, Series Three-C
(University of St. Thomas)

Dated Date: March 1, 1991 **Interest Due: March 1 and September 1, commencing September 1, 1991**

The Bonds will mature annually on September 1 as follows:

Year	Amount	Interest Rate	Price	Year	Amount	Interest Rate	Price
1993	$ 500,000	5.50%	100	2001	$650,000	6.50%	100
1994	500,000	5.70	100	2002	700,000	6.60	100
1995	500,000	5.80	100	2003	750,000	6.70	100
1996	750,000	5.90	100	2004	795,000	6.80	100
1997	825,000	6.00	100	2005	850,000	6.90	100
1998	900,000	6.10	100	2006	915,000	7.00	100
1999	975,000	6.25	100	2007	980,000	7.00	100
2000	1,050,000	6.40	100				

$3,395,000 7.10% Term Bonds due September 1, 2010 — Price 100.00
$5,810,000 7.125% Term Bonds due September 1, 2014 — Price 99.00
$3,560,000 6.25% Term Bonds due September 1, 2016 — Price 90.25

At the option of the Minnesota Higher Education Facilities Authority (the"Authority"), all Bonds maturing on or after September 1, 2001 may be redeemed prior to maturity, in whole on any date or in part on any interest payment date commencing September 1, 2000. The Bonds will also be subject to optional redemption in whole in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture and in the event of a Determination of Taxability, as described herein. Bonds maturing September 1, 2010, September 1, 2014 and September 1, 2016 are subject to mandatory redemption in installments as described herein.

The Bonds will be issued in integral multiples of $5,000, and are fully registered as to principal and interest. Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as Trustee, Registrar and Paying Agent.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the University of St. Thomas, Saint Paul, Minnesota (the "University") pursuant to a Loan Agreement between the Authority and the University, or out of other amounts pledged pursuant to the Indenture or realized from the Mortgage, the Security Agreement or the Revenue Note 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 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 Underwriters named below subject to the approval of legality by Faegre & Benson, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon by Moore, Costello & Hart, Saint Paul, Minnesota, counsel to the University, Dorsey & Whitney, Minneapolis, Minnesota, counsel to the Underwriters, and Holmes & Graven, Chartered, counsel to the Minneapolis Community Development Agency. Bonds are expected to be available for delivery on or about April 4, 1991.

Piper, Jaffray & Hopwood Incorporated **FBS Investment Services, Inc.**

Norwest Investment Services, Inc.

Dain Bosworth Incorporated **Miller & Schroeder Financial, Inc.**

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, salesman 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, has been obtained from the University or MCDA and is not guaranteed as to accuracy or completeness. Except for information concerning the Authority, such information is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, MCDA 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 have not been included as appendices hereto, they will be furnished on request.

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Catherine M. Warrick, Chair	Faculty Member, Metropolitan State University, Saint Paul, Minnesota.
Carol A. Blomberg, Vice Chair	Vice President, Merchants & Miners State Bank, Hibbing, Minnesota.
Kathryn D. Jarvinen, Secretary	Hospital Administrator, Winona, Minnesota.
Jack Amundson	Partner, McMahon, Hartmann, Amundson & Co., Saint Cloud, Minnesota.
Earl R. Herring	Retired, formerly Vice President for Administrative Affairs, Moorhead State University, Moorhead, Minnesota.
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota.
Tom Martinson	Principal, Private City Planning Practice, Minneapolis, Minnesota.
David Powers (Ex Officio)	Executive Director, Minnesota Higher Education Coordinating Board, Saint Paul, Minnesota.
Steve Senich*	Director of Physical Therapy, Leisure Hills Health Care Center, Hibbing, Minnesota.
John Young, Jr.*	Salesman/Construction Foreman, Olson Pool Company, Hawley, Minnesota.

* *The terms of these members have expired. They will continue to serve until new members are appointed by the Governor.*

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

$24,405,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
MORTGAGE REVENUE BONDS, SERIES THREE-C

(UNIVERSITY OF ST. THOMAS)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the University of St. Thomas, St. Paul, Minnesota, (the "University") (formerly called the College of St. Thomas) in connection with the issuance of the Authority's $24,405,000 Mortgage Revenue Bonds, Series Three-C (University of St. Thomas) (the "Bonds" or the "Issue").

The Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, 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 to finance certain projects.

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

Pursuant to a Loan Agreement between the University and the Authority, 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 proceeds of the Issue will be loaned to the University by the Authority to finance the acquisition and site preparation of a block in the downtown area of the City of Minneapolis ("City") and the construction and equipping thereon of a multistory educational facility with appurtent equipment and site improvements (collectively the "Project"), as more fully described in "THE PROJECT," pages 10 and 11 herein.

The Bonds are secured by a pledge of the Loan Repayments, a mortgage on and security interest in the land, building and equipment to be constructed and acquired in the City as part of the Project; and money received by the Trustee as payments on the Revenue Note described below and from the University as contributions and payments on pledges restricted or designated by the donor for the Project (the "Gift Receipts" or "Contributions and Pledge Receipts"), as more fully described in "SUMMARY OF SECURITY FOR THE BONDS," page 13. The Loan Repayments are a general obligation of the University to pay all amounts due for principal of, premium (if any) and interest on the Bonds to the extent such payments cannot be met from payments on the Revenue Note, Gift Receipts and interest income on investments held by the Trustee.

To assist the University in developing the Project, the Minneapolis Community Development Agency ("MCDA") and the University have entered into a Contract for Private Redevelopment (the "Redevelopment Contract") under which, among other things, the University will transfer up to $9,200,000 of Bond proceeds to the MCDA for the purchase of the Project Site and a Revenue Note. The Revenue Note obligates the MCDA to pay up to $9,200,000 (or, if less, the estimated Public Improvement Costs of the MCDA) plus interest from certain tax increment revenue (the "Tax Increments"), which the University will pledge to the repayment of the Bonds.

The University will be obligated to reimburse the MCDA for the Tax Increments received and interest thereon, in part by providing annually eight full tuition scholarships to disadvantaged high school graduate residents of the City of Minneapolis during the term of the Redevelopment Contract. The balance must be reimbursed in cash or in-kind as more fully described under "THE REDEVELOPMENT CONTRACT" and "THE REVENUE NOTE AND TAX INCREMENTS," pages 14 through 17.

The Reserve Account will be funded in the amount of $2,378,767.50, the initial Reserve Requirement, which is equal to the maximum annual debt service on the Bonds. (See "Reserve Account," page 19.)

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

The foregoing Introductory Statement is a summary only. For more specific explanations, reference should be made to the following pages and appendices of this Official Statement.

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, premium, if any, or interest on the Bonds.

Risk of Insufficient Collateral

The Bonds are secured by a pledge of the Loan Repayments, a mortgage on and security interest in the land, building and equipment to be constructed and acquired in the City as a part of the Project; the Revenue Note payable from the Tax Increments; Gift Receipts and a Reserve Account which will be held by the Trustee and applied to the payment of principal and interest on the Bonds. If an Event of Default occurs, there can be no assurance that such security will be sufficient to pay the principal of, premium, if any, or interest on the Bonds.

Adequacy of University Revenues

Full and timely payment of principal of and interest on the Bonds will be dependent on the University's ability to receive sufficient unrestricted revenues in excess of expenditures. Such revenues and expenditures are subject to conditions and factors which are beyond the control of the University and may change in the future to an extent that cannot be presently determined.

Dependence on Tuition and Enrollment

The adequacy of University revenues will be largely dependent on the amount of future tuition revenue received by the University. Such revenue in turn will depend primarily on the ability of the University 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. A number of factors, including, without limitation, increases in University tuition rates, competition from other colleges and universities, a decline in the number of college age students generally, and adverse general economic conditions could influence the number of applicants to the University.

Financial Aid

Approximately 77% of the University's students currently receive some Federal or State financial aid covering tuition and fees or living expenses. No assurance can be given that Federal and State financial aid will continue to be funded at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the University's revenues.

Uninsured Losses and Liabilities

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 or liabilities 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 is provided in APPENDIX I under the caption "Long-Term Debt Service and Pro Forma Coverage." The pro forma coverage assumes constant levels of University debt and revenue available to pay debt, which may not in fact occur in the future. The pro forma coverage is merely an illustrative computation as reflected in the applicable table, and constitutes no assurance as to the future sufficiency of University revenues to satisfy University operating costs and Bond and other debt service requirements.

Limited Obligation

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 Mortgage, the Indenture or the Bonds or the other obligations of the University. The MCDA's obligation to make payments on the Revenue Note is limited to the availability of Tax Increments and the MCDA has no obligation to pay any portion of the Bonds, as such. Accordingly, for payment of principal, interest, and premium, if any, on the Bonds, holders of the Bonds must look solely to the financial capacity of the University and the security provided by the Bond Documents.

Title to the Project Site

At or following the Bond Closing, up to $9,200,000 of the proceeds of the Bonds will be paid on behalf of the University to the MCDA to purchase the Revenue Note and the land for the Project (the "Project Site") and related Public Improvement Costs of the MCDA. The MCDA will pay a portion of that amount to those persons from whom it is acquiring the Project Site, pursuant to contracts with and condemnation awards in favor of such persons. The University expects to acquire marketable title to the Project Site at Bond Closing, subject to Permitted Encumbrances. Permitted Encumbrances include, among others, the rights of the public in certain alleys and adjacent streets; proceedings to vacate such alleys and a portion of an adjacent street have been commenced and are expected to be completed prior to Bond Closing. If the alleys are not vacated, the University believes that it would be impractical to construct the Project Building; if the alleys are vacated but the portion of the adjacent street is not vacated, the Project Building will need to be redesigned and construction delayed. The University will have no recourse against the MCDA or the City if either or both the alleys and portion of adjacent street are not vacated. Owner's and mortgagee's title insurance will be provided at Bond Closing by Title Insurance Company of Minnesota under standard title policies which insure that University has good and marketable title to the Project Site, except the Permitted Encumbrances, and that the Trustee has a valid first mortgage lien on the Project Site.

Building Permit

The University does not expect to have obtained a building permit from the City before Bond Closing. Final construction plans have not been submitted to the MCDA for its approval. Approval of the final construction plan by the MCDA is necessary for the receipt of the building permit. Also required are an agreement between the University and the City concerning adequate parking and approval by the City's Planning Commission and City Council of the University's environmental assessment worksheet and transportation management plan, both of which are being prepared on behalf of the University. The City and the Mayor of the City have approved the preliminary construction plans for the Project, as required by the Redevelopment Contract. Although the University expects to be issued a building permit in a timely manner, no assurance can be given that the Project's construction schedule will not be impaired or costs increased, due to delays in receiving the building permit or the approvals and agreements necessary to construct the Project.

Environmental Matters

The University has obtained a phase I environmental audit of the Project Site, a preliminary subsurface investigation of the Project Site and a hazardous materials survey of the Project Site which disclose that the Project Site contains underground storage tanks and that petroleum contamination of the site exists. The Project Site also contains asbestos, PCB's and other miscellaneous hazardous materials which must be removed before the existing improvements on the Project Site are demolished. The full extent of the ground contamination and the presence of other hazardous materials or substances on the Project Site or improvements will not be known until demolition and excavation of the site occur. If the contamination were found to be extensive, it could cause construction delays and increase the University's costs of completing the Project.

Sufficiency of Gift Receipts

Gift Receipts transferred to the Bond and Interest Sinking Fund Account will be credited against the next Loan Repayments due from the University under the Loan Agreement. However, even if the University reaches its goal for the capital campaign for the Project (see "Capital Campaign for Minneapolis Campus," page I-14 herein), and if Tax Increments are sufficient and available to meet payments on the Revenue Note, substantial Loan Repayments to meet debt service on the Bonds must be made from the general unrestricted funds of the University. In addition, the capital campaign may not reach its goal and pledges are generally expressions of intent rather than legally binding obligations. Accordingly each purchaser of Bonds should carefully consider whether the University will be able to pay the Loan Repayments and thereby meet debt service on the Bonds from its general revenues to the extent Gift Receipts and Tax Increments are insufficient. The Trustee will not have a security interest in the Gift Receipts prior to their deposit into the Gift Receipts Account.

Sufficiency and Availability of Tax Increments

Payment by the MCDA on the Revenue Note will be credited against the next Loan Repayment due from the University under the Loan Agreement. However, even if Tax Increments are available to meet all payments on the Revenue Note, and if the capital campaign produces Gift Receipts equal to the capital campaign goal, substantial Loan Repayments to meet debt service on the Bonds must be made from general unrestricted funds of the University. In addition, as described below and at pages 15 through 17 ("THE REVENUE NOTE AND TAX INCREMENTS"), the expected amount of Tax Increments may not become available to make payments on the Revenue Note and the University may be required to repay in cash a substantial portion of the Tax Increments paid by the MCDA on the Revenue Note. Accordingly, each purchaser of Bonds should carefully consider whether the University will be able to pay the Loan Repayments, and thereby meet debt service on the Bonds, from its general revenues to the extent the Tax Increments and Gift Receipts are unavailable and insufficient.

The MCDA's obligations to make payments on the Revenue Note will be subject to the availability of the Tax Increments from Tax Increment District No. 42 (Neiman-Marcus), which are the sole source of payments to be made on the Revenue Note. Only 25% of the tax increments from Tax Increment Financing District No. 42 (Neiman-Marcus) have been pledged to payment of the Revenue Note, and in any event, the pledge of Tax Increments to the Revenue Note is subject to certain prior pledges to bonds of the MCDA and the City (see "THE REVENUE NOTE AND TAX INCREMENTS" at pages 15 through 17). If, for example, there were a decline in property values of taxable properties or a reduction in the rate of property taxation in the tax increment districts created by the City or the MCDA, including but not limited to Tax Increment District No. 42 (Neiman-Marcus), the scheduled payments by the MCDA on the Revenue Note may not be met or may be delayed, in whole or in part. In addition, Tax Increment Financing District No. 42 (Neiman-Marcus) terminates, as required by law, in the year 2015, and no taxes payable after 2015 will result in Tax Increment available for payment on the Revenue Note.

Disapproval of In-Kind Repayments

Under the Redevelopment Contract, the University is required to repay in twenty-one (21) annual installments commencing August 1, 1996, the amount of Tax Increments paid by the MCDA on the Revenue Note together with interest, less the recapture value of certain scholarships to be provided by the University and interest thereon (see "THE REDEVELOPMENT CONTRACT" at pages 14 and 15 herein). Under the Redevelopment Contract, the University may submit to the City Council and Mayor of the City proposals for providing in-kind services as a credit against its cash repayment obligation. The City Council and Mayor are under no obligation to accept all or any of such proposals for in-kind services or the valuation attributed by the University thereto and have given no indication that they will or will not accept such proposals. If the City Council and Mayor do not accept such proposals for in-kind services, the University will be obligated to make all annual installments of its repayment obligation in cash.

Foreclosure of the Mortgage

The Bonds are limited obligations of the Authority and are payable from Loan Repayments by the University under the Loan Agreement, from payments by the MCDA on the Revenue Note from the Tax Increments, from Gift Receipts deposited by the University in the Gift Receipts Account or from the Reserve Account. If sufficient payments are not forthcoming from these sources, it may be necessary for the Trustee to exercise its remedies under the Mortgage. The value of the Mortgaged Property upon foreclosure of the Mortgage may be adversely affected by a number of factors. The mortgaged building is designed for educational purposes and its use and marketability for other purposes may be limited. Attempts to foreclose under mortgages are frequently met with protracted litigation and/or bankruptcy proceedings, which proceedings cause delays in realizing on collateral and may otherwise limit the value of the collateral.

Bankruptcy

The ability of the Trustee to exercise rights and remedies under the applicable Bond Documents may be limited by bankruptcy, insolvency, reorganization or other similar laws or equitable principles related to or affecting the enforcement of creditors' rights generally.

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) Reinstatement of or establishment of mandatory governmental wage and price controls.

(2) 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.

(3) Employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in revenues.

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

THE BONDS

The Bonds will be dated March 1, 1991 and will mature each September 1, commencing September 1, 1993, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on March 1 and September 1, commencing September 1, 1991. In the event of a Determination of Taxability, the Bonds will bear additional interest of 2% per annum. See "Determination of Taxability," page 9.

The Bonds will be registered at the office of Norwest Bank Minnesota, National Association, Minneapolis, Minnesota as Trustee; the Trustee will also be the Registrar and Paying Agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Owner thereof or the Owner's authorized attorney satisfactory to the Trustee, subject to such reasonable regulations as the Trustee may prescribe, and shall be without expense to the Owner, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for new Bonds of the same maturity which may be of any authorized denominations so long as the aggregate principal amount thereof equals the aggregate principal sum of the Bonds surrendered. Payment of principal will be at the corporate office of the Trustee and payment of 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 Authority.

Transfers shall not be made with respect to any Bonds called for redemption or during any period within fifteen days next prior to the required date for mailing or publication of notice of such redemption.

Interest on any Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name the Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such interest payment date (the "Regular Record Date"). Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any interest payment date shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such defaulted interest may be paid by the Trustee on a "Special Record Date," as follows:

(a) Subject to the provisions of Article VII of the Indenture relating to application of money upon the occurrence of an Event of Default, upon receipt by the Trustee of any defaulted interest, the Trustee shall fix a Special Record Date for the payment of such defaulted interest which shall not be more than fifteen days nor less than ten days prior to the date of the payment set by the Trustee in its discretion, but not less than ten days after the receipt by the Trustee of such defaulted interest. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name of the Authority, shall cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed first class postage prepaid, to each Holder at his address as it appears on the registration books on a date determined by the Trustee, but not less than ten days prior to such Special Record Date. The Trustee may, in its discretion in the name of the Authority, cause a similar notice to be published at least once in a financial journal, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such defaulted interest and the Special Record Date therefor having been mailed as aforesaid, such defaulted interest shall be paid to the registered Owners on such Special Record Date and shall no longer be payable pursuant to the following paragraph (b).

(b) Subject to the provisions of Article VII of the Indenture, the Trustee may make payment of any defaulted interest on the Bonds in any other lawful manner, if after notice given to the Authority by the Trustee of the proposed payment pursuant to this paragraph (b), such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions, each Bond delivered under the Indenture upon transfer of, or in exchange for, or in lieu of, any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Prior Redemption

<u>Mandatory Redemption</u>

Bonds maturing on September 1, 2010, September 1, 2014 and September 1, 2016 shall be called for redemption on September 1 in the years 2008 and 2009, 2011 through 2013 and 2015, respectively, at the principal amount thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2008	$1,050,000	2011	$1,300,000	2015	$1,725,000
2009	1,130,000	2012	1,400,000	2016	1,835,000*
2010	1,215,000*	2013	1,500,000		
		2014	1,610,000*		

* *Maturity*

The 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 Bonds maturing in 2010, 2014 and 2016, respectively, to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the University, 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 Sinking Fund Subaccount) and cancelled by the Trustee and not theretofore applied as a credit against such mandatory redemption obligations.

Optional Redemption

Bonds maturing on or after September 1, 2001 are subject to optional redemption, in whole on any date or in part on any interest payment date and if in part, in such order of maturity as the University shall direct and by lot within a maturity, in integral multiples of $5,000, commencing September 1, 2000 at a price of 101%, if called for redemption prior to September 1, 2001 and at a price of par if called for redemption on or after September 1, 2001.

The Bonds will also be subject to optional redemption at par and accrued interest, as a whole on any date in certain cases of damage to or destruction or condemnation of the Project Facilities, and as a whole on any interest payment date upon a Determination of Taxability as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS - Loan Agreement").

Partial Redemption

In the case of Bonds of denominations greater than $5,000, if less 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 was 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. If it is determined that one or more, but not all, of the $5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such $5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the $5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the registered Owner thereof, without charge therefor. If the Owner of any such Bond of a denomination greater than $5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the $5,000 unit or units of principal amount called for redemption (and to that extent only). 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 shall be 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 thirty days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be 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 rate from the date of taxability effective until the respective dates on which the principal of the Bonds is paid. See "TAX EXEMPTION" on pages 24 through 26 and Appendix III, "DEFINITION OF CERTAIN TERMS."

The University will have the option to prepay the Bonds in full on the first practicable interest payment date and any interest payment date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability).

Additional Bonds

In addition to the Bonds, the Authority may in its discretion and with the consent of the University issue Additional Bonds (i) to provide funds to complete the Project, or (ii) to refund all or any series or portion of series of the then outstanding Bonds, or (iii) to provide funds for improvements to or alterations, repairs or replacement of the Project Facilities or (iv) for another project or projects, as defined in and authorized by the Act, provided that no such Additional Bonds will be issued under the Indenture or secured by the Trust Estate on a parity with the Bonds then outstanding unless:

1. The interest on the outstanding Bonds and the Additional Bonds is excludable from gross income of the holders of the Bonds and the Additional Bonds for purposes of federal income taxation under the Code.

2. Supplements to the Loan Agreement, Mortgage, Security Agreement and Indenture are executed and delivered describing the Additional Bonds as additional indebtedness secured thereby.

3. No Default or Event of Default on the part of the University exists under the Loan Agreement, the Mortgage, the Security Agreement, or the Redevelopment Contract.

4. The University furnishes evidence satisfactory to the Authority of the University's ability to meet debt service on the Additional Bonds and deposits additional monies or investments in the Reserve Account, to be held by the Trustee under the Indenture in such amount and value as shall bring the amount on deposit in the Reserve Account to the Reserve Requirement, calculated after giving effect to the issuance of the Additional Bonds.

SOURCES AND USES OF FUNDS

Sources and uses of funds for the Project are expected to be approximately as follows:

Sources of Funds:		
Principal of the Bonds	$24,405,000	
Less: Original Issue Discount	(405,200)	
Net Proceeds		$23,999,800
University Funds*		5,000,000
For Interest During Construction Period:		
Investment Earnings		1,292,000
Tax Increments		412,000
General University Funds		731,000
Total		$31,434,800
Uses of Funds:		
Site Acquisition and Preparation		$ 9,200,000
Building Construction		15,000,000
Building Equipment and Furnishings		2,000,000
Debt Service Reserve		2,380,000
Discount and Issuance Costs		419,800
Interest on Bonds During Construction		2,435,000
		$31,434,800

* *Expected to be paid from Gift Receipts. The University anticipates receiving $5,000,000 of Gift Receipts prior to September 1, 1992, of which approximately $1,200,000 was on hand as of December 31, 1990.*

In the event the underwriting discount and issuance costs exceed 2% of the proceeds (par less original issue discount according to the reoffering scale), such excess issuance costs shall be paid by the University from other than Bond proceeds.

Accrued interest received at Bond Closing will be deposited into the Bond and Interest Sinking Fund Account and applied as a credit against the amount to be deposited in the Bond and Interest Sinking Fund on or before the next interest payment date.

THE PROJECT

The Project includes the following components:

1. Acquisition and preparation of a site in downtown Minneapolis consisting of the block bounded by 10th and 11th Streets, LaSalle Avenue and Harmon Place. The preparation of the Project Site will include the demolition and removal of several existing structures.

2. Construction, furnishing and equipping of an educational facility on the site which will be 4½ stories high and provide approximately 150,000 square feet of interior space. A lower level area providing approximately 35 parking spaces and an underground dock/receiving area is also part of the Project, together with appurtenant site improvements.

The Project Building will be the principal structure of the University's downtown Minneapolis campus.

The Project will house both graduate and undergraduate programs. Under current plans, the facility to be constructed will be the administrative home for the University's Graduate School of Business (with its Master's programs in Business Administration, Business Communications and International Management), Management Center, Small Business Development Center and several new outreach initiatives or centers. Initially, classes will be offered in the late afternoon and early evening hours and on Saturdays in the MBA program, the MBC program, the graduate programs in Education, Software Design, and through New College, the University's undergraduate evening program for working adults. Support services such as library, audio visual, computing, food services, bookstore, and duplicating will be provided.

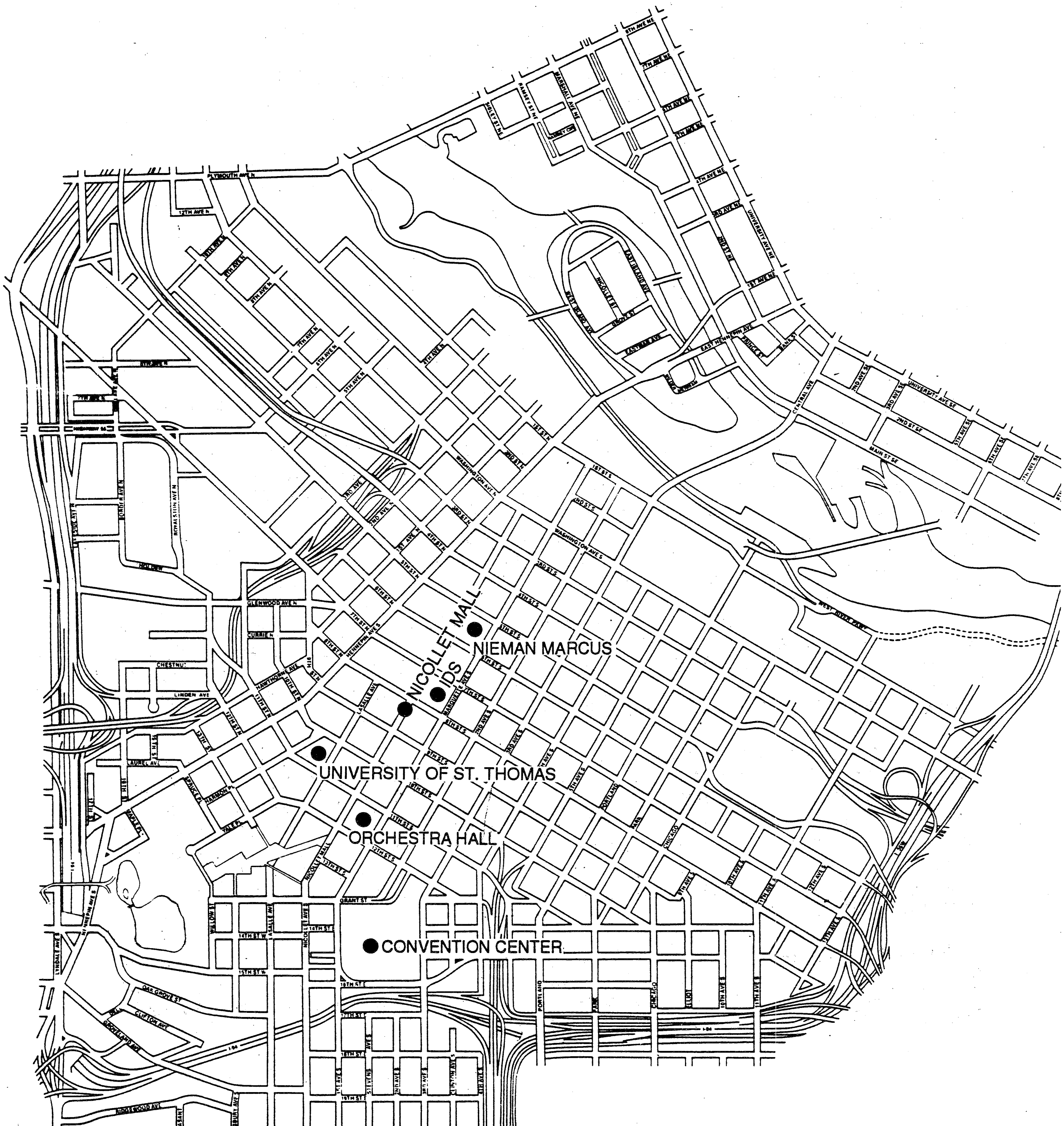
Pursuant to the Redevelopment Contract, the MCDA has agreed to acquire the Project Site and pay the costs of demolishing and removing existing structures and to convey marketable title and possession of the property to the University. MCDA will pay the acquisition and demolition costs from the proceeds of a Revenue Note in an amount up to $9,200,000, which it will issue and which the University will purchase from proceeds of the Bonds. (See "THE REDEVELOPMENT CONTRACT" and "THE REVENUE NOTE AND TAX INCREMENTS" on pages 14 through 17 herein.)

The University expects to enter into a contract (the "Construction Contract") with Opus Corporation (the "Contractor") prior to Bond Closing for the design and construction of the Project and the demolition and removal of the existing improvements on the Project Site. Pursuant to the Construction Contract, the Contractor will agree to design and construct the Project for a guaranteed maximum price of $13,396,700, including allowances for certain items of work totaling $1,000,000. The Construction Contract and the guaranteed maximum price will not include certain construction materials (estimated to cost approximately $2,244,000) to be purchased by the University and provided to the Project. The Contractor will not obtain payment and performance bonds securing its obligations under the Construction Contract. The University will also enter into a separate contract with EnviroNet Inc. for the removal and disposal of asbestos and PCB's in the existing improvements. The contract price under the asbestos and PCB's removal contract is $74,800. The guaranteed maximum price under the Construction Contract and the contract amount of the EnviroNet, Inc. contract could be exceeded due to change orders. The Contractor has undertaken and completed projects of similar size, character and location in the past several years, including projects for the University at its St. Paul campus. Gerald A. Rauenhorst, the Chairman of the Contractor, is a member of the Board of Trustees of the University.

The Project Site is expected to be acquired at Bond Closing and demolition is expected to commence immediately thereafter. Construction of the Project is scheduled to be substantially completed by September 1, 1992. The Construction Contract provides no liquidated damages clause on the part of the Contractor for failure to complete by the scheduled completion date. As more fully discussed under "Risk Factors," it is not anticipated that all of the City approvals which are required to obtain a building permit will be obtained by Bond Closing. In the event of a delay in obtaining the building permit, construction of the Project may be delayed and the costs thereof increased.

To the extent Bond proceeds and Gift Receipts during the construction period are insufficient to pay all Project costs, the University will apply other unrestricted funds to complete the Project. The University has undertaken a capital campaign to raise $15 million for this Project. See "Capital Campaign for Minneapolis Campus," page I-15.

Location of University of St. Thomas Downtown Facility



SUMMARY OF SECURITY FOR THE BONDS

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the University as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including moneys and investments in the Gift Receipts Account and the Reserve Account and payments on the Revenue Note received from the MCDA (see "THE REDEVELOPMENT CONTRACT," pages 14 and 15 herein.) The Reserve Account will be fully funded in the amount of the initial Reserve Requirement.

The University will agree pursuant to the terms of the Loan Agreement and the Indenture to make Loan Repayments 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 when due as well as to maintain the Reserve Requirement in the Reserve Account. The Loan Repayments are general obligations of the University, supported by the full faith and credit of the University.

The University covenants and agrees to make such payments out of its operating funds or any other moneys legally available to the University. The University covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payment required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; to make repayments in cash or in-kind as required by the Redevelopment Contract; and to pay all other obligations of the University as they become due.

To the extent available, the University anticipates that debt service on the Bonds will be paid in part from Gift Receipts, (being those donations restricted or designated by the donor or the Board of Trustees of the University to be used for the Project) to the extent Gift Receipts are not used to complete the Project. Except for Gift Receipts which may be used by the University to pay Project costs directly in accordance with the Loan Agreement, all Gift Receipts shall be deposited every thirty days into the Gift Receipts Account, to be held and administered by the Trustee. Pursuant to a Security Agreement between the University and the Trustee, the Trustee shall have a security interest in all funds, securities and deposits in the Gift Receipts Account. Unrestricted gifts received by the University are not pledged for payment of debt service. The Trustee will not have a security interest in Gift Receipts prior to their deposit with the Trustee.

Pursuant to the Redevelopment Contract, MCDA will issue its Revenue Note to the University in an amount up to $9,200,000 which will be assigned to the Trustee, by which the MCDA will be obligated to pay Tax Increments to be received by the MCDA in regard to a separate property in downtown Minneapolis. If at Bond Closing the Public Improvement Costs (as defined in the Redevelopment Contract) of the MCDA are estimated to be less than $9,200,000, the Revenue Note will be issued for such lesser amount. (See "THE REDEVELOPMENT CONTRACT" and "THE REVENUE NOTE AND TAX INCREMENTS").

No assurance can be given that Tax Increments or Gift Receipts will be forthcoming in amounts anticipated by the University. Bondholders should rely principally on revenues from operations of the University during the term of the Bonds for debt service payments. (See "RISK FACTORS.")

Pursuant to the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), the University will mortgage and grant a security interest to the Authority in the Project to secure its obligations to make timely Loan Repayments (see "SUMMARY OF DOCUMENTS - The Mortgage"). The Authority will, in turn, assign its interest in the Mortgage to the Trustee to be held by the Trustee as part of the Trust Estate.

THE REDEVELOPMENT CONTRACT

To assist the University in developing the Project, the MCDA has entered into a Contract for Private Redevelopment with the University, dated April 13, 1990 and amended on November 19, 1990 to which are attached as schedules and exhibits forms of various related documents to be executed and delivered (as heretofore or hereafter amended, and with attached documents, the "Redevelopment Contract"). Prior to Bond Closing, it is expected that the Redevelopment Contract will be further amended as to certain procedural matters, not inconsistent with the following described terms.

Under the Redevelopment Contract, the MCDA has agreed, among other things, to convey or cause to be conveyed the Project Site and issue the Revenue Note to the University; and the University has agreed, among other things, to pay the MCDA up to $9,200,000; to construct a 120,000 to 170,000 square foot building and appropriate landscaping on the Project Site in accordance with preliminary construction plans approved by the City Council and Mayor of the City and construction plans to be approved by the MCDA; to provide eight (8) full tuition, four (4) year (33 courses) scholarships to disadvantaged high school graduate residents of the City each year during the term of the Redevelopment Contract; and to repay in twenty-one (21) annual installments commencing August 1, 1996, the amount of Tax Increments paid by the MCDA on the Revenue Note, together with interest at six percent (6%) per annum, less the aggregate recapture value of the scholarships provided by the University and interest thereon at six percent (6%) per annum. The initial annual recapture value of each scholarship is $10,090. If Tax Increments are received by the MCDA to make payments on the Revenue Note in the amounts and at the times currently estimated by the MCDA and the actual recapture value of scholarships does not vary from the estimated recapture value, the amount of each of the twenty-one (21) annual cash installments payable by the University to the MCDA is estimated to be approximately $530,000. The actual amount of the first three (3) annual installments payable by the University in 1996, 1997 and 1998 will not be calculated until 1995, and those annual installments and subsequent annual installments could vary substantially from the foregoing estimate. Following the initial calculation of annual installments in 1995, the annual installments payable by the University will be recalculated in 1998 and in every third year thereafter based upon the actual annual installments and recapture value of scholarships previously paid or provided by the University, the actual Tax Increments previously received by the MCDA and applied to pay the Revenue Note, the estimated future recapture value of scholarships, and the estimated future Tax Increments to be received by the MCDA and applied to pay the Revenue Note. Following each recalculation, the ensuing three (3) annual installments will be based upon the recalculation, and they could vary substantially from the annual installments paid before the recalculation. The annual installments are payable in cash by the University, unless the University is authorized by the Mayor of the City and the City Council to substitute in-kind services in lieu of all or part of such cash installments in accordance with the provisions of the Redevelopment Contract. Any in-kind services accepted by the Mayor and City Council for that purpose will be applied at their agreed-upon value to the next annual installments payable by the University.

The repayment obligations of the University under the Redevelopment Contract will be secured by a mortgage of the Project Site, together with certain judgment and condemnation award rights, to be executed by the University to the MCDA at the Bond Closing, in the form attached to the Redevelopment Contract. The lien and rights of the MCDA under this mortgage will be subordinate to the lien and the rights of the Trustee under the Mortgage to be executed by the University and assigned to the Trustee (see "SUMMARY OF THE SECURITY FOR THE BONDS" at page 13) and "SUMMARY OF DOCUMENTS - The Mortgage," Appendix IV.

The City Council and Mayor have approved the preliminary construction plans of the Project Building, as required by the Redevelopment Contract. It is not expected that, prior to Bond Closing, the MCDA will have approved the construction plans for the Project Building, but the

University expects that the MCDA will approve the construction plans before May 15, 1991. Under the Redevelopment Contract, the University is required to commence construction of the building on or before June 1, 1995 and to complete construction by June 1, 1996, or (if earlier) the date on which an Event of Default occurs under the Loan Agreement by reason of the University's failure timely to complete the Project Building (unless extended for permitted delays). On or before Bond Closing the University will have entered into construction contracts for demolition of the existing improvements on the Project Site and for construction of the Project Building and therefore expects to complete demolition and commence construction by approximately June 1, 1991. It further expects that construction of the Project Building will be substantially complete by September 1, 1992 and will be fully completed by December 31, 1992. However, if it fails to complete construction by the completion deadline required by the Redevelopment Contract, the MCDA has the option to declare an event of default under the Redevelopment Contract and, at its option, to cause title to the Project Site and improvements thereon (including the Project Building, to the extent completed) to revert to the MCDA or to void the Revenue Note. In either such case, or if any event of default exists under the Redevelopment Contract, an event of default will exist under the Loan Agreement, Indenture, Mortgage and Security Agreement, giving the Trustee the right to exercise its remedies on behalf of the Authority and the Bondholders, including foreclosure of the Mortgage. If construction of the Project Building is completed in accordance with the Redevelopment Contract, the MCDA is obligated to issue a certificate of completion to the University. The right of the MCDA to cause the title to revert is subject to the Mortgage and terminates on recording of the certificate of completion; the MCDA's mortgage lien will continue, however, until the University's repayment obligations are met.

THE REVENUE NOTE AND TAX INCREMENTS

At Bond Closing, proceeds of the Series Three-C Bonds will be deposited in the Site Acquisition Account, in an amount equal to estimated Public Improvement Costs (as defined in the Redevelopment Contract), not exceeding $9,200,000, and that amount will be paid from the Site Acquisition Account to the MCDA on behalf of the University in exchange for conveyance of the Project Site and the Revenue Note. The amount paid is to be used by the MCDA to meet the Public Improvement Costs as defined in the Redevelopment Contract, principally the costs to the MCDA of acquiring the land and interests in land for the Project Site and demolishing and removing existing improvements on the Project Site. At Bond Closing, the Revenue Note will be issued in the amount of the estimated Public Improvement Costs, not to exceed $9,200,000, to the University; the University will assign the Revenue Note to the Authority and the Authority will assign the Revenue Note to the Trustee as security for and as a source of payment for part of the debt service on the Bonds. Four months after Bond Closing, the MCDA is required to certify the amount of the Public Improvement Costs incurred or estimated to be incurred, and if the amount so certified is less than the principal amount of the Revenue Note, the MCDA is required to apply the difference to prepayment of the Revenue Note. The prepayment will be deposited in the Site Acquisition Account. For a description of the use of moneys in the Site Acquisition Account, see "ACCOUNTS - Site Acquisition Account."

Under the Redevelopment Contract, including the form of Revenue Note attached thereto, the MCDA will be obligated to pay to the Trustee as holder thereof the principal amount thereof (not exceeding $9,200,000) plus interest (calculated at the arbitrage interest cost of the Bonds) from "Available Tax Increment" received by the MCDA, subject to certain prior pledges of Tax Increments and other restrictions, as described below. Under the Revenue Note, "Available Tax Increment" is defined to mean twenty-five percent (25%) of all tax increment of real property taxes payable with respect to Tax Increment District No. 42 (Neiman-Marcus) ("TIF 42").

TIF 42 was created by the MCDA, with approval of the City Council, pursuant to Sections 469.174 to 469.179, Minnesota Statutes, (the "Tax Increment Financing Act") within Development District No. 57 (South Nicollet Mall), which had previously been established. By an amendment to the tax increment financing plan for TIF 42 adopted in November , 1988, 75% of the tax increment from TIF 42 was captured by the MCDA to finance the acquisition of a site for a multistory retail and office building to be located within the boundaries of TIF 42, generally described as the one-half block on the East side of Nicollet Mall between Fifth and Sixth Streets in downtown Minneapolis. By a further modification to the tax increment financing plan for TIF 42 adopted in February, 1990, the MCDA captured the remaining 25% of the tax increment from TIF 42 to provide financial assistance to the University in acquiring the Project Site. The Project Site is located within Development District No. 57 (South Nicollet Mall) but not within TIF 42.

At Bond Closing, Holmes & Graven, Chartered, as counsel to the MCDA, will furnish an opinion that all necessary proceedings have been taken by the MCDA and the City Council to create Development District No. 57 and TIF 42 and for the MCDA to execute and deliver the Redevelopment Contract and the Revenue Note and to pledge the Available Tax Increment to payment of the Revenue Note, that the Redevelopment Contract and the Revenue Note are the valid and binding obligations of the MCDA, and that the Available Tax Increment has been duly pledged to payment of the Revenue Note. The opinion of Faegre & Benson, as bond counsel, will recite that, as to such matters, Faegre & Benson has relied on the opinion of Holmes & Graven, Chartered.

The term "tax increments" is not defined in the Tax Increment Financing Act. However, it is generally understood to refer to the amount of property taxes generated during the life of a tax increment financing district due to increases in value of taxable property in the District from the value in the year immediately preceding the formation of the tax increment financing district, subject to various adjustments. Prior to the formation of TIF 42, a former J.C. Penney Co. store occupied the property in TIF 42. A 4-floor retail and 33-floor office building is now under construction in TIF 42 at a cost of approximately $170 million and is expected to be completed in November, 1991. Approximately 60% of the retail portion and 30% of the office portion are leased; initial uses include a Neiman-Marcus department store and headquarters offices for Dain Bosworth Incorporated and its parent company, Interregional Financial Group. According to the tax increment financing plan for TIF 42 as amended, TIF 42 will have an estimated captured tax capacity after completion of the improvements described above of $2,947,349 (estimated future tax capacity minus original tax capacity), 25% of which ($736,837) would be the tax base, against which the tax rate will be levied to produce the Tax Increments available for payments on the Revenue Note, subject to certain prior pledges described below. The tax rate for taxes payable in 1991 for taxable property in the downtown area of the City is 115.073%. This includes an excess levy authorized by Minneapolis School District voters in November, 1990, which, at the time of authorization, represented a 6.9% additional tax rate. This excess levy is not available for generating tax increments. Subtracting the additional tax rate of 6.9% from the total 1991 tax rate of 115.073% results in 108.173%. Applying that tax rate to the captured tax capacity available for payments on the Revenue Note of $736,837 would produce $797,059 in Tax Increments. No assurance can be given that this amount or any amount will be available for payment on the Revenue Note.

The pledge of the Available Tax Increment to payment of the Revenue Note is subject to prior pledges made (i) by the City Council to the payment of a portion of the City's $62,200,000 General Obligation Tax Increment Bonds of 1985 and a portion of the City's $62,565,000 General Obligation Tax Increment Refunding Bonds of 1987, which refunded the 1985 Bonds maturing after 1995, and (ii) by the MCDA to the payment of its $112,784,749.10 Tax Increment Revenue Bonds of 1990, (the "Prior Pledges"). Based on projections made by the MCDA when the Redevelopment Contract was entered into, the MCDA expects that the Available Tax Increment, that is, the 25% of tax increments of TIF 42 captured for and pledged to the payment of the Revenue Note (called "Tax Increments" in the Loan Agreement and Indenture) will be available to make the scheduled payments on the Revenue Note, notwithstanding the

Prior Pledges. However, if the amount of tax increments from the various tax increment financing districts, including the original 75% of tax increment captured from TIF 42, are not sufficient to meet the debt service requirements of the City's bonds and MCDA revenue bonds to which the Prior Pledges have been made, the Tax Increments may be used, in whole or in part, to meet such debt service in any year or years and would not be available to pay the scheduled debt service on the Revenue Note. A decline in the expected tax increments could occur for various reasons, including but not limited to a decline in property values caused by a recession or other reasons and reduction in the rate of property taxes levied by the City and overlapping taxing districts, such as the county and school district.

In addition, the Tax Increment Financing Act provides certain restrictions and options to the City Council which could affect the amount of Tax Increments available for payments on the Revenue Note, including the option to change the election made in a tax increment financing plan with regard to a city's fiscal disparities contribution. Under the fiscal disparities law (Chapter 473F, Minnesota Statutes), a municipality in the Twin Cities metropolitan area must contribute 40% of the net increase since July 1, 1982 in commercial and industrial property tax valuation to a metropolitan pool, which is redistributed to municipalities in accordance with a fiscal capacity formula. In the tax increment financing plan for TIF 42, the MCDA elected to make the fiscal disparities contribution resulting from increased property valuations in TIF 42 from property and sources outside TIF 42, and the City Council is expected to agree that such election shall be irrevocable so long as the Revenue Note is outstanding. However, it is not certain that, pursuant to the provisions of the Tax Increment Financing Act, the City Council could not later require that the tax increments from TIF 42 be applied to payment of its pro rata share of the City's fiscal disparities contribution, and such action could conceivably substantially reduce or eliminate the amount of Tax Increments available to make payment on the Revenue Note.

Any increase in the tax rate due to an excess levy referendum approved by Minneapolis School District voters may not be available, by State law, for the generation of Tax Increments. In any case, the City intends to allow the Minneapolis School District to retain all tax receipts from a voter-authorized levy increase.

Whether or not Tax Increments are available to make payments on the Revenue Note, and are paid to the Trustee to meet debt service on the Bonds, the University is obligated under the Loan Agreement to make Loan Repayments in amounts and at times which, with Gift Receipts and other funds held by the Trustee in the Bond and Interest Sinking Fund Account, are sufficient to pay principal of and interest on the Bonds when due, including mandatory redemption of Bonds from the Sinking Fund Subaccount.

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which a portion of the proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement, Gift Receipts and payments on the Revenue Note are to be deposited. These accounts include a Construction Account, a Site Acquisition Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account and a Gift Receipts Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Site Acquisition Account and Construction Account, except that the amount of the Reserve Requirement will be deposited into the Reserve Account and accrued interest will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the University as Gift Receipts are to be deposited into the Gift Receipts Account and Loan Repayments into the Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account.

Site Acquisition Account

At Bond Closing there shall be deposited into the Site Acquisition Account an amount equal to the estimated Public Improvement Costs, not exceeding $9,200,000 from Bond proceeds for the purpose of paying the purchase price of the Revenue Note and to acquire the Project Site in accordance with the Redevelopment Contract. If the MCDA estimates four months after Bond Closing that Public Improvement Costs will not equal the principal amount of the Revenue Note, the MCDA is required to apply the excess to prepayment of the Revenue Note and the Trustee will deposit the amount of the prepayment into the Site Acquisition Account to be used for payment of other Project Costs of acquiring the Project Site and demolishing the existing improvements on the Project Site. Such moneys in the Site Acquisition Account (if any) shall be invested by the Trustee and disbursed from time to time to meet other Project Costs of acquiring the Project Site and demolishing the existing improvements on the Project Site (including without limitation costs of abstracts of title, title opinions, title insurance, legal, recording and filing fees relating to the acquisition of the Project Site, deed taxes and obligations incurred to contractors for demolishing and removal of existing improvements). All amounts (including any investment earnings) in the Site Acquisition Account shall be disbursed no later than six months from the date of Bond Closing, provided that if at least 95% of all amounts deposited in the Site Acquisition Account shall have been disbursed within six months of Bond Closing, the remaining amounts may be disbursed within one year of Bond Closing. The Trustee may transfer all or any remaining amounts from the Site Acquisition Account to the Construction Account if an Authorized Institution Representative so requests in writing, subject to certain conditions.

Construction Account

There shall be deposited initially into the Construction Account the balance of the proceeds received from sale of the Bonds less the amount of underwriter's discount, accrued interest, the amount of up to $9,200,000 to be deposited into the Site Acquisition Account, and the initial Reserve Requirement. In addition, the University will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of available general funds any costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds (principal less original issue discount according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the University costs incurred in connection with the Project. When work on the Project Building has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account.

Bond and Interest Sinking Fund Account; Sinking Fund Subaccount

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted and required by the Indenture, and from Loan Repayments made by the University and from deposits of all Tax Increments and, to the extent required, Gift Receipts transferred from the Gift Receipts Account. A separate Sinking Fund Subaccount will be maintained within the Bond and Interest Sinking Fund Account for the retirement of Term Bonds on each Sinking Fund redemption date. Deposits into the Sinking Fund Subaccount shall be made at least 10 Business Days prior to September 1 in amounts to equal the redemption price of the principal specified for mandatory redemption on the next succeeding September 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 $2,378,767.50, which is the initial Reserve Requirement. All cash and investments in the Reserve Account are 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 forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the University for amounts so withdrawn. Investments in the Reserve Account which are eligible investments under the Arbitrage Regulations for such valuation method shall be valued at par or (if purchased at a premium or discount) at amortized cost, and other investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued quarterly on the first day of each calendar quarter commencing September 1, 1991, provided that the valuation of investments with respect to the Reserve Account shall be adjusted whenever there is a withdrawal from or addition to the Reserve Account or any investment held in the Reserve Account is bought or sold or matures. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of earned or accrued interest on moneys or investments therein) is more than the amount of the Reserve Requirement, or more than the amount 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 at the end of any Fiscal Year the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the deficiency is equal to or less than the excess of the amount of the Reserve Requirement over the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days.

Interest and income in the Reserve Account shall be transferred first, to the Bond and Interest Sinking Fund Account to the extent the amount on deposit in the Bond and Interest Sinking Fund Account is less than the amount permitted for a bona fide debt service fund under the Arbitrage Regulations, and second, to the Redemption Account, and 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.

Gift Receipts Account

The University agrees to establish and maintain, so long as any of the Bonds are outstanding, an account with the Trustee (the "Gift Receipts Account") and to deposit into the Gift Receipts Account all Contributions and Pledge Receipts received after December 31, 1992 promptly when received but not less often than every thirty days, and the University further agrees that any Contributions or Pledge Receipts received on or prior to December 31, 1992 which are not needed by the University to pay Project Costs shall also be deposited in the Gift Receipts Account; provided that Contributions and Pledge Receipts in the form of property other than money or marketable securities may be liquidated by the University into cash at such time as the University may choose, and in such case, the cash proceeds received upon liquidation shall forthwith be delivered to the Trustees for deposit in the Gift Receipts Account. Contributions and Pledge Receipts not deposited in the Gift Receipts Account shall be used solely to pay or reimburse Project Costs.

Money and investments in the Gift Receipts Account representing interest and income from investment of Contributions and Pledge Receipts shall be transferred by the Trustee to the Bond and Interest Sinking Fund Account to pay interest on the Series Three-C Bonds. All other moneys and investments in the Gift Receipts Account shall be used to pay principal of (but not interest on) the Bonds when due, at the stated maturity thereof or at the redemption date if the Bonds shall be called for redemption (in whole or in part). Such moneys shall be transferred, at least semiannually, not less than ten (10) Business Days prior to each March 1 and September 1, to the Bond and Interest Sinking Fund Account and the Redemption Account. Moneys on deposit in the Gift Receipts Account may be invested pending their application according to the terms of the Loan Agreement and of the Indenture in Authorized Investments as defined in the Indenture. No investment of Contributions and Pledge Receipts, including but not limited to funds in the Gift Receipts Account, shall be made at any time, however, that would cause the Bonds to be deemed to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code and the Arbitrage Regulations, as defined in the Loan Agreement. The University shall comply with the provisions of the Loan Agreement regarding computation and payment of rebates of excess arbitrage earnings to the United States to the extent applicable to Contributions and Pledge Receipts, including but not limited to funds in the Gift Receipts Account, and shall establish a separate account on its books to which shall be credited all Contributions and Pledge Receipts and interest and income from investment thereof.

Pending the deposit of Contributions and Pledge Receipts with the Trustee, the University shall credit and segregate the same and all investment income thereon to a separate account which shall be maintained on the books and records of the University solely for the purpose of the Contributions and Pledge Receipts. The University shall deliver to the Trustee a written report identifying and itemizing by donor and amount all Contributions and Pledge Receipts received by the University as of the date thereof and by donor, amount and expected date of receipt of Contributions and Pledge Receipts expected to be received at a future date annually as of February 1st of each year through the year 1998. In connection with such annual report to the Trustee, the University shall provide the Trustee an annual accounting of receipts and expenditures with respect to the account.

Redemption Account

Any amounts received which are not otherwise committed will be paid into the Redemption Account. Funds in this Account may be transferred to the Bond and Interest Sinking Fund Account if an Event of Default exists under the Indenture or if the amount to be transferred will, with other funds available, be sufficient to pay all principal of and interest on outstanding Bonds; and may be transferred to the Reserve Account if, on any valuation date, the amount in the Reserve Account does not equal the Reserve Requirement. Otherwise, funds in the

Redemption Account will be available to purchase or redeem Bonds. No specific amounts are required. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized to use funds and investments in the Redemption Account (other than amounts transferred from the Gift Receipts 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.

Moneys and investments on deposit in the Redemption Account available to redeem, prepay or purchase outstanding Series Three-C Bonds, including any cash and investments transferred to the Redemption Account from the Gift Receipts Account, if so directed by the University, shall be converted to cash or invested in direct obligations of the United States of America and set aside and held in trust by the Trustee sufficient to pay principal of Series Three-C Bonds at maturity or the Sinking Fund Subaccount redemption date, or at a date duly established for the optional redemption of Series Three-C Bonds, and to pay the interest to become due on such Bonds to such date, pursuant to the Indenture, to the end that the Bonds shall no longer be deemed outstanding or entitled to the benefit of the Indenture except to be paid or redeemed from the cash and proceeds of direct obligations of the United States of America so deposited and set aside.

General Bond Reserve Account

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account, Site Acquisition Account, Bond and Interest Sinking Fund Account, the Gift Receipts Account, the Reserve Account, or the Redemption Account shall be invested by the Trustee only in Authorized Investments described in Section 5.05 of the Indenture and generally as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, rated at least AA or Aa in the case of state obligations and AAA or Aaa in the case of local government obligations; insured revenue bond obligations of states and local governments rated AAA or Aaa; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments; certificates of deposit and other accounts fully insured by the Federal Deposit Insurance Corporation; investment agreements acceptable to the Trustee and issued by a corporation rated at least AA or Aa; repurchase agreements not longer than 30 days and fully collateralized by securities of the United States government or its agencies in which the Trustee has a perfected security interest; and commercial paper maturing in 365 days or less and rated within the top two categories by Standard & Poor's Corporation or Moody's Investors Service, Inc.

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. The Executive Director of the Minnesota Higher Education Coordinating Board, and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

Dr. Joseph E. LaBelle has been the Executive Director of the Authority since its inception.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $250 million. The Authority has had 58 issues (including refunded and retired issues) totaling $196,420,000 of which $120,566,929 (excluding the Bonds) is outstanding as of February 2, 1991. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges 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 of Minnesota.

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. However, pursuant to special legislation, the Authority has once issued bonds on behalf of a State owned and operated post-secondary institution. In addition, State community and technical colleges are eligible for assistance in financing child-care facilities, but not other types of projects. 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.

In Minnesota Higher Education Facilities Authority v. Hawk, filed August 8, 1975, the Minnesota Supreme Court affirmed the constitutionality of the issuance of tax-exempt bonds by the Authority to refinance debts incurred by Minnesota private colleges in the construction of facilities used solely for nonsectarian education purposes. In the opinion of bond counsel, this decision also confirms the legality of bonds issued by the Authority to finance original construction, improvement, and remodeling projects.

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

The Authority is 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

Springsted Incorporated, Saint Paul, Minnesota, has served as financial advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor has participated in the preparation of certain portions of this Official Statement, but has not independently verified the factual and financial information contained herein, and accordingly expresses no view as to the accuracy or sufficiency thereof.

UNDERWRITING

The Bonds are being purchased by Piper, Jaffray & Hopwood, Incorporated, FBS Investment Services, Inc., Norwest Investment Services, Inc., Dain Bosworth, Inc., and Miller & Schroeder Financial, Inc. (the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a purchase price of $23,653,633.22, plus interest accrued from March 1, 1991. The initial public offering prices set forth on the cover page may be changed by the Underwriters and the Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices set forth on the cover page.

RATING

As noted on the cover page hereof, Moody's Investors Service has given the Bonds a rating of "A". The rating reflects only the view of such rating agency. The University furnished to Moody's Investors Service certain information and materials respecting the Bonds and the University. Generally, rating agencies base their rating on such information and materials and their own investigations, studies and assumptions. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the University are unaware of any pending or threatened litigation which would affect the validity of the Bonds or materially affect 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 Faegre & Benson of 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 Moore, Costello & Hart, Saint Paul, Minnesota, for the Underwriters by Dorsey & Whitney, Minneapolis, Minnesota, and for the MCDA by Holmes & Graven, Chartered.

ENFORCEABILITY OF OBLIGATIONS

While the Bonds are secured or payable pursuant to the Indenture, the Mortgage, the Security Agreement, the Revenue Note and the Loan Agreement, the practical realization of payment from any security will depend upon the exercise of various remedies specified in the respective instruments. These and other remedies are dependent in many respects upon judicial action, which is subject to discretion and delay. In addition, the Trustee may not have available sufficient funds under the Indenture to pay the cost of proceeding with such remedies. Pursuant to the Indenture, the Trustee is entitled to require from Bondholders sufficient indemnity for such costs before proceeding to enforce its remedies. Accordingly, the remedies specified in the above documents may not be readily available or may be limited. (SEE "RISK FACTORS").

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) a limitation of $150,000,000 on the aggregate principal amount of "tax-exempt non-hospital bonds" (generally defined as bonds for other than acute care, in-patient hospital facilities) that is allocated to the University or any 501(c)(3) organization under common management or control with the University as an owner or user of facilities financed with proceeds of such bonds, (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) a requirement that at least 95% of the proceeds of the Bonds be used for purposes of the University constituting the basis for its being an organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and that not more than 5% of the proceeds of the Bonds be used in (or provide a facility to be used in) an unrelated trade or business of the University or the trade or business of any nonexempt person. 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 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. Certificates will be furnished by officers of the Authority and the University to Bond Counsel at closing to the effect that, at the date of issuance of the Bonds, not more than $150,000,000 of tax-exempt non-hospital bonds (including the Bonds) are outstanding allocable to the University and 501(c)(3) organizations under common management or control. 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 "THE LOAN AGREEMENT-Determination of Taxability" in Appendix IV). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

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

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (determined as described above) over $2 million. Regardless of whether a corporation is subject to the alternative minimum tax, the environmental tax applies with respect to taxable years beginning after December 31, 1986 and before January 1, 1992.

The Code imposes a 30% branch profits tax on the taxable income of a United States branch of certain foreign corporations attributable to its taxable income effectively connected (or treated as effectively connected) with a United States trade or business and a 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. Existing United States income tax treaties may modify, reduce or eliminate the branch profits tax except in cases of "treaty shopping."

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

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

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

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

The dollar amount of the initial offering price to the public of the Bonds with stated maturities in 2014 and 2016 (the "Discount Bonds") is less than the principal amount of Bonds of such maturity. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

THE UNIVERSITY

The University of St. Thomas, until 1990 known as the College of St. Thomas, a Minnesota not-for-profit corporation, was founded in 1885 by Archbishop John Ireland as St. Thomas Aquinas Seminary. The University became a four-year institution of higher education in 1908 and conferred its first baccalaureate degrees in 1910. Effective July 1, 1990, the Board of Trustees formally changed the name of the Institution from the College of St. Thomas in order to more accurately reflect the range of programs offered. The University currently offers a broad range of academic programs leading to undergraduate and graduate degrees. The University does not discriminate on the basis of race, creed, color, national origin, sex, age, or physical disability in the employment of faculty or staff, the admission or treatment of students, or in the operation of its educational programs and activities. As permitted by applicable statutes and regulations, the University reserves the right to consider sex as one factor in its undergraduate admissions policy in order to effect a desired balance in the proportionate representation of the sexes in the student body.

The main campus of the University is located in the west Summit Avenue area of Saint Paul, Minnesota, between the downtown districts of Saint Paul and Minneapolis. The University also has property in Owatonna, Minnesota which is used as a conference center, and owns the former Peavey Company Technical Center and the Hazeltine Gates Building in Chaska, Minnesota. In January 1987, the University opened an educational center in the former Powers Department Store building in downtown Minneapolis. The Series Three-C Bonds will finance site acquisition and construction of the core facility of a permanent campus in downtown Minneapolis, which will supplant the University's existing educational center in Minneapolis.

The University is accredited by the North Central Association of Colleges and Schools and is registered with the Minnesota Higher Education Coordinating Board in accordance with Minnesota Statutes.

Governance

The University is governed by a 40-member Board of Trustees (currently there are six vacancies). The Board elects its own members and each member serves a five-year term with no limit on the number of terms, except that one member is nominated by the University Alumni Association and elected by the Board of Trustees for a three-year term. The present Board consists of 28 lay persons and six clergy. The President of the University, the Archbishop of Saint Paul and Minneapolis and the Vicar General of the Archdiocese of Saint Paul and Minneapolis are ex officio members of the Board of Trustees. The Archbishop and Vicar General are also the Chairman and Vice Chairman, respectively, by virtue of their positions.

Following is a list of the members of the Board of Trustees of the University and their business or professional affiliation, as of March, 1991:

Trustee	Principal Activity
Most Rev. John R. Roach, Chairman	Archbishop, Archdiocese of Saint Paul and Minneapolis
Rev. Michael J. O'Connell Vice Chairman	Vicar General, Archdiocese of Saint Paul and Minneapolis
Bernard F. Brennan	Chairman of the Board and Chief Executive Officer, Montgomery Ward, Inc., Chicago, Illinois
Jerome J. Choromanski	President, Crystal Travel Service, Crystal, Minnesota
Rev. Dennis Dease	Pastor, Church of the Basilica of St. Mary, Minneapolis
Dorothy Dolphin*	Chairman of the Board, Dolphin Corporations, Minneapolis
John F. Donovan	Retired Chairman and President, Donovan Companies, Inc., Saint Paul
Eugene Frey	Chairman and Chief Executive Officer, Waldorf Corporation, Saint Paul
Rev. Charles Froehle	Rector/Vice President, The Saint Paul Seminary School of Divinity of the University of St. Thomas, Saint Paul
Sr. Sally Furay	Vice President and Provost, University of San Diego, San Diego, California
Charles A. Haggerty	Vice President, IBM Corporation, Sonera, New York
Harry A. Hammerly	Executive Vice President, Industrial and Electronic Sector, 3M, St. Paul
Mary-Angela Harper	President, Harper-Murdick Associates, Washington, D.C.
Al Hofstede*	North State Advisers and Associates, Minneapolis
James J. Howard	Chairman of the Board and Chief Executive Officer, Northern States Power Company, Minneapolis
Stanley S. Hubbard	President and Chief Executive Officer, Hubbard Broadcasting Inc., Saint Paul

Administration

The principal officers of the University are as follows:

President

The Reverend Monsignor Terrence J. Murphy has been the President of the University since 1966. He has been associated with the University since 1954, first as a faculty member and then from 1962 to 1966 as Executive Vice President. Monsignor Murphy received a B.A. degree in philosophy from Saint Paul Seminary, an M.A. degree in political science from the University of Minnesota, and a Ph.D. degree in political science from Georgetown University. In April, 1966, he was named a Domestic Prelate with the title of Right Reverend Monsignor by Pope Paul VI. Monsignor Murphy has announced his retirement effective June 30, 1991. He will continue to serve as Chancellor of the University from July 1, 1991. The Board of Trustees has selected the Reverend Dennis Dease, currently pastor of the Church of the Basilica of St. Mary in Minneapolis, as the new President of the University, effective July 1, 1991.

Provost

Dr. Charles J. Keffer has been Provost since 1977. He also served as Vice President for Academic Affairs until 1984. He came to the University in 1973 as Dean of the University. He received his B.S. degree from the University of Scranton and his M.A. and Ph.D. degrees from Harvard University.

Senior Vice President for External Affairs

Quentin J. Hietpas has been Senior Vice President for External Affairs since April, 1983. He received his B.A. degree from the University of St. Thomas and his J.D. degree from the William Mitchell College of Law.

Vice President for Business Affairs

Dr. Michael Sullivan assumed the position of Vice President for Business Affairs in October, 1985. He received his BA degree from St. John's University (Collegeville, Minnesota) and has a Ph.D in Educational Administration from the University of Minnesota.

Facilities

The University's physical plant consists of the buildings and grounds of the main campus on approximately 70 acres in St. Paul, and facilities in the cities of Owatonna, Chaska and Minneapolis. As of June 30, 1990, the book value of all buildings and property was $109,992,387; buildings and contents have an insurable value of $162,533,777.

The St. Paul campus has 23 major buildings, including classroom/office facilities, student residence halls, a stadium and a field house. Seven residence halls and two University-owned apartment buildings house 1,709 students.

The University owns the Daniel C. Gainey Conference Center in Owatonna, Minnesota. This center provides classroom, living and dining facilities for groups of various size for seminars, workshops and regular college classes.

The University also owns the former Peavey Technical Center and the Hazeltine Gates buildings in Chaska, Minnesota. Both sites are being used for classrooms and offices for

University purposes including a small business incubator sponsored by the University. A portion of both buildings is rented to commercial and office tenants.

The University currently occupies about 30,000 square feet of leased space in a downtown Minneapolis building to offer evening classes in its graduate and undergraduate programs. Current student enrollment at that site is approximately 1,000 students.

Library

O'Shaughnessy Library contains approximately 275,000 volumes. The Archbishop John Ireland Theological Library, affiliated with the O'Shaughnessy Library, has 80,672 volumes. The University is a member of the Cooperating Libraries in Consortium, Inc., a Saint Paul-Minneapolis private college inter-library consortium; and MINITEX, which provides access to the holdings of the Universities of Minnesota and adjacent states, as well as to the public libraries of the Twin Cities. An $8,000,000 expansion of the main library is under construction. The new O'Shaughnessy-Frey Library Center will have double the size of the current facility and will increase study space to over 1,600 stations and shelf capacity to over 400,000 volumes.

Catholic Publishing Center

The University owns the Catholic Digest, a national, monthly magazine with a circulation of approximately 630,000. Although the magazine has some original articles, its principal content consists of reprints. It has income from advertising in addition to subscriptions. The University operates the magazine within its Catholic Publishing Center, a division of the University, which had a net income of $1,861,470 for fiscal year ended June 30, 1990. Operations of the Catholic Publishing Center are part of the University's financial statements included in Appendix V to this Official Statement.

Saint Paul Seminary Affiliation

On May 3, 1987, an affiliation between the University and The Saint Paul Seminary was finalized and The Saint Paul Seminary School of Divinity of the University of St. Thomas was established. The effective date of the affiliation was July 1, 1986. The School of Divinity's ministerial studies program consisting of ministerial training, including classroom theological coursework and field education, is directed by the University. The School of Divinity's ministerial formation program consisting of programs for spiritual and personal growth and the evaluation of readiness of candidates for ministry is directed by the Seminary. The Project will not be used by the Seminary.

Academic Information

The University follows the four-one-four academic calendar of two four-month semesters during the school year, separated by a one-month interim term in January. During each semester the undergraduate student's normal course load is four subjects; during the interim concentration is on one subject. The B.A. degree is awarded in the following major concentrations or programs of study: Advertising, Art, Art History, Behavioral Neuroscience, Biology, Business Administration (Accounting, Finance, Marketing, Human Resources Management, Operations Management, Entrepreneurship, General Business, International Business), Chemistry, Classical Languages, Communication (Speech Communication and Telecommunication), Criminal Justice, East Asian Studies, Economics, Education, Elementary Education, English, French, Geology, German, Health, History, International Business-Language Intensive, International Reporting, International Studies, Journalism, Literary Studies, Mathematics, Music, Philosophy, Physical Education, Physics, Political Science, Psychology, Public Administration, Quantitative Methods and Computer Science, Russian Area Studies, Social Sciences, Social Studies, Social Work, Sociology, Soviet and Eastern European Area Studies, Spanish, Theater, and Theology.

Since 1950 the University has had a graduate program in education. The University grants the Master of Arts and the Education Specialist degrees. Concentrations are available in school administration, counseling, developmental and remedial reading, community education, special education, teacher preparation and in curriculum enrichment programs in elementary and secondary education. In the summer of 1987, the University initiated a Doctoral Program in Educational Leadership offering the Ed.D. degree. In Fall 1990, the University inaugurated a Master of Social Work degree program in cooperation with the College of St. Catherine and a Doctor of Psychology (D.Psy.) Program in Counseling Psychology. Fall 1990 enrollment in the Graduate School of Education, Professional Psychology and Social Work was 1,226.

In 1974 the University added the Master in Business Administration degree to its graduate programs. Courses offered in this program are taught in the evening. In the fall of 1984, the University inaugurated two new masters degree programs, one in Business Communications and one in International Management. The total enrollment in all programs in the Graduate School of Business was 2,688 in fall, 1990.

A graduate program in religious education started in 1977. It offers a Master of Arts degree. With the affiliation with The Saint Paul Seminary, the University began offering the Master of Divinity degree also. Divinity School enrollment in fall 1990 was 123 students.

In the spring of 1985, a Master of Science program in Software Design and Development was started. A new Master's program in Manufacturing Systems Engineering was begun in February, 1986. Fall 1990 enrollment in the Graduate School of Science and Technology was 561 students.

The University has several non degree-granting programs developed for the education and training of the general community. These include: the Management Center, offering formal courses, seminars and conferences to business, government and public institutions; the Center for Economic Education, to pursue the improvement of the quality and quantity of economics taught in the schools; the Center for Senior Citizens Education; the Community Education Center to provide assistance to school districts and to assist in the expansion of the community education concept at State and national levels; and the Small Business Development Center to provide counseling, training and workshops to small businesses in the State of Minnesota.

Faculty and Staff

The faculty-student ratio at the University is approximately 1 to 19. There is no religious or denominational prerequisite nor 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 College Professors and the Association of American Colleges.

As of fall, 1990, the University employed 294 full-time and 284 part-time faculty. Total employees number approximately 1,370.

The total payroll of $30,769,321 for the fiscal year ended June 30, 1990 included $431,145 of contributed services, net of expenses. A contributed service is defined as the salary the University would expect to pay a comparably qualified lay person for services performed by members of religious orders of the Catholic Church less expenses, allowances and cash salary. As of June 30, 1990 there were 20 persons, primarily diocesan priests, on the faculty and administrative staff of the University who contribute their services. The average age of such persons was 56 years.

The following table lists the average salary of the lay members of the full-time University faculty for the 1990/91 academic year. In addition there are 16 priests on the full-time faculty.

Number	Average Salary
Professor	$52,071
Associate Professor	39,259
Assistant Professor	33,714
Instructor	29,639

The following table lists the degrees and professional designations held by the full-time faculty members for the 1990/91 academic year.

	Number
Doctorate	194
Master of Arts, Juris Doctorate, Certified Public Accountant	91
Bachelor of Arts	9
Total	294

Freshman Applications, Acceptances and Enrollments

	1986/87	1987/88	1988/89	1989/90	1990/91
Applications	1,924	2,046	2,298	2,247	2,016
Acceptances	1,586	1,771	1,952	1,813	1,803
Percent Accepted	82%	87%	85%	81%	89%
Fall Enrolled	826	910	881	887	831
Percent Enrolled to Accepted	52%	51%	45%	49%	46%

Transfer Student Enrollment - Fall Semester - Undergraduate Day Program

1986-87	1987-88	1988-89	1989-90	1990-91
323	316	282	309	380

Student Body

The fall term enrollment at the University for the 1990/91 academic year is 9,805; with a full-time equivalent ("FTE") enrollment of 6,816. Approximately 85% of the 1990/91 freshman class of 831 were students from the State of Minnesota; this ratio has been relatively stable and is expected by the University to remain so.

The University's undergraduate day program admitted women for the first time in the fall of 1977. Graduate programs have been coeducational since their inception. Women comprise approximately 48% of the total graduate and undergraduate 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.

Program	1986/87	1987/88	1988/891	1989/90	1990/91
Undergraduate Day	4,054	4,252	4,344	4,508	4,611
New College*	524	596	637	621	596
Total Undergraduate	4,578	4,848	4,981	5,129	5,207
Graduate Education	921	1,028	953	959	1,226
Graduate Business	1,704	2,049	2,285	2,401	2,688
Graduate Divinity School	139	131	131	125	123
Graduate Technology	235	340	440	506	561
Total Graduate	2,999	3,548	3,809	3,991	4,598
Total Enrollment	7,577	8,396	8,790	9,120	9,805
FTE Enrollment	5,818	6,240	6,425	6,593	6,816

The University estimates that enrollment in the next five academic years will be as follows:

Program	1991/92	1992/93	1993/94	1994/95	1995/96
Undergraduate Day	4,600	4,600	4,600	4,600	4,600
New College*	600	600	625	625	625
Total Undergraduate	5,200	5,200	5,225	5,225	5,225
Graduate Education, Professional Psychology, and Social Work	1,225	1,250	1,275	1,300	1,300
Graduate Business	2,700	2,700	2,700	2,800	2,800
Graduate Divinity School	125	125	125	125	125
Graduate Technology	560	600	620	640	660
Total Graduate	4,610	4,675	4,720	4,865	4,885
Total Enrollments	9,810	9,875	9,945	10,090	10,110

* *An evening degree-granting program for adults.*

Minneapolis Campus Enrollments - Fall Semester

	1988-89	1989-90	1990-91
Undergraduate	129	105	136
Graduate	591	746	899
Total	720	851	1,035

The University expects approximately 1,400 students when the new Minneapolis campus (the Project) is opened.

Housing

Students may live either off campus or in one of the residence halls on campus. All students living on campus also must board on campus. As of fall 1990 the University had nine student residences with a capacity for 1,709. Approximately 35% of the undergraduate day student population for the academic year 1990/91 reside on campus.

Tuition

The University meets the cost of educational programs primarily through tuition and fees. The following table lists the tuition charged full-time students in the University's major programs for the academic years beginning in the fall of 1986 through 1990.

	1986	1987	1988	1989	1990
Undergraduate (full-time) per academic year	$6,352	$6,816	$7,424	$8,480 $8,992*	$9,184 $9,760*
Graduate education and religious education per credit	$170	$180	$196	$215	$236
Graduate School of Business Business Communications, Engineering and Computer Science per credit	$200	$212	$230	$250	$269

* For new students entering Fall 1989 and later.

The Board of Trustees reserves the right to revise charges from time to time. Although the Board of Trustees anticipates that it will be able to raise current tuition and fees without adversely affecting future enrollment, there can be no assurance that it will be able to do so. Future economic and other conditions may affect the ability to increase tuition and fees while sustaining current levels of enrollment.

The following table lists total revenue derived from tuition and fees for the fiscal years ended June 30, 1986 through 1990.

Year	Tuition and Fees
1986	$27,326,864
1987	32,483,562
1988	36,627,407
1989	40,687,481
1990	47,885,876

1990/91 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by 90/91 Comprehensive Fee)

	Tuition & Fees	Room & Board	Comprehensive Fee
Carleton College	$15,160	$3,090	$18,250
Macalester College	12,471	3,714	16,185
Hamline University	10,828	3,808	14,636
St. Olaf College	11,200	3,100	14,300
Gustavus Adolphus College	11,000	2,750	13,750
College of St. Benedict - 1st & 2nd Year	9,520	3,920	13,440
3rd Year	8,985	3,920	12,905
4th Year	8,405	3,920	12,325
University of St. Thomas - 1st & 2nd Year	**9,785**	**3,386**	**13,171**
University of St. Thomas - 3rd & 4th Year	**9,209**	**3,386**	**12,595**
Minneapolis College of Art and Design	9,620	3,391	13,011
St. John's University - 1st & 2nd Year	9,510	3,500	13,010
3rd Year	8,975	3,500	12,475
4th Year	8,395	3,500	11,895
Augsburg College	9,484	3,498	12,982
College of St. Catherine	9,464	3,436	12,900
Bethel College	9,250	3,380	12,630
College of St. Scholastica	9,192	3,018	12,210
St. Mary's College - 1st Year	8,600	3,000	11,600
2nd Year	8,300	3,000	11,300
3rd & 4th Year	7,800	3,000	10,800
Concordia College - Moorhead	8,125	2,525	10,650
Concordia College - St. Paul	7,800	2,850	10,650

Financial Aid

About 77% of the University's undergraduate students currently receive some form of financial aid. Some of the federal and State financial aid programs apply to tuition and fees, whereas others provide aid for living expenses such as transportation, housing (on or off campus) and personal expenses.

FINANCIAL AID BY TYPE

Year Ended June 30	Number of Students(a)	University of St. Thomas	Restricted Funds	Basic Education Opportunity Grants(b)	Supplemental Education Opportunity Grants(b)	State of Minnesota Scholarship Grant and Loan Program(c)	National Direct Student Loan(b)	Guaranteed Student Loan(b)	Work(d)	Total
1981	3,032	$ 659,452	$ 532,424	$604,969	$322,475	$1,232,560	$554,956	$3,308,903	$ 423,681	$ 7,639,420
1982	3,289	947,290	696,444	549,621	354,899	1,200,432	572,665	4,244,699	610,047	9,176,097
1983	2,980	1,255,561	728,108	552,205	319,711	1,135,065	364,010	3,338,393	576,211	8,269,264
1984	3,274	1,670,590	722,603	685,114	320,007	1,843,146	359,525	3,261,095	755,204	9,617,284
1985	3,881	2,237,173	1,126,841	753,107	334,335	1,832,948	426,575	4,765,870	987,682	12,464,531
1986	3,748	2,427,180	1,084,434	754,942	334,335	2,143,913	649,875	4,612,763	1,061,666	13,069,108
1987	3,951	2,750,944	1,000,540	734,638	334,335	2,911,898	672,462	4,664,136	1,494,828	14,563,781
1988	4,016	3,375,130	1,077,453	834,928	407,449	3,808,650	657,600	4,619,811	1,150,106	15,931,127
1989	4,382	3,051,460	1,153,290	1,110,310	371,920	3,882,700	734,540	3,471,110	1,361,260	15,136,590
1990	4,699	4,670,420	1,384,430	1,145,550	408,210	4,695,900	526,850	4,229,920	1,923,780	18,985,060

(a) *Total number of students receiving at least one type of financial aid (unduplicated count).*

(b) *Federal.*

(c) *In 1987 through 1990, includes Minnesota's State Loan Program ("SELF").*

(d) *Includes federal, State and College work-study funds.*

There can be no assurance that federal or State programs or financial assistance to post-secondary institutions or students will continue or be funded at present levels.

Awards of financial aid, excluding competitive scholarships, are granted on the basis of need up to the maximum allowed by the various programs and can be substituted for each other in the establishment of a student's financial aid package. No assurance can be given that federal and State student financial aid will continue to be funded at current levels. If such student aid is curtailed, it may cause the enrollment of the University to decrease, which, in turn, may have an adverse effect on the University's revenues.

Pensions

Retirement benefits are provided for the academic staff and some administrators through Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF), a national organization used to fund pension benefits for educational institutions. Under this arrangement, the University and plan participants make annual contributions to TIAA to purchase individual annuities equivalent to retirement benefits earned. The cost of these benefits to the University was $1,747,795 and $1,494,846 for 1990 and 1989, respectively.

Retirement benefits are provided for the nonacademic staff under a trusteed retirement plan administered by the Archdiocese of Saint Paul and Minneapolis. Contributions are made solely by the University quarterly. Contributions, at a minimum, are to fund normal costs of benefits to be paid, actuarially computed. Contributions charged to Current Unrestricted Fund expenditures amounted to $219,987 and $221,976 for 1990 and 1989, respectively.

Prior to June 30, 1989, retirement benefits were provided for employees of the Catholic Publishing Center under a trusteed retirement plan administered by an insurance company. Effective July 1, 1989, employees of the Catholic Publishing Center are covered under the University's plan. Retirement plan contributions are made solely by the Catholic Publishing Center on an annual basis. Retirement plan contributions in 1990 and 1989 were $63,585 and $40,280, respectively.

Unions

The International Brotherhood of Teamsters Local 120 represents 61 employees who are on the custodial or grounds keeping staff of the University. The University signed a two- and one-half year agreement with the Teamsters Local 120, which runs July 1, 1989 through January 31, 1992. The International Union of Operating Engineers Local 70 AFL-CIO, which represents five maintenance engineers and one maintenance assistant, is currently negotiating an agreement with the University, which will be retroactive to September 1, 1990. In addition, the International Brotherhood of Electrical Workers Local Union 110, AFL-CIO represents three electricians at the University.

Financial Records

The University maintains its financial records on the basis of a fiscal year ended June 30. The University uses a fund accounting system and the financial statements of the University are prepared on the accrual basis except for depreciation accounting as explained in the notes to the University's financial statements. Appendix V sets forth the comprehensive financial statements of the University for the year ended June 30, 1990, which statements have been audited by Coopers & Lybrand, certified public accountants and their opinion on such financial statements are included therein. Supplemental schedules to the financial statements are available upon request.

Preliminary, interim, unaudited financial statements for the periods ended December 31, 1989 and 1990 are available upon request to the University.

Statement of Revenues, Expenditures and Transfers

The table on page I-14 sets forth the University's statements of current unrestricted revenues, expenditures and other changes for the University for the fiscal years ended June 30, 1986 through 1990. This table should be read in conjunction with the financial statements which are Appendix V.

UNIVERSITY OF ST. THOMAS
SUMMARY STATEMENT OF UNRESTRICTED CURRENT FUND
REVENUES, EXPENDITURES AND OTHER CHANGES
For the Years Ended June 30,

	1986	1987	1988	1989	1990
REVENUES					
Tuition and Fees	$27,326,864	$32,483,562	$36,627,407	$40,687,481	$47,885,876
Private Gifts and Grants and Contracts	977,851	1,317,084	1,422,788	1,690,807	1,390,919
Endowment Income				2,528,505	3,035,427
Income from Investments	3,401,352	3,468,061	3,190,106	1,087,623	1,064,602
Sales and Services of Ed. Enterprises	10,653,483	10,436,178	11,114,593	12,077,681	12,765,783
Sales and Services of Aux. Enterprises	6,222,079	7,535,148	9,326,169	10,403,294	11,419,302
Other Revenue	505,884	728,950	695,836	1,066,522	1,111,313
Total Revenue	49,087,513	55,968,983	62,376,899	69,541,913	78,673,222
EXPENDITURES AND MANDATORY TRANSFERS					
Educational and General					
Instruction	11,157,379	12,994,464	14,954,656	16,323,027	21,250,576
Educational Enterprises	9,413,467	9,393,030	9,718,829	10,469,699	11,079,731
Academic Support	2,294,168	2,819,486	3,476,267	3,362,153	3,752,914
Student Services	2,758,693	3,178,706	3,642,109	3,870,118	4,892,626
Institutional Support	8,494,569	9,128,229	10,753,212	12,128,617	9,480,183
Operation and Maintenance	3,115,468	3,145,827	3,335,824	4,352,318	5,530,617
Student Aid	2,155,411	2,750,944	3,161,117	2,838,219	4,161,112
Educational and General Expenditures	39,389,155	43,410,686	49,042,014	53,344,151	60,147,759
Mandatory Transfers for					
Principal and Interest	1,822,797	2,768,742	1,850,231	2,109,418	2,245,010
Student Loan Funds				8,309	5,017
Renewal and Replacement	44,305	42,103	43,598		
Total Educational and General	41,256,257	46,221,531	50,935,843	55,461,878	62,397,786
Auxiliary Enterprises and Ind. Operations					
Expenditures	5,079,820	5,941,189	7,889,758	8,464,643	8,869,379
Mandatory Transfers for					
Principal and Interest	525,837	743,944	1,860,343	2,032,790	2,646,394
Renewals and Replacements	232,444	322,921	309,875	43,750	27,750
Total Auxiliary Enterprises and Independent Operations	5,838,101	7,008,054	10,059,976	10,541,183	11,543,523
Total Expenditures and Mandatory Transfers	47,094,358	53,229,585	60,995,819	66,003,061	73,941,309
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)					
Transfers among Funds	(1,979,610)	(2,728,540)	(1,348,300)	(3,440,095)	(4,677,794)
Net Increase (Decrease) in Fund Balance	$13,545	$10,858	$32,780	$98,757	$54,119

Source: Audited financial statements of University.

Gifts, Grants and Bequests

The University actively solicits and receives gifts and bequests from a variety of donors and also receives various grants from private 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 alumni, parents of students, businesses and friends of the University, have been maintained for a number of years.

The University currently has on-going fund raising campaigns for, among other things, the $8 million O'Shaughnessy-Frey Library expansion and the construction of the Minneapolis campus. As of June 30, 1990, the University had outstanding pledges and bequests for all purposes including scholarships, academic instruction and building construction of $28,300,000 and $4,300,000, respectively.

The following table sets forth the amounts of private gifts, grants and bequests received by the University for all funds for the fiscal years ended June 30, 1986 through 1990.

Fiscal Year	Total All Funds
1986	$8,627,640
1987	9,236,477
1988	8,103,041
1989	7,387,801
1990	8,020,957

Capital Campaign for Minneapolis Campus

As of December 31, 1990, the University has received a total of $10,893,646 in Contributions and Pledges specifically for construction and equipping of the Project. Of that total, $1,247,688 has been received as cash contributions as of December 31, 1990. The University expects that the outstanding pledges will be paid incrementally through 2000. The University's goal for total pledges to be applied to construction and equipping of the Project is $15 million.

Endowment Funds

The University's endowment and similar funds include (i) endowment funds which are subject to the restrictions of gift instruments requiring the principal be maintained in perpetuity and that only the income be utilized either for donor specified purposes or for general University purposes; and (ii) funds functioning as endowment (Quasi-Endowment) which represent expendable funds received which, by decision of the Board of Trustees of the University, have been retained and invested for the future benefit of the University, which can be utilized, if and when the need arises, for current operating and capital expenditure purposes at the discretion of the Board of Trustees. The following table is a recapitulation of fund balances of endowment and similar funds for the fiscal years ended June 30, 1986 through 1990.

Fiscal Year	Endowment	Quasi-Endowment	Total
1986	$23,331,316	$26,524,210	$49,855,526
1987	30,362,969	34,147,635	64,510,604
1988	34,612,649	35,938,415	70,551,064
1989	37,123,967	37,367,663	74,491,630
1990	43,431,367	41,400,529	84,831,896

On December 6, 1990, the University announced the receipt of a $10 million challenge grant to endow the Graduate School of Business. The investment earnings, estimated at $500,000 annually, would be used to support and upgrade the faculty in the graduate management and business programs. In order to receive this gift, the University must meet its stated goal of $15,000,000 in pledges for the construction and equipping of the Project.

Long-Term Debt

The University has the following long-term debt outstanding:

(a) $1,200,000 Dormitory Bonds of 1957, dated December 1, 1957, at 2-7/8%; remaining principal is $370,000 due in annual installments through 1997; purchased by the U.S. Department of Housing and Urban Development; proceeds were used to construct Dowling Hall (student dormitory). The bonds are secured by (i) a first mortgage lien on Ireland and Dowling Halls, (ii) net revenues of the operations of these buildings, and (iii) the full faith and credit of the University.

(b) $1,050,000 Dormitory Bonds of 1967, dated April 1, 1967, at 3%; remaining principal is $765,000 due in annual installments through 2017; purchased by the U.S. Department of Housing and Urban Development; proceeds were used to construct Brady Hall (student dormitory). The bonds are secured by (i) a first mortgage lien on Brady Hall, (ii) net revenues from the operation of the building, and (iii) the full faith and credit of the University.

(c) $1,346,000 Academic Building Bonds of 1969, dated June 1, 1969, at 3%; remaining principal is $890,000 due in annual installments through 2009; purchased by the U.S. Department of Health, Education and Welfare; the proceeds were used to finance in part the construction of the O'Shaughnessy Education Center. The bonds are secured by (i) a first mortgage lien on O'Shaughnessy Education Center, and (ii) the full faith and credit of the University. The University received gifts from I.A. O'Shaughnessy that are functioning as a term endowment to provide principal and interest.

(d) $800,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series K, dated December 1, 1974, at various rates from 5.50% to 6.90%; remaining principal is $240,000 due in annual installments through 1994. The proceeds were used to construct the Faculty Residence Building. The bonds are secured by (i) a first mortgage lien on the Faculty Residence Building, (ii) the net revenues of the facilities, (iii) a Debt Service Reserve Account of $56,000, (iv) the Authority's General Bond Reserve Account, (v) the full faith and credit of the University, and (vi) a pledge by the University to charge tuition fees and other fees and charges sufficient to provide debt service.

(e) $685,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series U, dated January 1, 1978, at various interest rates from 4.40% to 5.90%; remaining principal is $470,000 due in annual installments through 2000. The proceeds were used to construct an addition to Murray Hall. The bonds are secured by (i) a first mortgage lien (ii) the guarantee of the University, (iii) a debt service reserve account of $44,800, and (iv) the Authority's General Bond Reserve Account.

(f) $1,800,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series X, dated September 1, 1978, at various interest rates from 6.00% to 7.00%; principal outstanding is $1,510,000 due in annual installments through 1999. The proceeds were used to construct John Paul II Residence Hall. The bonds are secured by (i) a first mortgage lien on the John Paul II Residence Hall, (ii) the guarantee of the University, (iii) the net revenues of the facility, (iv) a debt service reserve account of $112,000, and (v) the Authority's General Bond Reserve Account.

(g) A $577,150 contract for deed at 10%. Monthly interest installments of $3,600 will be paid until August 1, 1992 and a final payment of $483,098.26 will be due August 1, 1992. The contract is for the purchase of the Grand Avenue apartments. $471,083.15 is outstanding.

(h) $2,745,073 (College share of $18,520,000 total) Minnesota Higher Education Facilities Authority Pooled Revenue Bonds, Series 1983-A, dated September 1, 1983, at various interest rates from 6.75% to 8.50%; principal outstanding is $547,897 due in annual installments through 1991. The proceeds were used for various equipment acquisitions and building remodeling projects.

(i) A $1,175,000 promissory note bearing interest at a rate of 10% secured by a first mortgage on the "Peavey Building" located on Peavey Road in Chaska; monthly installments of $10,681 due through 1995. $499,858 is outstanding.

(j) $8,055,000 Minnesota Higher Education Facilities Authority Refunding Revenue Bonds, Series 1985-1, dated May 1, 1985, at various rates of interest from 5.25% to 8.20%; principal outstanding is $3,475,000 due July 1, 1986 through 1993. The proceeds refunded in advance of maturity the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-D, and Series 1982-1, both dated August 6, 1982. The Bonds are secured by the full faith and credit of the University and a debt service reserve of $1,097,356.

(k) A $2,388,980 promissory note bearing interest at a rate of 10.25% secured by a mortgage on the Hazeltine Gates building located in Chaska; monthly installments of $22,417 with a final payment of $1,976,661 in 1995. $2,235,558 is outstanding.

(l) $6,325,000 City of Chaska, Minnesota Industrial Development Revenue Bonds, Series 1985, dated December 1, 1985, payable through 2010, interest at 7.82% (average), secured by an Irrevocable Letter of Credit issued by Norwest Bank Minneapolis. $5,790,000 is outstanding. As a condition to the issuance of the Letter of Credit, the University has pledged as collateral certain U.S. Treasury Bonds and Notes. Proceeds used to acquire the Hazeltine Gates Building.

(m) $5,500,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-I, at various rates of interest from 6.50% to 7.50%; principal outstanding is $5,500,000 due November 1, through 2015. The Bonds were originally issued on December 5, 1985 as variable rate bonds but were converted to fixed rate bonds on November 1, 1986. The Bonds are secured by the full faith and credit of the University and a debt service reserve of $531,750.

(n) $36,789 mortgage note payable in monthly installments of $307 through January 2007 at 8% interest; $33,739.03 is outstanding; secured by a mortgage on a townhouse in Hill City, Minnesota.

(o) $11,100,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-O, dated May 1, 1988 at various rates of interest; principal outstanding is $10,550,000 due October 1, through 2008. The proceeds were used to finance renovation and additions to five campus buildings. The bonds are secured by the full faith and credit of the University and a debt service reserve of $1,110,000.

(p) $4,415,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-S, dated May 1, 1989 at various rates of interest; principal outstanding is $4,355,000 due November 1 through 2014. The proceeds financed three building renovations and additions. The Series Two-S Bonds are secured by the full faith and credit of the University and a debt service reserve of $405,800.

(q) The Bonds.

As of December 31, 1990, the total of long-term debt outstanding adjusted to include the Bonds is $62,108,135.18.

Annual Debt Service by Fiscal Year and Coverage Statement

The table on page I-19 shows (i) the annual debt service of the University for each of the listed Fiscal Years ending June 30th with respect to all long-term indebtedness, (ii) the estimated debt service for each of such Fiscal Years on the Bonds, assuming an average interest rate of 7.02% per annum and a schedule with respect to principal amortization as set forth on the cover page and page 7 hereof, (iii) the combined total annual debt service for each of such Fiscal Years with respect to the existing debt and the Bonds, and (iv) the amount of coverage for the combined annual debt service provided by the "income available for debt service" for the Fiscal Year ending June 30, 1990 and by the average annual "income available for debt service" for the two Fiscal Years ending June 30, 1989 and 1990, respectively. For purposes of this table "income available for debt service" means the sum of (i) unrestricted current fund revenues less unrestricted current fund expenses and mandatory transfers for all purposes for the applicable Fiscal Year plus (ii) mandatory transfers for the payment of debt service for such Fiscal Year, all as stated in the audited financial statements of the University attached hereto as Appendix V. For purposes of this table amounts expected to be received by the University from the Capital Campaign or as Tax Increments under the Revenue Note have not been recognized as revenues and the University's repayment obligations under the Redevelopment Contract have not been recognized in calculating debt service.

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

UNIVERSITY OF ST. THOMAS
ANNUAL DEBT SERVICE BY FISCAL YEAR
AND COVERAGE STATEMENT

FISCAL YEAR ENDING JUNE 30	EXISTING LONG-TERM DEBT SERVICE	THE BONDS-ACTUAL DEBT SERVICE	COMBINED TOTAL DEBT SERVICE*	FY 1990 COVERAGE (TIMES)	TWO-YEAR AVERAGE COVERAGE (TIMES)
1991	$5,324,073		$5,324,073	1.81	1.63
1992	5,348,934	$1,623,355	6,972,289	1.38	1.24
1993	5,090,205	1,623,355	6,713,560	1.43	1.29
1994	3,358,268	2,109,605	5,467,873	1.76	1.58
1995	3,375,364	2,081,605	5,456,969	1.76	1.59
1996	5,112,759	2,052,855	7,165,614	1.34	1.21
1997	2,982,735	2,266,230	5,248,965	1.83	1.65
1998	2,968,845	2,294,355	5,263,200	1.83	1.64
1999	2,959,841	2,317,155	5,276,996	1.82	1.64
2000	2,756,916	2,334,236	5,091,152	1.89	1.70
2001	2,587,321	2,345,168	4,932,488	1.95	1.75
2002	2,613,026	1,890,443	4,503,468	2.14	1.92
2003	2,625,081	1,896,218	4,521,298	2.13	1.91
2004	2,615,433	1,897,993	4,513,426	2.13	1.92
2005	2,621,466	1,890,838	4,512,303	2.13	1.92
2006	2,614,291	1,889,483	4,503,773	2.14	1.92
2007	2,580,928	1,893,133	4,474,060	2.15	1.93
2008	2,592,937	1,891,808	4,484,744	2.15	1.93
2009	2,690,516	1,890,233	4,580,748	2.10	1.89
2010	1,529,209	1,892,843	3,422,051	2.81	2.53
2011	1,445,951	1,894,595	3,340,546	2.88	2.59
2012	883,933	1,890,150	2,774,083	3.47	3.12
2013	879,940	1,893,963	2,773,903	3.47	3.12
2014	877,430	1,890,650	2,768,080	3.48	3.13
2015	881,038	1,889,856	2,770,894	3.47	3.12
2016	509,275	1,893,594	2,402,869	4.00	3.60
2017	41,200	1,892,344	1,933,544	4.98	4.47
TOTALS	$69,866,911	$51,326,058	$121,192,969		

COVERAGE IS BASED ON AMOUNT AVAILABLE FOR DEBT SERVICE (UNRESTRICED CURRENT FUND) FROM AUDITED FINANCIAL REPORTS FOR THE FOLLOWING YEARS:

	FY 1989	FY 1990
Unrestricted Current Fund Revenues:	$69,541,913	$78,673,222
Less Unrestricted Current Fund Expenditures & Mandatory Transfers:	66,003,061	73,941,309
	------------	------------
Net Revenue:	$3,538,852	$4,731,913
Plus Mandatory Transfers for Debt Service:	4,142,208	4,891,404
	------------	------------
Total Available For Debt Service:	$7,681,060 **	$9,623,317 **
Two Year Average (FY 1989,1990):		$8,652,189

* The University's Repayment Obligations under the Revenue Note are not included in Total Debt Service.

** Tax Increments payable under the Revenue Note and Capital Campaign Gifts are not included in Total Available For Debt Service.

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$24,405,000
Minnesota Higher Education Facilities Authority
Mortgage Revenue Bonds, Series Three-C
(University of St. Thomas)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered Mortgage Revenue Bonds, Series Three-C (University of St. Thomas), in the aggregate principal amount of $24,405,000 (the "Bonds"), dated March 1, 1991, in the denomination of $5,000 each and integral multiples thereof, maturing on September 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

Year	Amount	Interest Rate	Year	Amount	Interest Rate
1993	$ 500,000	5.500%	2002	$ 700,000	6.600%
1994	500,000	5.700	2003	750,000	6.700
1995	500,000	5.800	2004	795,000	6.800
1996	750,000	5.900	2005	850,000	6.900
1997	825,000	6.000	2006	915,000	7.000
1998	900,000	6.100	2007	980,000	7.000
1999	975,000	6.250	2010	3,395,000	7.100
2000	1,050,000	6.400	2014	5,810,000	7.125
2001	650,000	6.500	2016	3,560,000	6.250

The Bonds are subject to optional redemption prior to the stated maturities thereof as provided in the Bonds. The Bonds due in the years 2010, 2014 and 2016 shall be redeemed through operation of the mandatory Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account provided for in the Indenture, as defined below. Interest on the Bonds is payable on each March 1 and September 1, commencing September 1, 1991. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds will bear additional interest at the rate of 2.00% per annum from the Date of Taxability (as defined). Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the principal corporate trust office of Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to the University of St. Thomas, a Minnesota nonprofit corporation and institution of higher education (the "University"), in order to finance the costs of a project consisting of acquiring a site for and constructing and equipping a multistory educational building to be owned and operated by the University as its principal facility in the downtown of Minneapolis, Minnesota (as more fully described in the Loan Agreement and Indenture, the "Project"). We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the University, the Trust Indenture (the "Indenture") between the Authority and the Trustee, the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage") from the University to the Authority and assigned by the Authority to the Trustee, and the Security Agreement (the "Security Agreement") from the University to the Trustee, all dated as of March 1, 1991, the Contract for Private Development (the "Redevelopment Contract") between the Minneapolis Community Development Agency (the "MCDA") and the University, dated April 13, 1990, as amended, the Tax Increment Revenue Note in the principal amount of $9,200,000 issued by the MCDA to the University (the "Revenue Note") pursuant to the Redevelopment Contract, the opinions of Moore, Costello & Hart as counsel to the University and of Holmes & Graven, Chartered, as counsel to the MCDA, 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. As to questions of title to the site of the Project and as to the lien of the Mortgage being duly recorded, we have relied on the title insurance binder and information furnished by Title Insurance Company of Minnesota. We have also relied upon the opinion of Moore, Costello & Hart, as to the Loan Agreement, the Mortgage, the Security Agreement, the Redevelopment Contract, and the assignment of the Revenue Note having been duly authorized and executed and being binding upon the University and as to the corporate organization, good standing and powers of the University and also upon the opinion of Holmes & Graven, Chartered, as to the matters referred to in paragraph 4 below.

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 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, the Indenture and the assignments of the Mortgage and the Revenue Note to secure the Bonds.

2. The Loan Agreement, the Indenture, the Mortgage and the assignment of the Mortgage, the Security Agreement, and the assignments of the Revenue Note by the University to the Authority and by the Authority to the Trustee are valid and binding instruments of the parties thereto, enforceable in accordance with their terms.

3. The Bonds are secured by the assignment of the loan repayments payable by the University under the Loan Agreement, to the Trustee in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, by the pledge of the funds and investments held by the Trustee under the Indenture (including certain contributions and pledge receipts received by the University and deposited with the Trustee pursuant to the Loan Agreement and the Security Agreement), by the mortgage lien on the Project facilities and a security interest in the revenues and income arising therefrom provided by the Mortgage, and by the Revenue Note.

4. Based exclusively upon the opinion of Holmes & Graven, Chartered, and certificates of officials of the MCDA and the City of Minneapolis: The MCDA and the City Council of the City of Minneapolis, Minnesota, have taken all necessary proceedings to create Tax Increment Financing District No. 42 (Neiman-Marcus) ("TIF 42") and Development District No. 57, and for the MCDA to execute and deliver the Redevelopment Contract and the Revenue Note and to pledge 25% of the tax increments from TIF 42 to payment of the Revenue Note (the "Tax Increments"); the Redevelopment Contract and the Revenue Note have been duly executed and delivered by and are the valid and enforceable obligations of the MCDA; and the Tax Increments have been pledged to the payment of the Revenue Note by the MCDA, subject to certain prior pledges and restrictions described in the Official Statement.

5. Based exclusively upon the opinion of Moore, Costello & Hart and certain certificates of officials of the University, the Redevelopment Contract has been duly authorized by and is the valid and enforceable obligation of the University.

6. 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 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 the purpose of determining the "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds, within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the environmental tax imposed on corporations, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture, the Loan Agreement, the Mortgage, the Security Agreement, the Revenue Note, and the Redevelopment Contract may be subject to bankruptcy, insolvency, reorganization, moratorium 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, April ___, 1991.

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DEFINITION OF CERTAIN TERMS

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

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

Authority: The Minnesota Higher Education Facilities Authority.

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

Authorized Institution Representative: The person at the time designated to act on behalf of the University by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the University by the Chairman or Secretary of its Board of Trustees or by the President or Provost of the University. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under the Indenture and described on page 21 of this Official Statement.

Board of Trustees: The Board of Trustees of the University, including any Executive Committee authorized to act for such board.

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

Bonds: $24,405,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-C (University of St. Thomas) and any Additional Bonds then outstanding.

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

Bond Documents: The Indenture, the Loan Agreement, the Mortgage, the Security Agreement, the Bond Purchase Agreement, the Revenue Note and the Bond Resolution.

Bond Purchase Agreement: The Bond Purchase Agreement between the Authority, the University, and the Underwriters providing for the sale of the Series Three-C Bonds by the Authority to the Underwriters and any similar agreement providing for the sale of any series of Additional Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on February 27, 1991, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: (i) The period from Bond Closing to the close of business on September 1, 1991 and (ii) each succeeding 12-month period ending at the close of business on September 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

Building Equipment: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the University and located in the Project Building acquired solely from funds other than the proceeds of the Bonds.

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

City: The City of Minneapolis, Minnesota, a municipal corporation, and any successor to its functions.

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

Contributions and Pledge Receipts: Contributions to the University and payments on Pledges specifically designated or restricted by the donor to be used to finance the Project, or allocated to the Project pursuant to a resolution of the Board of Trustees of the University.

Date of Taxability: That date as of which the interest on the Bonds is determined to be includable in the gross income of the Owners thereof, pursuant to a Determination of Taxability; 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.

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 includible in the computation of any alternative minimum tax is not a Determination of Taxability.

Event of Default: An Event of Default described in the Indenture, Loan Agreement, Mortgage and Security Agreement and summarized in this Official Statement in the sections entitled "THE INDENTURE - Events of Default," "THE LOAN AGREEMENT - Events of Default," "THE MORTGAGE - Events of Default" and "THE SECURITY AGREEMENT."

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

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

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

Gift Receipts: Contributions and Pledge Receipts.

Gift Receipts Account: The account established pursuant to the Indenture into which certain Contributions and Pledge Receipts shall be deposited from time to time by the University.

Holder, Bondholder, or Owner: The person in whose name a Bond is registered.

Indenture: The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, as Trustee, dated as of March 1, 1991, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: University of St. Thomas, a Minnesota non-profit corporation and institution of higher education located in Saint Paul, Minnesota.

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

Issue: The Bonds.

Loan Agreement: The Loan Agreement between the Authority and the University dated as of March 1, 1991, as amended or supplemented from time to time.

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

MCDA: The Minneapolis Community Development Agency, an agency of the City, and any successor to its functions.

Mortgage: The Combination Mortgage, Security Agreement and Fixture Financing Statement, dated as of March 1, 1991 from the University to the Authority, and assigned by the Authority to the Trustee, as amended or supplemented from time to time.

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

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, 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 University, (iv) the Mortgage and (v) those additional encumbrances set forth in Exhibit C to the Mortgage.

Pledges: Written pledges or donors' expressions of the intent of the donors to pay to the University, contributions in a lump sum or in installments from time to time.

Project: The acquisition of the Project Site and the construction and equipping of a multistory educational building containing approximately 150,000 square feet of interior space, including approximately 35 underground parking places and an underground dock and receiving area and site improvements, to be owned and operated by the University as its principal downtown Minneapolis campus facility.

Project Building: The University's principal downtown Minneapolis campus building to be constructed as part of the Project.

Project Costs: The costs of acquiring the Project Site, including payment to be made to the MCDA for purchase of the Project Site and Revenue Note under the Redevelopment Contract and demolishing and removing the existing improvements on the Project Site, and costs properly payable from the Construction Account in relation to the Project.

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds, including investment earnings, and installed and located in or as part of the Project Buildings or elsewhere as part of the Project.

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

Project Site: The land to be acquired as part of the Project on which the Project Building is to be located, described in the Mortgage.

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

Redevelopment Contract: The Contract for Private Redevelopment dated April 13, 1990 between the MCDA and the University as from time to time supplemented and amended. Unless the context otherwise indicates, "Redevelopment Contract" includes the documents and agreements attached thereto as schedules and exhibits.

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

Reserve Account: The Reserve Account established under the Indenture, into which at Bond Closing will be placed $2,378,767.50 of Bond proceeds, unless such amount exceeds 10% of the proceeds of the Bonds (par less original issue discount according to the reoffering scale) in which case the debt service reserve will be in the amount of such lesser sum (the "initial Reserve Requirement"). Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient therefor and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the University or the Authority fails to provide for payment of any rebate.

Reserve Requirement: (i) If no Additional Bonds are outstanding, Reserve Requirement shall mean the initial Reserve Requirement, or (ii) if Additional Bonds are outstanding, shall mean the sum of (A) the amount set forth in clause (i) plus (B) the maximum amount of principal of and interest on Additional bonds payable (including principal of Bonds subject to mandatory redemption from the Sinking Fund Subaccount or similar account) in any Bond Year or (if less) 10% of the proceeds (par value less original issue discount according to the reoffering scale) received from the issuance and sale of the Additional Bonds, or (iii) if, at any time, the maximum amount of principal of Bonds maturing and subject to mandatory redemption (from the Sinking Fund Subaccount or similar account) plus interest payable on outstanding Bonds in the current or any future Bond Year is less than the amount specified in clause (i) (if no Additional Bonds are outstanding) or determined according to clause (ii) (if Additional Bonds are outstanding), shall mean the maximum amount of principal of and interest so payable in the current or any future Bond Year.

Revenue Note: The Tax Increment Revenue Note, Series 1991, to be executed and delivered by the MCDA to the University pursuant to the Redevelopment Contract and assigned by the University to the Authority and by the Authority to the Trustee, and any note given in substitution therefor or renewal thereof.

Security Agreement: The Security Agreement between the College and the Trustee dated as of March 1, 1991, as amended or supplemented from time to time.

Series Three-C Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-C (University of St. Thomas).

Sinking Fund Subaccount: The Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account.

Site Acquisition Account: The Site Acquisition Account established under the Indenture.

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

Tax Increments: That portion of the real property taxes payable to the University under the Revenue Note from Tax Increment Financing District No. 42 (Neiman-Marcus) established by the MCDA and the City.

Term Bonds: Series Three-C Bonds maturing in 2010, 2014 and 2016.

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

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

Underwriters: Piper, Jaffray & Hopwood Incorporated, FBS Investment Services, Inc., Norwest Investment Services, Inc., Miller & Schroeder Financial, Inc. and Dain Bosworth Incorporated as original purchasers of the Series Three-C Bonds.

University: University of St. Thomas, a non-profit corporation and institution of higher education.

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Acquisition of Project Site

The University agrees that, at the Bond Closing for the Series Three-C Bonds, it shall (i) purchase the Project Site and the Revenue Note from proceeds of the Series Three-C Bonds deposited in the Site Acquisition Account in accordance with the Redevelopment Contract and the Bond Purchase Agreement, (ii) execute and deliver the Mortgage to the Authority, and (iii) assign the Revenue Note to the Authority. The Authority shall thereupon assign the Mortgage and Revenue Note to the Trustee. Pursuant to the Indenture, any additional amounts on deposit in the Site Acquisition Account may be invested and disbursed to meet other costs of acquiring the Project Site and demolishing and removing the existing improvements on the Project Site upon the order of an Authorized Institution Representative. Except as provided in the Indenture, all amounts in the Site Acquisition Account (including investment earnings) shall be disbursed no later than six (6) months after the Bond Closing.

Construction of Project Building

The University represents that the construction and equipping of the Project Building is to be fully completed by no later than March 1, 1993 subject only to "force majeure," as provided in the Loan Agreement. The University may apply to the Authority at any time to delete from the Project any building, system or equipment or part thereof proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, and with the approval of the MCDA to the extent such approval is required under the Redevelopment Contract and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the University, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds. The University agrees that it will pay all costs relating to the acquisition, construction, equipping and financing of the Project, including costs of issuance of the Bonds, from Contribution and Pledge Receipts received during the Construction Period and if necessary from the general unrestricted funds of the University to the extent such payments and costs are not met from proceeds of the Bonds in the Site Acquisition Account and the Construction Account. The University further agrees that it will not seek reimbursement from the Site Acquisition Account or Construction Account for Project Costs paid from Contributions and Pledge Receipts.

Loan Repayments

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

(a) The University shall deposit into the Bond and Interest Sinking Fund Account, (x) at least 10 Business Days prior to each March 1 and September 1, commencing September 1, 1991, a sum which will be equal to the amount payable as interest on the Series Three-C Bonds on such interest payment date, and (y) at least 10 Business Days prior to each September 1, commencing on September 1, 1993, a sum equal to the amount payable as principal of the Series Three-C Bonds on such principal payment date, and (z) at least 10 Business Days prior to September 1, commencing September 1, 2007, the amount required to redeem Term Bonds on the respective Sinking Fund Subaccount redemption dates set forth in Section 5.01(a) of the Indenture; 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, (ii) any credits permitted by Section 5.02, 5.03, 5.04 or 5.05 of the Indenture, and there shall be credited (iii) against the obligation to pay interest on the Series Three-C Bonds all interest and income from investment of Contributions and Pledge Receipts in the Gift Receipts Account and (iv) against the obligation to pay principal or redeem the principal portion of the Series Three-C Bonds the original principal amount of Contributions and Pledge Receipts from the cash and investments in the Gift Receipts Account, which amounts shall be forthwith transferred to the Bond and Interest Sinking Fund Account, and (v) against the obligation to pay into the Sinking Fund Subaccount the amount of Series Three-C Bonds delivered by the University to the Trustee for credit pursuant to Section 5.01 of the Indenture; and

(b) Prior to a date established for the optional redemption and prepayment of the Series Three-C Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Three-C 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, premium (if any) and interest on the Series Three-C Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

(d) Into the Reserve Account forthwith any amounts then 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 5.06 of the Indenture (relating to arbitrage rebate payments).

There is reserved to the University 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 University 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 University agrees to use the Project Facilities as educational facilities, in compliance with the Redevelopment Contract, 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 University agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501(c)(3) of the Code.

Maintenance of Project Facilities

The University agrees that, so long as there are Bonds outstanding, the University will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation. The University may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities, so long as the tax-exempt status of the Bonds will not be affected thereby and such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, the Mortgage, the Security Agreement, the Act or the Redevelopment Contract.

Title to Property and Liens

Except for Permitted Encumbrances, the University 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 University 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 University 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 University shall promptly pay all such items.

Taxes and Other Governmental Charges

The University 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 University, or the Project Facilities or any improvements, equipment or related property installed or bought by the University therein or thereon, or the Bonds, the Loan Agreement, the Mortgage, the Security Agreement, the Indenture, the Revenue Note or the interest of the Authority, the Trustee, or the Bondholders therein.

The University may, at its expense, in good faith contest any such taxes, assessments, license fees and other charges and may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest unless the Authority or the Trustee shall notify the University 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 University is required to maintain, or cause to be maintained, insurance as follows:

(a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Building, subject to a deductible not exceeding

$100,000, provided that the University shall maintain builders' risk insurance equal to 100% of the insurable value during Project construction as required by the Redevelopment Contract.

(b) Comprehensive general public liability insurance against liability for personal injury and blanket contractual liability in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $5,000,000 and against liability for property damage in the minimum amount for each occurrence of $100,000, provided that the University shall carry comprehensive general public liability insurance in the minimum amount of $10,000,000 during Project construction as required by the Redevelopment Contract.

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

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

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

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $100,000, the University 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 $100,000, the University shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole as more fully provided in the Loan Agreement.

Condemnation

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

Indemnification

The University 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 University 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 University in connection with the sale of the Bonds.

Existence and Accreditation of University

The University agrees that, so long as the Bonds are outstanding it will maintain its existence as a nonprofit corporation and 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 consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution except upon the conditions provided in the Loan Agreement. The conditions are the following: (i) if the surviving, resulting or transferee corporation or institution, as the case may be, is other than the University, such surviving, resulting or transferee corporation or institution shall assume in writing all of the obligations of the University in the Loan Agreement, the Mortgage, the Security Agreement and the Redevelopment Contract and shall be either a state university or college or a nonprofit corporation operating or authorized to operate an institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against discrimination and requiring that the University be nonsectarian; (ii) the University 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; (iii) no Event of Default shall exist under the Loan Agreement; and (iv) the combined unrestricted fund balances (including plant funds) of the surviving, resulting or transferred corporation or institution immediately following such merger, consolidation or conveyance shall equal at least 90% of the combined unrestricted fund balances (including plant funds) of the University immediately preceding such merger, consolidation or transfer.

$150,000,000 Limitation on Outstanding Nonhospital Bonds

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

Hazardous Substances

The University shall not store, locate, generate, treat or discharge any Hazardous Substance in, on or from the Project (other than in compliance with applicable Environmental Regulations), shall cause all Hazardous Substances found on or in the Project to be properly removed therefrom and properly disposed of to the extent required by and in accordance with all applicable Environmental Regulations and shall comply with all applicable Environmental Regulations with respect to the Project. The University shall indemnify and save harmless the Authority and the Trustee from and shall reimburse said parties for any and all claims, demands, liabilities, costs, damages and expenses resulting from the breach by the University of any of the foregoing covenants with respect to Hazardous Substances. The foregoing indemnification shall be deemed for the benefit of the holders or owners from time to time of the Bonds and any successor or assign of the Trustee or Authority and any subsequent owner of the Project who acquires it pursuant to a foreclosure of the Mortgage or proceedings in lieu thereof.

University To Be Nonsectarian

Except for the School of Divinity, which will continue to be separable from the downtown Minneapolis program for which the Project is being constructed, the University agrees that it 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 University 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 Series Three-C Bonds is includible 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, as a whole and not in part, on the next practicable interest payment date and any interest payment date thereafter and the redemption price therefor shall be equal to par plus accrued interest.

Other Covenants

The University agrees to establish and maintain, according to the terms of Section 6.13 of the Loan Agreement, a Gift Receipts Account, into which shall be deposited all Contributions and Pledge Receipts received after December 31, 1992 promptly when received but not less often than every thirty days, and further agrees that any Contributions and Pledge Receipts received on or prior to December 31, 1992 which are not needed by the University to pay Project Costs shall also be deposited in the Gift Receipts Account.

The University further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Coordinating Board, subject to the right of contest, and to observe all covenants and conditions on its part to be performed under the Redevelopment Contract.

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 University 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 University shall fail to make any Loan Repayment when due and either (i) on a Bond principal or interest payment date (established or required to be established) the moneys on deposit in the Bond and Interest Sinking Fund Account, Gift Receipts Account, Reserve Account and Redemption Account are insufficient to pay when due principal of and premium (if any), and interest on the Bonds, or (ii) such failure shall continue for 5 days after notice from the Trustee or the Authority to the University that such payment has not been made; or

(b) If the University shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements) and if the Trustee shall receive an opinion of nationally recognized bond counsel that such failure would provide a basis for a Determination of Taxability; or

(c) If the University shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement, provided failure to comply with such requirement shall not become an Event of Default unless the University 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 University by the Authority or the Trustee; or

(d) If the University sells or otherwise disposes of any interest in the Gift Receipts Account or any money or investments held therein or creates or permits to exist any lien, security interest or other charge or encumbrance upon or with respect to the Gift Receipts Account or any money or investments held therein, in violation of the provisions of Section 6.13 of the Loan Agreement or the Security Agreement; or

(e) If the University (or on its behalf, the MCDA) shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the University and the MCDA by the Authority or the Trustee; or

(f) If there shall occur an event of default (as defined therein) under the Mortgage or the Security Agreement; or

(g) If the Project Site and Project Building shall revert to the MCDA pursuant to the provisions of Sections 4.6(a) and 4.6(b)(i) of the Redevelopment Contract, or the Revenue Note shall be voided pursuant to Section 4.6(b)(ii) of the Redevelopment Contract, or if the MCDA shall terminate the Redevelopment Contract under Sections 9.2(b) and 11.1(e) of the Redevelopment Contract for an event of default (as defined therein) on the part of the University; or

(h) If the University 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 University; or

(i) If a court of competent jurisdiction shall enter an order, judgment or decree against the University in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the University or of the whole or any substantial part of the property of the University, 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

(j) 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 University or of the whole or any substantial part of the property of the University, 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 University. The provisions of paragraph (e) 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 University 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 University shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The University agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the University 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 (other than the portion thereof representing interest on the Bonds not then accrued) 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 (as they become 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, the Mortgage, the Security Agreement, the Indenture, or the Revenue Note in accordance with the provisions thereof.

Amendments

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

THE INDENTURE

The following constitutes a summary of certain provisions of the Trust Indenture (the "Indenture"). This summary does not purport to be complete and reference is made to the full text of the Indenture for a complete recital of its terms. Certain words and terms used in this summary are defined in "DEFINITIONS OF CERTAIN TERMS," Appendix III, 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 Authority's annual fee and rights to indemnity and reimbursement;

(b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture, (ii) moneys and investments in the Site Acquisition Account and Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

(c) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the University or by anyone in behalf of them or with their written consent, to the Trustee, including but not limited to the Mortgage, the Security Agreement, and the Revenue Note.

Accounts

Bond proceeds and revenues 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.

Additional Bonds

The Authority may in its discretion and with the consent of the University issue Additional Bonds, to be secured on a parity with the Series Three-C Bonds, (i) to provide funds to complete the Project, or (ii) to refund all or any series or portion of series of the then outstanding Bonds, or (iii) to provide funds for improvements to or alterations, repairs or replacement of the Project Facilities or (iv) for another project or projects, as defined in and authorized by the Act, provided certain conditions more fully described in the Indenture have been met, including a deposit of cash or investments in the Reserve Account so that after giving effect to the issuance of the Additional Bonds, the amount on deposit in the Reserve Account is at least equal to the Reserve Requirement.

Trustee's Right to Payment

The Trustee shall have a lien on the Trust Estate, 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; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, the Mortgage or Revenue Note, 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 Bond proceeds.

Events of Default

The following are Events of Default under the Indenture:

(a) If payment of the principal of or premium (if any) on 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 days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the University (giving the University 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 University, as that term is defined in the Loan Agreement, the Mortgage or the Security 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 or mandatory redemption date 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, the Mortgage, the Security Agreement, the Revenue Note 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, the Mortgage, the Security Agreement, the Revenue Note or the Indenture 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 the Mortgage, the Security Agreement, the Revenue Note and the Indenture and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, 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 Norwest Bank Minnesota, National Association, which advances are given priority of payment. 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 has no obligation to inquire into the sufficiency of payments of the Revenue Note or payments or deposit of Contributions and Pledge Receipts. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority, the University, the MCDA or the City 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.

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 Bond Documents 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 or date of mandatory redemption specified therein or herein; 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 University, 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 University shall:

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

(b) provide for the payment of principal and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in 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 University for the Authority under its official seal 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,

and shall also pay or provide for the payment of the 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 University all the Trust Estate shall revert to the Authority and the University as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, terminate and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority or the University (whichever may be entitled thereto) the Revenue Note and proper instruments acknowledging satisfaction of the Indenture and Mortgage, and surrender to the Authority or the University, 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 University 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 at a Sinking Fund Subaccount redemption date, or at the date duly fixed for the optional redemption thereof in accordance with the Indenture 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 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 under the Indenture; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue. Contributions and Pledge Receipts transferred to the Redemption Account from the Gift Receipts Account may be set aside at the request of the University to defease outstanding Series Three-C Bonds in accordance with the foregoing provisions.

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 create a series of and authorize Additional Bonds.

In addition and subject to the provisions set forth below, the Holders of not less than 65% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture (except for Additional Bonds as provided in Section 2.09 of the Indenture), or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or to amendments to the other Bond Documents.

Amendments to the Loan Agreement, Mortgage, Security Agreement, and Revenue Note

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement, the Mortgage, the Security Agreement or the Revenue Note as may be required (a) by the provisions of the Loan Agreement, the Mortgage, the Security Agreement, the Indenture, or the Revenue Note or (b) for the purpose of curing any ambiguity or formal defect or omission, or (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, the Mortgage, the Security Agreement, or the Revenue Note 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, the Mortgage, the Security Agreement or the Revenue Note without the written approval or consent of the Holders of not less than 65% 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 office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic interest rate of any authorized denominations. Payment of principal will be at the corporate 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.

THE MORTGAGE

At or prior to the closing, the University will execute and deliver to the Authority, and the Authority will assign to the Trustee, the Mortgage to secure the Bonds. The following is a summary of certain provisions of the Mortgage. This summary does not purport to be complete, and reference is made to the full text of the Mortgage for a complete recital of its terms. Certain words and terms used in this summary are defined in "DEFINITIONS OF CERTAIN TERMS," Appendix III, contained herein.

Under the Mortgage, in order to secure its obligations under the Loan Agreement, including payment of Loan Repayments in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Bonds, the University grants to the Authority a security interest in the equipment described therein and a first mortgage lien on its right, title and interest in and to the land described in Exhibit A to the Mortgage (the "Mortgaged Land"), and any buildings now standing or hereafter constructed and equipment placed upon the Mortgaged Land, including the Project Site and Project Building constituting the downtown Minneapolis campus of the University, in (collectively, the "Mortgaged Property"). The Authority is also granted a security interest in all of the general intangibles, rents, issues, condemnation awards, insurance proceeds and similar revenues and income (the "Revenues and Income") arising from the ownership of the Mortgaged Property.

The Loan Agreement provides that the University may remove Project Equipment and Building Equipment from the Mortgaged Property, and release such equipment from the lien of the Mortgage, where applicable, upon the following conditions:

(a) the University may substitute equipment and related property for any Project Equipment and Building Equipment, provided that such property so substituted shall not materially impair the character or revenue producing significance of the Project Facilities, and such substituted property shall be subject to the lien of the Mortgage in place of the replaced equipment if such replaced equipment was subject to the lien of the Mortgage prior to the substitution;

(b) the University may remove any Project Equipment without substitution therefor provided that the University pay into the Redemption Account a sum equal to the then value of such Project Equipment; and

(c) the University shall have the privilege of removing any Building Equipment without substitution therefor, provided that such removal does not impair the character or revenue producing significance of the Project Facilities.

The Mortgage also provides that the existing improvements on the Mortgaged Land shall be demolished and removed as part of the Project.

Events of Default; Remedies

The following are Events of Default under the Mortgage:

(a) If an event of default (as defined therein) under the Loan Agreement, the Security Agreement or the Indenture has occurred and is continuing; or

(b) If the University violates or fails to perform any covenant under the Mortgage for a reason other than force majeure (as defined in the Loan Agreement) for a period of thirty days after written notice from the Authority or the Trustee specifying the default and requesting that it be remedied or for such further period of time as the Trustee shall permit; or

(c) If any representation of the University in the Mortgage is incorrect in any material respect.

If an Event of Default exists under the Mortgage, the Trustee may proceed to protect and enforce its rights by suits at equity or at law, to foreclose the Mortgage by action or under the power of sale provided in the Mortgage, and to exercise rights under the Uniform Commercial Code. Unless an Event of Default shall exist, the Mortgagor shall be entitled to possession of the Mortgaged Property and disposition of the Revenues and Income. If not or if the University abandons the Mortgaged Property or commits or permits waste, the Trustee is entitled to take possession or have a receiver appointed, subject to the University's statutory rights of redemption and any order of a court of competent jurisdiction

THE SECURITY AGREEMENT

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

To secure its obligations under the Loan Agreement, the University pledges and assigns to the Trustee a security interest in the following property (the "Collateral"): (i) All Contributions and Pledge Receipts, when received by the Trustee from time to time and held in the Gift Receipts Account, the Bond and Interest Sinking Fund Account and the Redemption Account and all investments of such Contributions and Pledge Receipts, however held, and (ii) any and all proceeds thereof.

From and after the occurrence of an "event of default" under the Indenture, Loan Agreement, or Mortgage or an event of default on the part of the University in its obligations under the Security Agreement, the Trustee may exercise any rights and remedies available to it under the Loan Agreement, the Mortgage, the Indenture and the Security Agreement; exercise all voting and other rights as a holder with respect to any securities included in the Collateral; exercise and enforce any and all rights and remedies available after default to a secured party under the Uniform Commercial Code, including the right to offer and sell the property pledged under the Security Agreement; notify any pledgor that the University's right to payment with respect to such Pledge has been transferred to the Trustee; and exercise or enforce any and all other rights and remedies available by law against the Collateral, the University or any other person or property. Upon the execution of the Security Agreement, the University shall deliver to the Trustee a written report identifying and itemizing by donor and amount all Contributions and Pledge Receipts received by the University.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
University of St. Thomas:

We have audited the accompanying balance sheet of the University of St. Thomas as of June 30, 1990 and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. We previously audited and reported upon the financial statements of the University for the year ended June 30, 1989, which condensed statements are presented for comparative purposes only. 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 audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of St. Thomas as of June 30, 1990, and the changes in fund balances and current funds revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand

St. Paul, Minnesota
October 3, 1990

UNIVERSITY OF ST. THOMAS

BALANCE SHEET, June 30, 1990
(with comparative totals for 1989)

1989 Total	1990 Total	ASSETS	Current Funds Unrestricted	Current Funds Restricted	Loan Funds	Endowment and Similar Funds	Plant Funds Unexpended	Plant Funds Debt Retirements, Renewals and Replacements	Plant Funds Investment in Plant
$ 958,860	$ 1,550,639	Cash	$ 1,518,246		$ 31,688	$ 705			
		Receivables:							
5,489,046	5,615,450	Notes and accounts receivable, less allowance for doubtful accounts of $536,000 in 1990 and $440,000 in 1989	5,426,762	$ 188,688					
3,774,688	3,765,926	Loans to students, net of allowance for doubtful accounts of $140,000 in 1990 and $124,000 in 1989			3,765,926				
		Due from (to) other funds	(8,037,326)	1,855,757	5,368	(551)	$5,075,564	$(1,619,499)	$ 2,720,687
1,416,140	1,433,582	Inventories, at cost	1,433,582						
1,845,478	2,029,191	Prepaid expenses and other assets	2,010,577		18,614				
90,321,116	100,085,289	Investments in securities	12,766,305	195,528		83,418,742	60,937	3,282,777	361,000
1,572,316	1,413,000	Interest in Catholic Publishing Center				1,413,000			
		Property and equipment, at cost:							
1,677,675	1,677,675	Land							1,677,675
77,120,745	84,632,306	Buildings and improvements							84,632,306
22,693,795	25,360,081	Equipment and furniture							25,360,081
273,362	273,362	Artwork							273,362
168,865	38,130	Leasehold improvements, net of amortization							38,130
2,616,939	963,077	Construction in progress					963,077		
686,813	562,060	Deferred debt financing costs, net of amortization							562,060
$210,615,838	$229,399,768	Total assets	$15,118,146	$2,239,973	$3,821,596	$84,831,896	$6,099,578	$ 1,663,278	$115,625,301

UNIVERSITY OF ST. THOMAS

BALANCE SHEET, June 30, 1990, Continued
(with comparative totals for 1989)

1989 Total	1990 Total	LIABILITIES	Current Funds Unrestricted	Current Funds Restricted	Loan Funds	Endowment and Similar Funds	Plant Funds Unexpended	Plant Funds Debt Retirements, Renewals and Replacements	Plant Funds Investment in Plant
$ 7,867,062	$ 6,858,694	Accounts payable and accrued liabilities	$ 6,242,204				$ 5,000	$ 611,490	
1,254,542	1,124,536	Student deposits	1,124,536						
		Deferred revenue:							
3,365,785	3,562,672	Subscriptions	3,562,672						
2,136,905	2,395,987	Tuition	2,395,987						
539,602	1,350,467	Deposits held for others	1,350,467						
42,011,374	39,809,062	Long-term debt							$ 39,809,062
57,175,270	55,101,418	Total liabilities	14,675,866				5,000	611,490	39,809,062
		FUND BALANCES							
388,161	442,280	Current unrestricted funds	442,280						
2,377,497	2,239,973	Current restricted funds		$2,239,973					
		Loan funds:							
		National Direct Student Loans:							
3,595,583	3,640,732	U.S. Government grant refundable			$3,640,732				
229,811	155,749	University funds			155,749				
24,957	25,115	Federally insured student loan			25,115				
		Endowment and similar funds:							
36,522,300	42,639,156	Endowment				$42,639,156			
33,169,684	36,335,314	Quasi-endowment, undesignated				36,335,314			
4,197,979	5,065,215	Quasi-endowment, designated				5,065,215			
601,667	792,211	Life income				792,211			
		Plant funds:							
3,391,853	6,094,578	Unexpended					6,094,578		
896,014	1,051,788	Debt retirements, renewals and replacements						1,051,788	
68,045,062	75,816,239	Net investment in plant							75,816,239
153,440,568	174,298,350	Total fund balances	442,280	2,239,973	3,821,596	84,831,896	6,094,578	1,051,788	75,816,239
$210,615,838	$229,399,768	Total liabilities and fund balances	$15,118,146	$2,239,973	$3,821,596	$84,831,896	$6,099,578	$ 1,663,278	$115,625,301

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF ST. THOMAS

STATEMENT OF CHANGES IN FUND BALANCES

for the year ended June 30, 1990
(with comparative totals for 1989)

1989 Total	1990 Total		Current Funds Unrestricted	Current Funds Restricted	Loan Funds	Endowment and Similar Funds	Plant Funds Unexpended	Plant Funds Debt Retirements, Renewals and Replacements	Plant Funds Investment in Plant
		Revenues and other additions:							
$ 40,687,481	$ 47,885,876	Tuition and fees	$47,885,876						
3,305,926	4,078,345	State grants and contracts		$4,078,345					
2,064,535	1,997,882	Federal grants and contracts		1,952,733	$ 45,149				
7,387,801	8,020,957	Private gifts, grants and bequests	1,390,919	1,466,335		$ 2,554,670	$2,536,770		$ 72,263
4,111,391	4,687,052	Endowment income	3,035,427	1,651,625					
1,679,147	1,592,957	Investment income	1,064,602	47,484			99,709	$ 381,162	
12,077,681	12,765,783	Sales and services of educational enterprises	12,765,783						
10,403,294	11,419,302	Sales and services of auxiliary enterprises and independent operations	11,419,302						
5,259,229	6,158,919	Expended for plant facilities (including $525,376 charged to current fund expenditures)							6,158,919
1,781,122	2,126,673	Retirement of indebtedness							2,126,673
1,742,200	1,824,080	Other revenue	1,111,313	596,143	95,488	136	21,000		
(360,599)	7,867,234	Realized gain (loss) on investments				7,867,234			
90,139,208	110,425,060	Total revenues and other additions	78,673,222	9,792,665	140,637	10,422,040	2,657,479	381,162	8,357,855
		Expenditures and other deductions:							
61,415,863	69,578,934	Educational and general	60,147,759	9,311,722				4,050	115,403
8,464,643	8,869,379	Auxiliary enterprises and independent operations	8,869,379						
132,844	178,128	Loan expenses and cancellations			178,128				
3,758,635	5,688,615	Expended for plant facilities					5,648,172	40,443	
1,781,122	2,126,673	Retirement of indebtedness						2,126,673	
3,371,176	2,966,233	Interest on indebtedness						2,966,233	
81,000		Disposal of fixed assets							
	159,316	Other				159,316			
79,005,283	89,567,278	Total expenditures and other deductions	69,017,138	9,311,722	178,128	159,316	5,648,172	5,137,399	115,403
		Interfund transfers, additions (deductions):							
		Mandatory:							
		Principal and interest	(4,891,404)					4,891,404	
		Renewals and replacements	(27,750)					27,750	
		Student loan funds	(5,017)		5,017				
		Nonmandatory:							
		Endowment funds	(77,542)			77,542			
		Plant funds	(5,215,000)				5,693,418	(7,143)	(471,275)
		Restricted funds	618,467	(618,467)					
		Student loan funds	(3,719)		3,719				
		Total transfers	(9,601,965)	(618,467)	8,736	77,542	5,693,418	4,912,011	(471,275)
11,133,925	20,857,782	Net increase (decrease) in fund balances	54,119	(137,524)	(28,755)	10,340,266	2,702,725	155,774	7,771,177
142,306,643	153,440,568	Fund balances, beginning of year	388,161	2,377,497	3,850,351	74,491,630	3,391,853	896,014	68,045,062
$153,440,568	$174,298,350	Fund balances, end of year	$ 442,280	$2,239,973	$3,821,596	$84,831,896	$6,094,578	$1,051,788	$75,816,239

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF ST. THOMAS

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

for the year ended June 30, 1990
(with comparative totals for 1989)

1989 Total	1990 Total		Current Funds Unrestricted	Current Funds Restricted
		Revenue:		
$40,687,481	$47,885,876	Tuition and fees	$47,885,876	
3,305,926	4,078,345	State grants and contracts		$4,078,345
1,917,057	1,952,733	Federal grants and contracts		1,952,733
2,786,305	2,857,254	Private gifts, grants and bequests	1,390,919	1,466,335
3,652,772	4,687,052	Endowment income	3,035,427	1,651,625
1,087,623	1,112,086	Investment income	1,064,602	47,484
12,077,681	12,765,783	Sales and services of educational enterprises	12,765,783	
10,403,294	11,419,302	Sales and services of auxiliary enterprises and independent operations	11,419,302	
1,582,644	1,226,513	Other revenue	1,111,313	115,200
77,500,783	87,984,944	Total revenue	78,673,222	9,311,722
		Expenditures and mandatory transfers:		
		Education and general:		
19,236,690	22,140,061	Instruction	21,250,576	889,485
11,323,867	11,994,526	Educational enterprises	11,079,731	914,795
4,210,717	4,315,010	Academic support	3,752,914	562,096
4,510,542	5,151,588	Student services	4,892,626	258,962
8,873,084	9,656,439	Institutional support	9,480,183	176,256
4,711,282	5,544,734	Operation and maintenance of plant	5,530,617	14,117
8,436,839	10,657,123	Student aid	4,161,112	6,496,011
61,303,021	69,459,481	Educational and general expenditures	60,147,759	9,311,722
		Mandatory transfers:		
2,109,418	2,245,010	Principal and interest	2,245,010	
8,309	5,017	Student loan funds	5,017	
63,420,748	71,709,508	Total educational and general	62,397,786	9,311,722

UNIVERSITY OF ST. THOMAS

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES, Continued

for the year ended June 30, 1990
(with comparative totals for 1989)

1989 Total	1990 Total		Current Funds Unrestricted	Current Funds Restricted
		Auxiliary enterprises and independent operations:		
$ 8,464,643	$ 8,869,379	Expenditures	$ 8,869,379	
		Mandatory transfers for:		
2,032,790	2,646,394	Principal and interest	2,646,394	
43,750	27,750	Renewal and replacement	27,750	
10,541,183	11,543,523	Total auxiliary enterprises and independent operations	11,543,523	
73,961,931	83,253,031	Total current expenditures and mandatory transfers	73,941,309	$9,311,722
		Other transfers and additions (deductions):		
72,336	480,943	Excess of restricted receipts over transfers to revenue		480,943
(3,134,119)	(5,296,261)	Transfers among funds	(4,677,794)	(618,467)
$ 477,069	$ (83,405)	Net increase (decrease) in fund balances	$ 54,119	$ (137,524)

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF ST. THOMAS

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

ACCOUNTING BASIS:

The financial statements of the University of St. Thomas (the University) have been prepared on the accrual basis, except for depreciation accounting. The statement of current funds revenues, expenditures and other changes is a statement of certain financial activities of current funds related to the current reporting period. It does not purport to present net income for the period.

To the extent that current funds are used to finance property and equipment, the amounts so provided are accounted for as (1) expenditures; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; or (3) nonmandatory transfers.

FUND ACCOUNTING:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained in accordance with the principles of "fund accounting." This is a method by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Trustees. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the Board of Trustees retains full control over use in achieving any of its institutional purposes.

All gains and losses arising from the sale, or other disposition of investments and other noncash assets and ordinary income derived from investments, receivables and the like, are accounted for in the fund owning such assets, except for income derived from investments of endowment and

1. Summary of Significant Accounting Policies, continued:

FUND ACCOUNTING, continued:

similar funds, which is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

Unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes. Pledges are not recognized as revenue until received.

The endowment and similar funds group consists of endowments, term-endowments, quasi-endowments and life income funds. Endowment funds are funds which donors have stipulated are to be maintained inviolate and inperpetuity and invested for the purpose of producing income which may either be expended or added to principal. Term-endowment funds are similar to endowment funds except that, upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may later be expended. Quasi-endowment funds are amounts internally designated by the Board of Trustees for a specific purpose and may later be designated for other uses at the discretion of the Board. Life income funds consist of funds acquired subject to an agreement whereby assets are made available on the condition that the University pay stipulated amounts to designated individuals until their death.

The University follows an endowment spending policy. The policy authorizes spending of up to a percentage of the moving average market value of most endowment funds. This spending limit was 4% for both fiscal 1990 and fiscal 1989.

PRINCIPLES OF CONSOLIDATION:

The financial statements of the University include the accounts of The Catholic Publishing Center, a division of the University. All significant interfund balances and transactions have been eliminated. The market value of The Catholic Publishing Center in excess of its book value at the date of gift to the University has been recorded as an asset in the endowment and similar funds and is being amortized on the straight-line method over ten years.

1. Summary of Significant Accounting Policies, continued:

INVENTORIES:

Inventories are recorded at the lower of cost (first-in, first-out) or market. Inventories consist mainly of books and materials in the University book store and The Catholic Publishing Center.

INVESTMENTS IN SECURITIES:

Investments in purchased securities are stated at cost, adjusted where appropriate for amortization of premiums and discounts using the straight-line method. Gifts of investments in securities are recorded at market value at the date of acquisition. Realized gains and losses on sales of investments are determined using the average cost method.

PROPERTY AND EQUIPMENT:

Property and equipment are recorded at cost, except those received as gifts or bequests which are recorded at fair market value at date of gift. Depreciation has not been recorded.

The University has financed the construction and acquisition of certain properties by issuing bonds structured as leases. All such transactions are capital leases under generally accepted accounting principles. Accordingly, all construction costs and properties acquired have been capitalized in the plant funds and the related bond issue debt has been recorded as long-term debt in the same funds.

Deferred debt financing costs are amortized on a straight-line method over ten years or the term of the bond issue if less than ten years. Leasehold improvements are amortized on the straight-line method over the unexpired term of the lease.

DEFERRED SUBSCRIPTION REVENUE:

Subscription revenues are deferred by The Catholic Publishing Center at the time of sale. As magazines are delivered to subscribers, the proportionate share of the subscription price is recognized as revenue.

STUDENT DEPOSITS AND DEFERRED TUITION REVENUE:

Student deposits represent amounts collected from and refundable to students for items such as dormitory deposits. Tuition revenue and prepaid costs for summer school sessions are deferred at the time of payment. Revenue is recognized when the classes have been completed.

1. Summary of Significant Accounting Policies, continued:

INCOME TAXES:

The University qualifies as a tax-exempt nonprofit organization under Section 501(c)3 of the Internal Revenue Code and similar statutes of Minnesota law. Accordingly, income taxes have not been recorded in the accompanying financial statements. The University is subject to unrelated business income tax as further explained in Note 8.

2. Affiliation Agreement - School of Divinity:

The University has an affiliation agreement with The St. Paul Seminary and The Archdiocese of St. Paul and Minneapolis for the purpose of creating The St. Paul Seminary School of Divinity of The University of St. Thomas (the School of Divinity).

3. Investments in Securities:

Investments in securities consists of the following:

	June 30, 1990		June 30, 1989	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Cash and equivalents	$ 17,757,473	$ 17,757,473	$12,117,940	$12,117,940
Corporate stocks	47,803,097	52,979,253	42,219,486	49,779,761
Corporate bonds	6,921,540	6,918,564	9,584,079	9,708,216
Government securities	27,094,758	27,235,495	26,017,955	26,818,322
Other	508,421	424,921	381,656	298,156
	$100,085,289	$105,315,706	$90,321,116	$98,722,395

Subsequent to June 30, 1990, University management reviewed certain financial trustee reports and estimates that the market value of University investments has declined by approximately $12,000,000 during the three-month period, July 1, 1990 to September 30, 1990.

4. Pledges:

Pledges are not recognized as revenue until received. At June 30, 1990, the University had outstanding pledges and bequests of approximately $28,300,000 and $4,300,000, respectively, which are restricted mainly to scholarships, academic instruction and building construction and renovation purposes.

4. **Pledges**, continued:

Expected future receipts from these pledges at June 30, 1990 are as follows:

Year Ending June 30	Outstanding Pledges
1991	$ 4,300,000
1992	8,100,000
1993	3,600,000
1994	2,100,000
1995	3,000,000
Thereafter	7,200,000
	$28,300,000

5. **Property and Equipment Construction in Progress**:

Projects under construction or in the planning stage at June 30, 1990 consist of the following:

Project	Estimated Total Cost (Unaudited)	Construction in Progress June 30, 1990	To Be Financed By
Minneapolis Campus:			
Building	$15,000,000	$ 47,816	Primarily debt financing
Land	9,200,000		
Equipment	2,000,000		
O'Shaughnessy Library addition	8,250,000	302,382	Gifts
Dundwoody Building purchase and renovation	1,950,000		Current funds
Storm sewer separation	510,000	69,276	Current funds
Other	2,101,960	543,603	Primarily current funds
	$39,011,960	$963,077	

6. **Long-Term Debt**:

Long-term debt at June 30, 1990 consists of the following:

MHEFA Revenue Bonds, Series Two-O, payable through 2008, interest at 7.09% (average), uncollateralized; proceeds used to finance expansion and renovation of Murray Hall and Brady Education Center, renovation of Grace and Cretin Residences and Service Center, and acquisition of certain real estate and computer equipment	$10,850,000

6. **Long-Term Debt**, continued:

MHEFA Revenue Bonds, Series Two-S, payable through 2014, interest at 7.22% (average), uncollateralized; proceeds used to finance renovation of Grace Residence and Cretin Residence and expansion and remodeling of Binz Refectory	$ 4,415,000
City of Chaska, Minnesota Industrial Development Revenue Bonds, Series 1985, payable through 2010, interest at 7.82% (average), collateralized by an irrevocable letter of credit issued by Norwest Bank Minneapolis; as a condition of the letter of credit, the University has pledged as collateral certain U.S. Treasury bonds and notes; proceeds used to acquire Hazeltine Gates building	5,910,000
MHEFA Revenue Bonds, Series Two-I, principal payments beginning in 1995 and ending in 2015, interest rate at 7.27% (average), uncollateralized; proceeds used to finance additions to Brady and Dowling Halls	5,500,000
MHEFA Refunding Revenue Bonds, Series 1985-1, payable through 1993, interest at 7.19% (average), uncollateralized; original bond proceeds used to finance construction of Coughlan Field House and Schoenecker Arena and additions to Gainey Center	4,500,000
Mortgage, payable in monthly installments of $22,417 with a final payment of $1,976,661 in 1995, interest at 10.25%, collateralized by Hazeltine Gates building	2,251,747
Residence Hall Building Bonds, 1978, MHEFA First Mortgage Revenue Bonds, Series X, payable annually through 1999, interest at 6.36% (average), collateralized by John Paul II Residence Hall and related net revenues as well as by guarantee of the University	1,510,000
MHEFA Pooled Revenue Bonds, Series 1983-A, payable through 1991, interest at 7.82% (average), uncollateralized; proceeds used to finance various projects	1,054,468
Academic Building Bonds, 1969, payable annually through 2009, interest at 3%, collateralized by O'Shaughnessy Educational Center building	890,000
Dormitory Bonds, 1967, payable annually through 2017, interest at 3%, collateralized by Brady Hall building and related net revenues	765,000
Mortgage, payable in monthly installments of $10,681 through 1995, interest at 10%, collateralized by Peavey Hall	506,320

6. **Long-Term Debt**, continued:

Dormitory Bonds, 1978, MHEFA Mortgage Revenue Bonds, Series U, payable annually through 2000, interest at 5.82% (average), collateralized by Murray Hall Dormitory and related net revenues under a second mortgage lien	$ 470,000
Contract for Deed, payable in monthly installments of $3,600 through August 1, 1992 with a balloon payment of $532,000 including accrued interest on August 1, 1992, interest at 10%, collateralized by Grand Avenue Apartments	450,808
Dormitory Bonds, 1957, payable annually through 1997, interest at 2-7/8%, collateralized by Ireland and Dowling dormitory buildings and related net revenues	370,000
Faculty Residence Revenue Bonds, 1975, MHEFA First Mortgage Revenue Bonds, Series K, payable annually through 1994, interest at 6.5% (average), collateralized by Faculty Residence building	295,000
Loan, payable in monthly installments of $6,958 through October 1990, interest at 10%, uncollateralized; represents amount owed to lessor of Minneapolis Campus for leasehold improvements, if the lease is terminated prior to October 1990, the unamortized balance of the loan will be due in full	36,980
Mortgage, payable in monthly installments of $307 through January 2007, interest at 8%, collateralized by Quadna townhouse	33,739
	$39,809,062

The University is obligated to make payments to designated bond reserve funds for most of the outstanding bonds. Some of these reserve funds are administered by the University and the remainder are administered by outside trustees.

Payments required of principal, interest and amounts to be paid to repair and replacement reserve accounts for the succeeding five fiscal years are summarized as follows:

Year Ending June 30	Principal	Interest	Repair and Replacement
1991	$2,445,099	$2,841,387	$27,750
1992	2,637,946	2,653,338	27,750
1993	2,719,566	2,443,639	27,750
1994	2,316,142	2,265,301	27,750
1995	1,239,556	2,135,809	27,750

7. **Retirement Programs**:

Retirement benefits are provided for the academic employees and certain administrators through Teachers Insurance and Annuity Association (TIAA), a national organization which funds pension benefits for educational institutions. Under this arrangement, the University makes annual contributions to TIAA to purchase individual annuities equivalent to retirement benefits earned. Contributions paid by the University for these benefits were $1,747,795 and $1,494,846 for 1990 and 1989, respectively.

Retirement benefits are provided for other employees under a multi-employer retirement plan administered by the Archdiocese of St. Paul and Minneapolis. Contributions are made solely by the University. Contributions, at a minimum, are to fund normal costs of benefits to be paid as actuarially determined. Contributions charged to current unrestricted fund expenditures amounted to $219,987 and $221,976 for 1990 and 1989, respectively. Actuarial information for the individual participating entities is not available.

8. **Income Taxes**:

The University is generally exempt from income taxes. Certain advertising and list rental income is subject to unrelated business income tax. Related to this advertising and list rental activity, the University has a net operating loss carryforward of approximately $3,000,000 at June 30, 1990 which expires in fiscal years 1991 through 2005.

9. **Reclassifications**:

Certain reclassifications have been made in the 1989 financial statements to conform to the classification in 1990. These reclassifications had no effect on the net increase in fund balance for the year ended June 30, 1989, as previously reported.