NEW ISSUE | **Rating: Moody's: A1**
See "Rating" herein

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 Series Three-R2 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 Series Three-R2 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 Series Three-R2 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.")

$23,015,000
Minnesota Higher Education Facilities Authority
Refunding Mortgage Revenue Bonds, Series Three-R2
(University of St. Thomas)

Dated Date: June 15, 1993

Interest Due: Each March 1 and September 1, commencing September 1, 1993

$14,855,000 serial bonds to mature annually on September 1 as follows:

Year	Amount	Interest Rate	Price	Year	Amount	Interest Rate	Price
1993	$ 855,000	2.50%	100.000	2001	$ 765,000	5.00%	100.000
1994	675,000	3.10	100.000	2002	810,000	5.10	100.000
1995	670,000	3.50	100.000	2003	855,000	5.20	100.000
1996	910,000	4.00	100.000	2004	895,000	5.30	100.000
1997	980,000	4.20	100.000	2005	945,000	5.40	100.000
1998	1,045,000	4.40	100.000	2006	1,000,000	5.35	99.064
1999	1,110,000	4.60	100.000	2007	1,055,000	5.45	99.022
2000	1,175,000	4.80	100.000	2008	1,110,000	5.50	98.981

$8,160,000 5.60% Term Bonds due September 1, 2014 at 98.773%

The Series Three-R2 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

The Series Three-R2 Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Series Three-R2 Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein.) Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as Trustee.

The Series Three-R2 Bonds are special obligations of the Authority, issued on a parity of lien with the Authority's Mortgage Revenue Bonds, Series Three-C (University of St. Thomas) (the "Series Three-C Bonds") and are 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 SERIES THREE-R2 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 Series Three-R2 Bonds are offered when, as and if issued by the Authority 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, and Dorsey & Whitney, Minneapolis, Minnesota, counsel to the underwriters. Series Three-R2 Bonds are expected to be available for delivery on or about July 15, 1993.

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

Piper Jaffray Inc.

Norwest Investment Services, Inc.

Dain Bosworth Incorporated

The date of this Official Statement is June 29, 1993.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES THREE-R2 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 Underwriters 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 either the Authority, the University or the Underwriters. The information contained herein, except as it relates to the Authority, has been obtained from the University and is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER THIS OFFICIAL STATEMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE UNIVERSITY SINCE THE DATE THEREOF.

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

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Series Three-R2 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 Series Three-R2 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 Series Three-R2 Bonds may be registered or qualified and the exemption from registration or qualification in other jurisdictions shall not be regarded as a recommendation thereof.

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

TABLE OF CONTENTS

OFFICIAL STATEMENT

$23,015,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REFUNDING MORTGAGE REVENUE BONDS, SERIES THREE-R2

(University of St. Thomas)

(Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the University of St. Thomas (the "University"), a Minnesota nonprofit corporation as owner and operator of an institution of higher education with its main office located in Saint Paul, Minnesota, in connection with the issuance of the Authority's $23,015,000 Refunding Mortgage Revenue Bonds, Series Three-R2 (University of St. Thomas), (the "Series Three-R2 Bonds" or the "Issue").

The Series Three-R2 Bonds are being issued on a parity of lien with the Authority's Mortgage Revenue Bonds, Series Three-C (University of St. Thomas) (the "Series Three-C Bonds"), issued in 1991 for the construction and equipping of, and acquisition of the site for, a multistory educational facility now comprising the University's downtown Minneapolis campus, as more fully described in "The Project," page 11 herein. The Series Three-R2 Bonds are being issued as additional bonds under the Trust Indenture for the Series Three-C Bonds to refund all of the Series Three-C Bonds with the exception of $3,560,000 in principal amount of Series Three-C Bonds maturing in 2016. The Series Three-R2 Bonds and the Series Three-C Bonds which are not refunded are referred to collectively herein as the "Bonds."

The Authority has authorized and intends to issue its $22,985,000 Refunding Revenue Bonds, Series Three-R1 (University of St. Thomas) (the "Series Three-R1 Bonds") concurrently with the Series Three-R2 Bonds by means of a separate Official Statement dated June 29, 1993. The Series Three-R1 Bonds are being issued pursuant to a separate trust indenture from the Series Three-R2 Bonds to refund five prior series of bonds issued by the Authority on behalf of the University and the Series Three-R1 Bonds are not secured by the Mortgage, the Gift Receipts Account and the Revenue Note discussed herein which secure the Series Three-R2 Bonds.

The Series Three-R2 Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, as amended, by the provisions of which the Authority was created and authorized to issue its obligations to assist institutions of higher education within the State of Minnesota to finance certain projects.

The Series Three-R2 Bonds are to be issued pursuant to the Trust Indenture for the Series Three-C Bonds between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota as trustee (the "Trustee"), and a First Supplemental Indenture thereto, (collectively, the "Indenture").

Pursuant to a Loan Agreement between the University and the Authority and a First Supplemental Loan Agreement (collectively, the "Loan Agreement"), the University covenants as a general obligation of the University to make Loan Repayments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due.

The Bonds are secured by a pledge of the Loan Repayments, a Reserve Account, a mortgage on and security interest in the land, building and equipment constructed and acquired 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," pages 12 and 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 entered into a Contract for Private Redevelopment under which, among other things, the University transferred $9,200,000 of Bond proceeds of the Series Three-C Bonds 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 in principal plus interest thereon solely from certain tax increment revenue (the "Tax Increments"), which the University pledged to the repayment of the Bonds.

The University is obligated to provide annually eight full tuition scholarships to disadvantaged high school graduate residents of the City of Minneapolis (the "City") during the term of the Contract for Private Redevelopment, as more fully described under "THE REDEVELOPMENT CONTRACT" and "THE REVENUE NOTE AND TAX INCREMENTS," pages 13 through 15.

The Reserve Account was funded upon the issuance of the Series Three-C Bonds in the amount of $2,378,767.50, the initial Reserve Requirement. Upon issuance of the Series Three-R2 Bonds, the Reserve Account balance will be adjusted to equal the then-current Reserve Requirement. (See "Reserve Account," pages 16 and 17.)

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 not secured by the Authority's General Bond Reserve Account.

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

RISK FACTORS

No person should purchase Series Three-R2 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 Series Three-R2 Bonds.

Adequacy of Revenues

Payment of principal of and interest on the Bonds is intended to be made principally from Loan Repayments of the University. The University's ability to make Loan Repayments will be dependent on its ability to receive sufficient unrestricted revenues in excess of expenditures. Such revenues and expenditures are subject to many conditions and factors 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 in part on the number of students applying to the University. A number of factors, including, without limitation, increases in the University's tuition rates, competition from other colleges and universities, a decline in the number of college students generally, and general economic conditions may influence the number of applicants to the University.

Financial Aid

Approximately 70% of the University's undergraduate 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.

Damage or Destruction

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

Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the University and computed pro forma debt service coverage is provided in Appendix I under the caption "Long-Term Debt Service and Pro Forma Coverage." The pro forma coverage assumes current 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, debt service on the Bonds 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.

Risk of Insufficient Collateral

The Bonds are secured by (a) a pledge by the Authority to the Trustee of amounts payable by the University under the Loan Agreement; (b) a mortgage on and security interest in the land, building and equipment constituting the Project; (c) Gift Receipts; (d) payments to the Trustee under the Revenue Note, to the extent Tax Increments are available; and (e) a Reserve Account, which will be held by the Trustee and applied to the payment of principal and interest on the Bonds. If the University should be unable to pay the amounts due under the Loan Agreement, the Reserve Account and amounts on deposit in the Gift Receipts Account will not likely be sufficient to ensure full payment of the principal of and interest on the Bonds, and the Mortgage and the Revenue Note are subject to possible limitations on their value as security for the Bonds (see "Risk Factors - Gift Receipts, Tax Increments and Foreclosure of the Mortgage," below).

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. Although the University has reached its goal for the capital campaign for the Project, many of the gifts and pledges generated by the campaign are not restricted to the Project and are not required to be deposited with the Trustee in the Gift Receipts Account to secure the Bonds (see "Capital Campaign for Minneapolis Campus," page I-17 herein). Accordingly, the amount of Gift Receipts which will actually be deposited with the Trustee to secure the Bonds and pay a portion of the debt service on the Bonds is uncertain. The Trustee will not have a security interest in the Gift Receipts prior to their deposit into the Gift Receipts Account. In addition, pledges are generally expressions of intent, rather than legally binding obligations. Given the uncertainty concerning availability of Gift Receipts to secure and pay a portion of the debt service on the Bonds, each purchaser of Series Three-R2 Bonds should assess the University's ability to make the Loan Repayments, and thereby meet debt service on the Bonds, based on the general credit of the University without regard to Gift Receipts.

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. As described at pages 14 and 15 ("THE REVENUE NOTE AND TAX INCREMENTS"), sufficient Tax Increments may not become available to pay the principal of and interest on the Revenue Note. Even if Tax Increments are available to pay the principal of and interest on the Revenue Note, substantial Loan Repayments to meet debt service on the Bonds must be made from general unrestricted funds of the University. Given the uncertainty concerning availability of Tax Increments, each purchaser of Series Three-R2 Bonds should assess the University's ability to make the Loan Repayments, and thereby meet debt service on the Series Three-R2 Bonds, based on the general credit of the University without regard to Tax Increments.

Foreclosure of the Mortgage

The Bonds are special 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 under the Loan Agreement and the Indenture may be limited by bankruptcy, insolvency, reorganization or other similar laws or equitable principles related to or affecting the enforcement of creditors' rights 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) Reduction of total return on the University's endowment and quasi-endowment funds.

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

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

THE SERIES THREE-R2 BONDS

General

The Series Three-R2 Bonds will be dated June 15, 1993 and will mature annually each September 1, commencing September 1, 1993, as set forth on the cover page of this Official Statement. The Series Three-R2 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 Series Three-R2 Bonds will be payable on each March 1 and September 1, commencing September 1, 1993.

Book Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series Three-R2 Bonds. The Series Three-R2 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series Three-R2 Bond certificate will be issued for each maturity of each series of the Series Three-R2 Bonds each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series Three-R2 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Series Three-R2 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series Three-R2 Bonds, except in the event that use of the book entry system for the Series Three-R2 Bonds is discontinued.

To facilitate subsequent transfers, all Series Three-R2 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series Three-R2 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Three-R2 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series Three-R2 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Series Three-R2 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant within such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series Three-R2 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Three-R2 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series Three-R2 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series Three-R2 Bonds at any time by giving reasonable notice to the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book entry has been obtained from sources that the Authority believes to be reliable, but the Authority, the University and the Underwriters take no responsibility for the accuracy thereof.

Prior Redemption

Mandatory Sinking Fund Redemption

Series Three-R2 Bonds maturing on September 1, 2014 shall be called for redemption on September 1 in the years 2009 through 2013 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
2009	$1,180,000	2012	$1,395,000
2010	1,245,000	2013	1,470,000
2011	1,315,000	2014	1,555,000*

* *Maturity.*

The Series Three-R2 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 Series Three-R2 Bonds maturing on September 1, 2014, to be retired pursuant to the mandatory redemption schedule set forth above, may, at the option of the University, be reduced by the principal amount of any Series Three-R2 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.

Mandatory Redemption for Taxability

The Series Three-R2 Bonds will be subject to mandatory redemption in whole upon a Determination of Taxability, on the first practicable date thereafter. See "Determination of Taxability," page 9.

Optional Redemption

Series Three-R2 Bonds maturing on or after September 1, 2004 are subject to optional redemption on September 1, 2003, in whole, on any date or, in part, on any interest payment date thereafter, and if in part, in such order of maturity as the University shall direct and by random selection within a maturity, in integral multiples of $5,000. Redemption of Bonds shall be at the redemption prices (expressed as percentages of the principal amount thereof to be redeemed) plus accrued interest to the redemption dates, as follows:

From	Through	Redemption Price
September 1, 2003	August 31, 2004	101.00%
September 1, 2004	August 31, 2005	100.50%
thereafter		100.00%

The Bonds will also be subject to optional redemption as a whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities, if in whole on any date or if in part on any Interest Payment Date at a price equal to par plus accrued interest, as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS - The 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 were a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. 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, 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.

<u>Notice of Redemption</u>

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 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 Series Three-R2 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 Series Three-R2 Bonds shall be subject to mandatory redemption in whole on the first practicable date thereafter at a price of par and accrued interest. See "Tax Exemption" on pages 22 through 24 and Appendix III, "DEFINITION OF CERTAIN TERMS."

Additional Bonds

In addition to the Series Three-C and the Series Three-R2 Bonds, the Authority may in its discretion and with the consent of the University issue Additional Bonds (i) to refund all or any series or portion of series of the then outstanding Bonds; or (ii) to provide funds for improvements to or alterations, repairs or replacement of the Project Facilities; or (iii) 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 exclusion of interest on the outstanding Series Three-C Bonds and Series Three-R2 Bonds from gross income of the holders of such Bonds for purposes of federal income taxation under the Code shall not be jeopardized by the issuance of the Additional Bonds.

2. A supplement to the Mortgage and Security Agreement is executed and delivered describing the Additional Bonds as additional indebtedness secured thereby, together with a subordination agreement executed by MCDA in accordance with the Redevelopment Contract.

3. No Default or Event of Default on the part of the University exists under the Loan Agreement .

4. The University furnishes evidence satisfactory to the Authority of the University's ability to meet debt service on the Additional Bonds and, to the extent required by the

Authority, deposits additional monies or investments in the Reserve Account, to be held by the Trustee under the Indenture in such amount and value as the Authority may require, and executes supplements to the Loan Agreement and the Indenture.

PURPOSE OF THE ISSUE

The Series Three-R2 Bonds are being issued to refund a portion of the Authority's Mortgage Revenue Bonds, Series Three-C (The University of St. Thomas) issued on behalf of the University (known as the College of St. Thomas until 1990). The Series Three-C Bonds to be refunded total $20,845,000, including all Series Three-C Bonds maturing from 1993 through 2014 (the "Prior Bonds"). Not included in the refunding is a $3,560,000 term bond due September 1, 2016. The Prior Bonds will be called for redemption on September 1, 2000 at a price of par, accrued interest and a premium of 1% of the principal amount thereof.

The project for which the Series Three-C Bonds were issued is described under "The Project," page 11.

At the Closing Date for the Series Three-R2 Bonds, Bond proceeds, together with funds on deposit in certain funds and accounts of the Series Three-C Bonds to be refunded, will be deposited in an Escrow Account to be established pursuant to an Escrow Agreement among Norwest Bank Minnesota, National Association (the "Escrow Agent"), trustees for the Series Three-C Bonds and certain other bonds of the Authority refunded by the Series Three-R1 Bonds, the University, and the Authority. The Escrow Account will be funded with cash and securities sufficient to provide for defeasance of the Prior Bonds. In addition, the Escrow Account will be funded with proceeds of the Series Three-R1 Bonds for the refunding of certain other bonds of the Authority being refinanced with the issuance of the Series Three-R1 Bonds. In accordance with the Trust Indenture for the Prior Bonds, the Prior Bonds will no longer be considered outstanding under the Indenture upon such deposit for prepayment and will be secured solely by and payable solely from the Escrow Account.

Verification services necessary to ensure the adequacy of the Escrow Account to provide timely payment of the debt service for which the Escrow Account is obligated will be performed by McGladrey & Pullen, Certified Public Accountants.

SOURCES AND USES OF FUNDS

Sources and uses of funds to complete the refunding are expected to be approximately as follows:

Sources:		
Bond Principal	$23,015,000	
Less: Original Issue Discount	(131,112)	$22,883,888
Excess Reserve Balance from Series Three-C Bonds		73,375
Gift Receipts Account Balance		255,000
Total Sources		$23,212,263
Uses:		
Refunding Escrow		$22,868,064
Discount and Costs of Issuance		344,199
Total Uses		$23,212,263

In the event issuance costs including underwriter's discount exceed 2% of the proceeds of the Series Three-R2 Bonds, defined as par less original issue discount according to the reoffering scale, such excess shall be paid by the University from other than Series Three-R2 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 Account on or before the next interest payment date.

THE PROJECT

The Project, which has been completed and is in use, 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, including the demolition and removal of several existing structures.

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

The Project Building at 1000 LaSalle Avenue is the principal structure of the University's downtown Minneapolis campus. Total cost of the Project was approximately $25,800,000, of which $21,275,000 came from proceeds of the Series Three-C Bonds; $3,700,000 came from gifts to the University for the Project; and the remaining $825,000 came from investment earnings and other University funds.

The Project houses both graduate and limited undergraduate programs. The facility is the administrative home for the University's Graduate School of Business (with its Master's programs in Business Administration, Business Communications and International Management), Graduate School of Technology, Management Center, Small Business Development Center and a variety of other non-credit outreach initiatives or centers. Classes are 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. The University is expanding its graduate and undergraduate offerings at the Minneapolis campus to include weekday morning and afternoon course offerings. Support services such as library, audio visual, computing, food services, bookstore and duplicating are provided.

Pursuant to the Contract for Private Redevelopment, the MCDA 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 paid the acquisition and demolition costs from the proceeds of a Revenue Note in a principal amount of $9,200,000, which it issued and which the University purchased from proceeds of the Series Three-C Bonds. (See "THE REDEVELOPMENT CONTRACT" and "THE REVENUE NOTE AND TAX INCREMENTS" on pages 13 through 15 herein.)

The University has undertaken a capital campaign to raise a portion of the cost of this Project. See "Capital Campaign for Minneapolis Campus," page I-17.

SUMMARY OF SECURITY FOR THE BONDS

The Series Three-R2 Bonds are being issued as Additional Bonds under the Indenture and are secured on a parity of lien with the remaining $3,560,000 of the Series Three-C Bonds. The Series Three-R2 Bonds are special obligations of the Authority payable solely from Loan Repayments made by the University as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including moneys and investments in the Reserve Account. The Reserve Account will be fully funded in the amount of the Reserve Requirement.

The Loan Repayments will be a general obligation of the University. The University will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The University agrees to make such payments out of its operating funds or any other moneys legally available. 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 payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the University as they become due.

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 have not been used to complete the Project. Except for Gift Receipts which were received by the University prior to December 31, 1992 and used by the University to pay Project costs directly in accordance with the Loan Agreement, all Gift Receipts shall be deposited every thirty (30) 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 has 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 Contract for Private Redevelopment, MCDA has issued its Revenue Note to the University in a principal amount of $9,200,000 which has been assigned to the Trustee, by which the MCDA is obligated to pay Tax Increments received by the MCDA in regard to a separate property in downtown Minneapolis. (See "THE REDEVELOPMENT CONTRACT" and "THE REVENUE NOTE AND TAX INCREMENTS" on pages 13 through 15.)

No assurance can be given that Tax Increments will be forthcoming in amounts sufficient to pay principal and interest on the Revenue Note. Bondholders should rely principally on revenues from operations of the University during the term of the Bonds for debt service payments. (See "RISK FACTORS - Tax Increments" on pages 3 through 5.)

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

The Series Three-R2 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 Series Three-R2 Bonds will not be secured by the General Bond Reserve Account of the Authority (see "ACCOUNTS - General Bond Reserve Account").

THE REDEVELOPMENT CONTRACT

To assist the University in developing the Project, the MCDA entered into a Contract for Private Redevelopment with the University dated April 13, 1990, and amended on November 19, 1990; April 4, 1991; and February 28, 1992 (as so amended and with the attachments and schedules thereto and the agreements regarding scholarships and parking executed pursuant thereto, the "Redevelopment Contract").

In accordance with the Redevelopment Contract, the MCDA acquired and conveyed the Project Site to the University, demolished the existing improvements on the Project Site and issued the Revenue Note to the University in return for a payment to the MCDA of $9,200,000 from the proceeds of the Series Three-C Bonds. The University agreed under the Redevelopment Contract to construct the Project Building and related site improvements, which were completed in September, 1992; to provide eight full tuition, four-year (33-course) scholarships to disadvantaged high school graduate residents of the City each year during the term of the Redevelopment Contract (1990 through 2015, unless sooner terminated); and to provide off-street parking for students, faculty and staff using the Project Building. The University has represented in the Redevelopment Contract, among other things, that the Project Facilities will not be used for sectarian activities, that certain educational programs of the University will be located or offered in the Project Building, that the Project Facilities will be used as an accredited institution of higher education and that the University will comply with certain portions of the Minneapolis Code of Ordinances with respect to unlawful discrimination and affirmative action.

The Redevelopment Contract is subject to termination prior to the end of its term (a) by the non defaulting party, if certain defaults by the other party persist beyond the cure periods provided by the Redevelopment Contract (at least 90 days) or (b) if the University ceases to operate a college campus on the Project Site as a direct and reasonable result of condemnation or (c) at the option of the University in case of damage exceeding $100,000 to, or destruction of, the Project Building, if the University elects not to rebuild and the University's Board of Trustees certifies to the MCDA that the Project Building cannot be reasonably restored to its prior condition within 12 months, or that the University is prevented by the damage or destruction from carrying on normal use and operation of the Project Building for 12 months, or that the cost of restoration would exceed the net proceeds of insurance. in such events, the Revenue Note is voided, the MCDA is relieved of making further payments thereunder and the University's obligation to continue providing scholarships terminates; provided that if the Redevelopment Contract terminates as a result of condemnation by the MCDA, the Revenue Note will remain outstanding in an amount which is sufficient, together with the condemnation award, to compensate the University for the cost of the Project Site and the Project Building.

The foregoing is a brief summary of the background and certain provisions of the Redevelopment Contract and does not purport to be a complete or definitive statement of the terms thereof. The summary is qualified in its entirety by reference to the documents constituting the Redevelopment Contract, copies of which will be furnished upon request.

THE REVENUE NOTE AND TAX INCREMENTS

On April 4, 1991, the Revenue Note was issued by the MCDA to the University, assigned by the University to the Authority and assigned by the Authority to the Trustee. The Revenue Note is security for and a possible source of payment for part of the debt service on the Bonds. The $9,200,000 principal amount of the Revenue Note and interest thereon at the rate of 6.9308 percent per year are payable, solely from "Available Tax Increment" received by the MCDA, in 50 semiannual scheduled payments beginning August 1, 1991, and ending February 1, 2016. The Revenue Note is not a general obligation of the MCDA, and the obligation of the MCDA to pay the principal of the Revenue Note and interest thereon shall not be deemed to be in default if Available Tax Increment is not sufficient to pay the scheduled payments of principal and interest. If, on any scheduled payment date, Available Tax Increment is not sufficient to make the scheduled payment, the unpaid portion is deferred for possible later payment. All Available Tax Increment held by the MCDA on a scheduled payment date is to be applied by the MCDA first to pay interest then due and payable, second to pay principal then due and payable, third to pay any deferred scheduled payment and fourth to prepay principal.

The term Available Tax Increment (referred to as "Tax Increments" in the Loan Agreement and the Indenture) means 25 percent of all tax increment, calculated in accordance with Minnesota Statues, Sections 469.174 to 469.179 (the "Tax Increment Financing Act"), remitted to the MCDA from real property taxes payable with respect to Tax Increment District No. 42 (Neiman-Marcus) ("TIF 42"), reduced by any application of such tax increment to the prior pledges thereof to a portion of the City's $62,200,000 General Obligation Tax Increment Bonds of 1985, 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 the MCDA's $112,784,719.10 Tax Increment Revenue Bonds of 1990 (the "Prior Pledges"). Although the term "tax increment" is not defined in the Tax Increment Financing Act, it is generally understood to refer to the amount of property taxes generated during the life of a tax increment financing district due to increase in value of taxable property in the district over the value in the year immediately preceding the formation of the district, subject to various adjustments. Prior to the formation of TIF 42, a J.C. Penney Co. store occupied the property in TIF 42 (approximately one-half block in Minneapolis on the east side of Nicollet Mall between Fifth Street and Sixth Street). A four-floor retail and 33-story office building have now been constructed in TIF 42 at a cost of approximately $170,000,000; uses include a Neiman-Marcus department store and headquarters offices for Dain Bosworth Incorporated and its parent company, Inter-Regional Financial Group, Inc.

A number of factors could result in Available Tax Increment not being sufficient to pay the principal of and interest on the Revenue Note or any remaining part thereof, including, but not limited to, the following factors:

(1) If the tax increments from other tax increment districts are not sufficient to meet the debt service requirements for the City and the MCDA bonds to which the Prior Pledges were made, the tax increment from TIF 42 may be used, in whole or in part, to meet such debt service, and such use could reduce or eliminate the Available Tax Increment from which debt service on the Revenue Note is payable;

(2) Insufficient property values in TIF 42 or reduction in the rate of property taxes levied by the City, Hennepin County or other taxing authorities could cause Available Tax Increment to be insufficient to pay in full the principal of and interest on the Revenue Note;

(3) The Revenue Note could be voided prior to its final maturity (see "The Redevelopment Contract", page 13);

(4) Under the fiscal disparities law (Chapter 473F, Minnesota Statutes), a municipality in the Twin Cities metropolitan area must contribute 40 percent of the net increase since July 1, 1982, in commercial and industrial property tax valuation to a metropolitan pool for redistribution to municipalities. 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. However, it is not certain that, pursuant to the provisions of the Tax Increment Financing Act, the City 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

(5) TIF 42 terminates, as required by law, in the year 2015, and no taxes payable after 2015 will result in Available Tax Increment.

Actual tax increment payments received by the Trustee pursuant to the Revenue Note have been as follows:

Payment Date	Payment
August, 1991	$ 46,291.09
February, 1992	30,743.18
August, 1992	186,795.75
February, 1993	186,796.95

No assurance can be given that Available Tax Increment will be sufficient to pay the principal of and interest on the Revenue Note. **Because of the factors discussed above which could reduce or eliminate Available Tax Increment and the uncertainty as to whether and to what extent the principal of and interest on the Revenue Note will be paid, a decision to purchase the Series Three-R2 Bonds should be based upon the general credit of the University without reliance on any amounts which may be paid under the Revenue Note.** Whether or not Tax Increments are available to make payments on the Revenue Note, and are paid to the Trustee to pay part of the 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 provides for the creation of certain trust accounts into which a portion of the proceeds from the sale of the Series Three-C Bonds and the Series Three-R2 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 Gift Receipts Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. Pursuant to the First Supplemental Indenture, a Costs of Issuance Account was also established. The net proceeds of original issue and sale of the Series Three-R2 Bonds are to be deposited into an Escrow Account for payment of the Prior Bonds, except that funds for the payment of issuance costs will be deposited into the Costs of Issuance Account and accrued interest will be deposited in the Bond and Interest Sinking Fund Account. 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 and the Redemption Account and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds when due and to maintain a debt service reserve in the Reserve Account in the amount of the Reserve Requirement.

Costs of Issuance Account

There shall be deposited initially into the Costs of Issuance Account any Series Three-R2 Bond proceeds available for the payment of issuance costs. In addition, the University will agree in the Loan Agreement to pay out of available general funds (other than Series Three-R2 Bond proceeds) all costs of issuance of the Series Three-R2 Bonds, if any (including underwriting discount), in excess of 2.00% of the proceeds of the Series Three-R2 Bonds (par value minus original issue discount according to the reoffering scale). Any amounts in the Costs of Issuance Account which have not been spent within six months of the issuance of the Series Three-R2 Bonds shall be deposited into the Bond and Interest Sinking Fund Account.

Site Acquisition Account and Construction Account

The Indenture provides for a Site Acquisition Account and a Construction Account into which certain of the Series Three-C Bond proceeds were deposited. None of the Series Three-R2 Bond proceeds will be deposited in either 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 Series Three-R2 Bond proceeds representing accrued interest, which is to be used to pay interest on the Series Three-R2 Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the University 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

At the Closing Date for the Series Three-C Bonds there was deposited into the Reserve Account from Series Three-C Bond proceeds the amount of $2,378,767.50, the initial Reserve Requirement. At the Closing Date for the Series Three-R2 Bonds, a portion of the Reserve Account balance equal to $73,375 will be deposited in the Escrow Account, leaving the balance in the Reserve Account at the then-current 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 restore the deficiency forthwith, 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 as of the first day of each calendar quarter, 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 to first, the Bond and Interest Sinking Fund Account to the extent the amount on deposit in the Bond and Interest Sinking Fund Account is less than the amount permitted for a bona fide debt service fund under the Arbitrage Regulations; and second, to the Redemption Account any excess interest and income, 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

Pursuant to the Indenture, the University agreed 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 (30) days, provided that Contributions and Pledge Receipts in the form of property rather 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 Trustee for deposit in the Gift Receipts Account.

At the Bond Closing of the Series Three-R2 Bonds, the current balance in the Gift Receipts Account (approximately $255,000) will be deposited in the Escrow Account for refunding a portion of the Series Three-C Bonds.

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 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 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 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 American and set aside and held in trust by the Trustee sufficient to pay principal of Bonds at maturity or the Sinking Fund Subaccount redemption date, or at a date duly established for the optional redemption of 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 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 Series Three-R2 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 Bond and Interest Sinking Fund Account, the Gift Receipts Account, the Reserve Account, the Costs of Issuance Account or the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments and state housing finance agencies, rated at least "A;" revenue bond obligations of states and local governments rated at least "AA" or "Aa;" mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements or reverse repurchase agreements collateralized by the foregoing obligations; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation or collateralized by certain government obligations; certain guaranteed investment contracts issued by a bank or insurance company rated at least "A;" certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

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 $350 million. The Authority has had 75 issues (including refunded and retired issues) totaling $320,545,000 of which $205,324,071 (excluding the Series Three-R1 and Series Three-R2 Bonds) is outstanding as of June 2, 1993. The Authority has five series of bonds (excluding the Series Three-R1 and the Series Three-R2 Bonds) authorized in the amount of $25,600,000, but unissued. 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

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

UNDERWRITING

The Series Three-R2 Bonds are being purchased by Piper Jaffray Inc.; Norwest Investment Services, Inc.; and Dain Bosworth Incorporated (the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a purchase price of $22,653,738, (representing the aggregate principal amount of the Bonds less an Underwriter's discount of $230,150 and original issue discount of $131,112), plus interest accrued from June 15, 1993. 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.

Norwest Investment Services, Inc. ("NISI") is a separate subsidiary of Norwest Corporation and is not a bank. It is a registered broker/dealer and a member of the National Association of Security Dealers and is also a member of the Security Investors Protection Corporation. NISI is an affiliate of banks owned by Norwest Corporation including Norwest Bank Minnesota, National Association. Any obligations of NISI are the sole responsibility of NISI and do not create any obligations on the part of any other affiliate of NISI. No affiliate of NISI is responsible for the securities sold by NISI. Unless so indicated, any investments recommended, offered or sold by NISI are not insured by the Federal Deposit Insurance Corporation.

RATING

As noted on the cover page hereof, Moody's Investors Service has given the Series Three-R2 Bonds a rating of "A1." The rating reflects only the view of such rating agency. The University furnished to Moody's certain information and materials respecting the Series Three-R2 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 and adversely 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, and for the Underwriters by Dorsey & Whitney, Minneapolis, Minnesota.

ENFORCEABILITY OF OBLIGATIONS

While the Series Three-R2 Bonds are secured or payable pursuant to the Indenture 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.

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 Series Three-R2 Bonds in order that interest on the Series Three-R2 Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Series Three-R2 Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed or refinanced by the Series Three-R2 Bonds. Noncompliance with such requirements may cause interest on the Series Three-R2 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. 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 Series Three-R2 Bonds are subject to mandatory redemption without premium. (See "THE LOAN AGREEMENT - Determination of Taxability" in Appendix IV). A determination that interest on the Series Three-R2 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 Series Three-R2 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 Series Three-R2 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, 1996.

The Code imposes a branch profits tax equal to 30% of the "dividend equivalent amount" which is measured by "earnings and profits" effectively connected to the United States, net of certain adjustments. Included in the earnings and profits of a United States branch of a foreign corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Series Three-R2 Bonds.

In addition, interest on the Series Three-R2 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 Series Three-R2 Bonds that is received or accrued during the taxable year. In addition, passive investment income, including interest on the Series Three-R2 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 Series Three-R2 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 Series Three-R2 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 for the Series Three-R2 Bonds, in the opinion of Faegre & Benson, Bond Counsel, under present laws and rulings: interest on the Series Three-R2 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 Series Three-R2 Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations and is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

The dollar amount of the initial offering price to the public of the Series Three-R2 Bonds with stated maturities in 2006 through 2014 (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 Series Three-R2 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 College of St. Thomas to University of St. Thomas in order to reflect more accurately 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. In January, 1987, the University opened an educational center in the former Powers Department Store building in downtown Minneapolis. Construction of the core facility of a permanent campus at 1000 LaSalle Avenue in downtown Minneapolis was completed September 1, 1992. Part of the permanent Minneapolis campus consists of the Kate Dunwoody Hall owned by the University and located at 52 South Tenth Street in Minneapolis. The University also owns and operates the Gainey Conference Center near Owatonna, Minnesota and owns the Hazeltine Gates Building in Chaska, Minnesota.

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 43-member Board of Trustees (currently there are four 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 two-year term. The present Board consists of 31 lay persons and eight 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 April, 1993:

Administration

The principal officers of the University are as follows:

President

The Reverend Dennis J. Dease began the 14th presidency of the University of St. Thomas on July 1, 1991. President Dease, 50, has enjoyed a 24-year career as an associate pastor of a suburban church; a high school teacher; a college professor; a seminary counselor and spiritual director; and a rector of the archdiocesan co-cathedral, the Basilica of St. Mary.

President Dease holds a Ph.D. in systematic theology from the Catholic University of America (1978), an M.Div. degree in pastoral studies from the Saint Paul Seminary (1973), an M.A. in counseling psychology from the College of St. Thomas (1972) and a B.A. in Latin and philosophy from the Saint Paul Seminary (1965). After his ordination to the priesthood, President Dease was an associate pastor in 1969 and 1970 at the Church of St. John the Evangelist, Hopkins, Minnesota. He taught religion for two years at St. Thomas Academy in Mendota Heights, Minnesota, before becoming a staff counselor in 1971 at St. John Vianney Seminary in Saint Paul. President Dease taught theology at the College of St. Thomas from 1974 to 1979, when he was named spiritual director and dean of formation at the Saint Paul Seminary. In 1985 he become rector of the Basilica of St. Mary, and president of the University in 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 College 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 B.A. 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 in Saint Paul, and facilities in or near the cities of Owatonna, Chaska and Minneapolis. As of June 30, 1992, the value of all property and equipment, net of depreciation, was $117,852,901; buildings and contents have an insurable value of $176,229,399.

The University's physical facilities in Saint Paul consist of the buildings and grounds on the University's original 40 acre campus, on approximately 30 acres of the campus acquired in 1986 from the Saint Paul Seminary and on several sites located in the vicinity of the original campus. The Saint Paul campus has 23 major buildings, including classroom/office facilities, student residence buildings and halls, a stadium and a field house. Seven residence halls and two University-owned apartment buildings house up to 1,666 students.

The permanent Minneapolis campus at 1000 LaSalle Avenue in downtown Minneapolis consists of a four-story building, providing approximately 150,000 square feet of interior space. The Minneapolis campus building houses both graduate and limited undergraduate programs. Current student enrollment at that site is approximately 1,700 students. The facility is the administrative home for the University's Graduate School of Business (with its Master's programs in Business Administration, Business Communications and International Management), Graduate School of Technology, Management Center, Small Business Development Center and a variety of other non-credit outreach initiatives or centers. Classes are 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. The University is expanding its graduate and undergraduate offerings at the Minneapolis campus to include weekday morning and afternoon course offerings. Support services such as library, audio visual, computing, food services, bookstore, and duplicating are provided. The University also owns Kate Dunwoody Hall located at 52 South Tenth Street which is used as part of the permanent Minneapolis campus.

The University owns the Daniel C. Gainey Conference Center near 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 Hazeltine Gates building in Chaska, Minnesota. The site is being used for classrooms and offices for University purposes. A portion of the building is rented to commercial and office tenants and a portion is used as a conference center.

Libraries

O'Shaughnessy-Frey Library Center contains approximately 275,000 volumes. The Archbishop John Ireland Theological Library has approximately 80,000 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. The University recently completed a $8,250,000 expansion to O'Shaughnessy-Frey Library Center, which doubled the size of the prior facility and increased study space to over

1,600 stations and shelf capacity to over 400,000 volumes. In addition, a new library has been established at the Minneapolis campus.

Catholic Publishing Center

The University owns the Catholic Digest, a national, monthly magazine with a circulation of approximately 600,000. 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 $1,119,569 for Fiscal Year ended June 30, 1992. 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 School of Divinity of the University 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 Saint Paul Seminary.

Law School Affiliation

Negotiations are being conducted with the William Mitchell College of Law, Saint Paul, Minnesota, with respect to a possible affiliation arrangement with the University. Neither the likelihood nor the exact nature of any such affiliation can be predicted at this time.

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, Broadcast Journalism, 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 and Secondary), English, Environmental Studies, French, Geography, Geology, German, Health, History, International Business-Language Intensive, International Reporting, International Studies, Journalism, Literary Studies, Mathematics, Music, Peace and Justice, 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, Theology, Women's Studies.

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, 1992 enrollment in the Graduate School of Education, Professional Psychology and Social Work was 1,480.

In 1974 the University added the Master in Business Administration degree to its graduate programs. In 1991 the Graduate School of Business was created to encompass the growing number of degree programs offered in the business area. The total enrollment in all programs in the Graduate School of Business was 3,019 in fall, 1992.

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, 1992 was 121 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, 1992 enrollment in the Graduate School of Science and Technology was 602 students.

In the fall of 1992, a graduate School of Arts and Sciences was formed with a program in Piano Pedagogy and Music Education. In the fall of 1993, a masters degree in English will be offered.

The University has 24 non degree-granting programs developed for the education and training of the general community. The five principal centers for such programs include: the Management Center, offering formal courses, seminars and conferences to business, government and public institutions; the Center for Health and Medical Affairs; the Minnesota Center for Corporate Responsibility; the Center for Nonprofit Management; and the Small Business Development Center.

Faculty and Staff

The faculty-student ratio at the University is approximately 1 to 17. There is no religious or denominational prerequisite nor any participatory religious requirement for faculty or staff membership except with respect to the School of Divinity. The University subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

As of fall, 1992, the University employed 311 full-time and 325 part-time faculty. Total employees number approximately 1,506.

The total payroll of $36,843,000 for the Fiscal Year ended June 30, 1992 included $489,822 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, 1992 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 58 years.

The following table lists the average salary of the lay members of the full-time University faculty for the 1992/93 academic year. In addition there are 17 priests on the full-time faculty.

Number	Average Salary
Professor	$56,019
Associate Professor	42,287
Assistant Professor	35,340
Instructor	32,031

The following table lists the degrees and professional designations held by the full-time faculty members for the 1992/93 academic year.

	Number
Doctorate	249
Master of Arts, Juris Doctorate, Certified Public Accountant	51
Bachelor of Arts	11
Total	311

Freshman Applications, Acceptances and Enrollments

	1988/89	1989/90	1990/91	1991/92	1992/93
Applications	2,298	2,247	2,016	2,008	1,947
Acceptances	1,952	1,813	1,803	1,831	1,786
Percent Accepted	85%	81%	89%	91%	92%
Fall Enrolled	881	887	821	855	800
Percent Enrolled to Accepted	45%	49%	46%	47%	45%

Transfer Student Enrollment - Fall Semester - Undergraduate Day Program

1988/89	1989/90	1990/91	1991/92	1992/93
282	309	380	357	384

Graduate School Applications, Acceptances and Enrollments

Graduate School of Business

	1990/91	1991/92	1992/93
Applications	1,702	1,869	1,661
Acceptances*	1,455	1,516	1,341
Percent Accepted	85%	81%	81%
Enrollments*	1,165	1,132	900

* *Acceptance and enrollment do not necessarily happen in the same school year with the graduate programs. Hence, it is possible to have a higher enrollment number than acceptances in any given school year.*

Graduate School of Education, Psychology and Social Work

	1990/91	1991/92	1992/93
Applications	N/A	1,243	1,149
Acceptances*	N/A	996	677
Percent Accepted	N/A	80%	59%
Enrollments*	N/A	807	761

* *Acceptance and enrollment do not necessarily happen in the same school year with the graduate programs. Hence, it is possible to have a higher enrollment number than acceptances in any given school year.*

Student Body

The fall term enrollment at the University for the 1992/93 academic year is 10,423; with a full-time equivalent ("FTE") enrollment of 7,132. Approximately 84% of the 1992/93 freshman class of 800 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 50% 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. All figures are headcount, except the last line, which is full-time equivalents ("FTE's").

Program	1988/89	1989/90	1990/91	1991/92	1992/93
Undergraduate Day	4,344	4,508	4,611	4,671	4,625
New College*	637	621	596	608	563
Total Undergraduate	4,981	5,129	5,207	5,279	5,188
Graduate School of Education, Professional Psychology and Social Work	953	959	1,226	1,183	1,480
Graduate School of Business	2,285	2,401	2,688	3,013	3,019
Graduate School of Divinity	131	125	123	126	121
Graduate School of Technology	440	506	561	555	602
Graduate School of Arts & Science	N/A	N/A	N/A	N/A	13
Total Graduate	3,809	3,991	4,598	4,877	5,235
Total Enrollment	8,790	9,120	9,805	10,156	10,423
FTE Enrollment	6,425	6,593	6,816	7,063	7,132

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

The University estimates that enrollment in the next five academic years will be as follows (headcount):[(a)]

Program	1993/94	1994/95	1995/96	1996/97	1997/98
Undergraduate Day	4,690	4,690	4,690	4,690	4,690
New College[(b)]	550	550	550	550	550
Total Undergraduate	5,240	5,240	5,240	5,240	5,240
Graduate School of Education, Professional Psychology and Social Work	1,300	1,300	1,300	1,300	1,300
Graduate School of Business	3,300	3,450	3,600	3,750	3,900
Graduate School of Divinity	125	125	125	125	125
Graduate School of Technology	550	550	550	550	550
Graduate School of Arts and Sciences	50	75	100	125	150
Total Graduate	5,325	5,500	5,675	5,850	6,025
Total Enrollment	10,565	10,740	10,915	11,090	11,265

(a) *Estimates are those of the University management. However, events and circumstances frequently do not occur as expected, and actual enrollment levels may vary materially from those estimated. If the estimated enrollment levels are not met, the University may not be able to meet annual financial obligations or may be required to increase tuition and fee charges.*

(b) *An undergraduate degree-granting program for adults.*

Minneapolis Campus Enrollments - Fall Semester

	1989/90	1990/91	1991/92	1992/93
Undergraduate	105	136	155	174
Graduate	746	899	1,129	1,600
Total	851	1,035	1,284	1,774

The above figures are also included in the total enrollment on the previous page.

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, 1991 the University had nine student residences with a capacity for 1,666. Approximately 28% of the undergraduate day student population for the academic year 1992/93 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 listed:

	1988/89	1989/90	1990/91	1991/92	1992/93
Undergraduate (full-time) per academic year	$7,424	$8,992	$9,760	$10,528	$11,168
Graduate education and religious education per credit	$ 196	$ 215	$ 236	$ 255	$ 270
Graduate School of Business, Business Communications, Engineering and Computer Science per credit	$ 230	$ 250	$ 269	$ 282	$ 298

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, 1988 through 1992.

Year	Tuition and Fees
1988	$36,627,407
1989	40,687,481
1990	47,885,876
1991	53,968,397
1992	60,537,830

1992/93 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Total Fees)

College	Tuition & Fees	Room & Board	Comprehensive Fees
Carleton College	$17,360	$3,540	$20,900
Macalester College	14,125	4,208	18,333
Hamline University	12,365	3,895	16,260
St. Olaf College	12,750	3,500	16,250
Gustavus Adolphus College	12,600	3,225	15,825
University of St. Thomas	**11,204**	**3,850**	**15,054**
Augsburg College	10,853	4,022	14,875
College of Saint Catherine	10,794	3,850	14,644
Minneapolis College of Art & Design	11,130	3,400	14,530
College of St. Benedict	10,578	3,887	14,465
St. John's University	10,578	3,783	14,361
Bethel College	10,540	3,790	14,330
College of St. Scholastica	10,659	3,498	14,157
St. Mary's College	9,730	3,250	12,980
Concordia College (St. Paul)	9,000	3,180	12,180
Concordia College (Moorhead)	9,200	2,900	12,100
Average	$11,467	$3,611	$15,078

NOTE: *Charges apply to new entering students only. Several colleges have differential tuition for upperclassmen, housing cost freezes for returning students or other policies that result in variation in costs.*

Source: *Minnesota Private College Council.*

Financial Aid

About 77% of the University's undergraduate students currently receive some form of financial aid including federal, State, institutional or private. 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[(b)]	Pell Grants[(c)]	Supplemental Education Opportunity Grants[(c)]	State of Minnesota Grant Program[(c)]	State of Minnesota SELF Loan Program[(d)]	PERKINS Loan Program (c), (e)	STAFFORD Loan Program (c), (f)	SLS Loan Program[(g)]	Work[(h)]	Total
1983	2,980	$1,256,651	$ 715,191	$ 549,126	$319,711	$1,131,930	$ 0	$364,010	$3,338,393	$ 0	$ 924,089	$ 8,599,101
1984	3,274	1,608,712	695,376	679,871	309,507	1,828,339	0	359,525	3,261,095	0	1,120,642	9,863,067
1985	3,881	2,000,829	1,143,275	754,903	334,335	1,827,758	0	413,275	4,767,617	0	1,403,480	12,645,472
1986	3,748	2,155,411	1,073,925	754,942	334,335	2,144,945	0	593,950	4,612,763	0	1,519,388	13,189,659
1987	3,951	2,750,944	1,000,540	734,638	334,335	2,412,171	499,727	672,462	4,664,136	0	1,494,828	14,563,781
1988	4,016	3,161,117	1,026,562	798,753	345,974	2,886,688	868,694	608,300	4,620,399	0	1,571,684	15,888,171
1989	4,382	2,838,219	1,168,097	1,087,518	334,335	2,928,770	930,656	640,135	5,073,552	249,878	1,380,065	16,631,225
1990	4,699	4,161,112	1,394,509	1,137,281	339,366	3,572,893	1,309,964	460,084	6,004,995	361,251	1,587,531	20,058,986
1991	4,229	4,896,586	1,227,482	1,238,124	379,159	4,450,409	1,328,582	538,636	6,386,129	464,542	1,916,643	22,826,292
1992	4,198	6,324,581	1,515,324	1,538,628	562,197	4,775,151	1,362,888	540,532	7,380,449	573,667	2,120,913	26,694,330

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

(b) *Restricted funds include financial aid primarily funded by private gifts.*

(c) *Federal aid program.*

(d) *The SELF Loan program began in 1987.*

(e) *Previously the National Direct Student Loan program. Includes 10% UST share.*

(f) *STAFFORD Loans previously called the Guaranteed Student Loan program.*

(g) *SLS (Supplementary Loans for Students) information was not collected prior to 1989.*

(h) *Includes federal, State, and University work-study funds.*

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 to all faculty and administrators who work at least half-time through the University's 403(b) Retirement Plan in which employees select to have their contributions sent to either Teachers Insurance and Annuity Association and College Retirement Equity Fund (TIAA/CREF) or beginning September, 1992, to Fidelity Investments. Under this arrangement, the University makes contributions each pay period in the amount of 10.4% of the participant's base compensation to TIAA/CREF to purchase annuities or to Fidelity Investments to fund custodial accounts. TIAA and five funds in CREF, as well as eight funds of Fidelity Investments, have been approved to accept tax-deferred contributions from the University. Employees may elect to transfer funds between TIAA/CREF and Fidelity. Annually, employees may make a change of institutions to which their University-provided funds are contributed. Effective September, 1992, upon termination from the University, employees are approved to withdraw a maximum of 40% of the total accrual from all sources. The remaining 60% must be withdrawn over the lifetime of the employee and his or her spouse. The cost of these benefits to the University was $2,030,405 and $2,313,589 for 1991 and 1992, respectively.

Retirement benefits are provided for the non-exempt staff in the University's 403(b) Retirement Plan. Effective September 1, 1988, these employees received a 2% of base salary contribution and January 1, 1993 that contribution increased to 4.5% of base compensation. Prior to January, 1993, retirement benefits were provided to this group through a plan administered by the Archdiocese of Saint Paul and Minneapolis. January 1, 1993, a new University of St. Thomas Non-Exempt Employee Retirement Plan, a 401(a) Age Weighted Discretionary Contribution (AWDC) Plan replaced the Archdiocese Plan from which the University separated. The University contributes 2.8% of this group's base salary to a Trust administered by the University's Treasurer. The cost of the Archdiocese and 2% 403(b) retirement contributions to the University was $382,607 and $432,119 for 1991 and 1992, respectively.

July 1, 1989, all Catholic Digest employees who were employed to work at least half-time became part of the University's pension plan as described above. Each employee received contributions determined by the classification in which they were employed. Retirement plan contributions are made solely by the Catholic Publishing Center.

Unions

The International Brotherhood of Teamsters Local 120 represents 66 employees who are on the custodial or groundskeeping staff of the University. The University signed a three-year contract with Teamsters Local 120 which runs from February 1, 1992 through January 31, 1995. The International Union of Operating Engineers Local 70 AFL-CIO, which represents five engineers and one maintenance assistant, negotiated a contract which runs from September 1, 1990 through February 28, 1994.

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, 1992, 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.

Statement of Revenues, Expenditures and Transfers

The table on page I-16 sets forth the University's statements of current unrestricted revenues, expenditures and other changes for the University for the Fiscal Years ended June 30, 1988 through 1992. 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,

	1988	1989	1990	1991	1992
REVENUES:					
Tuition and fees	$36,627,407	$40,687,481	$47,885,876	$53,968,397	$60,537,830
Private Gifts and Grants and Contracts	1,422,788	1,690,807	1,390,919	1,434,189	1,601,368
Endowment Income		2,528,505	3,035,427	2,868,849	2,455,063
Income from Investments	3,190,106	1,087,623	1,064,602	979,060	927,815
Sales and Services of Ed. Enterprises	11,114,593	12,077,681	12,765,783	12,997,413	13,535,485
Sale and Services of Aux. Enterprises	9,326,169	10,403,294	11,419,302	12,407,915	12,941,321
Other Revenue	695,836	1,066,522	1,111,313	1,275,328	1,491,878
Total Revenue	62,376,899	69,541,913	78,673,222	85,931,151	93,490,760
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General					
Instruction	14,954,656	16,323,027	21,250,576	23,884,981	26,580,639
Educational Enterprises	9,718,829	10,469,699	11,079,731	11,674,895	12,741,576
Academic Support	3,476,267	3,362,153	3,752,914	3,989,885	4,371,141
Student Services	3,642,109	3,870,118	4,892,626	5,603,478	6,063,039
Institutional Support	10,753,212	12,128,617	9,480,183	10,801,060	10,806,842
Operation and Maintenance	3,335,824	4,352,318	5,530,617	6,052,146	5,830,705
Student Aid	3,161,117	2,838,219	4,161,112	4,896,586	6,324,581
Educational and General Expenditures	49,042,014	53,344,151	60,147,759	66,903,031	72,718,523
Mandatory Transfers for:					
Principal and Interest	1,850,231	2,109,418	2,245,010	2,248,381	3,227,294
Student Loan Funds		8,309	5,017	2,073	1,584
Renewal and Replacement	43,598				
Total Educational and General	50,935,843	55,461,878	62,397,786	69,153,485	75,947,401
Auxiliary Enterprises and Ind. Operations					
Expenditures	7,889,758	8,464,643	8,869,379	9,438,062	10,285,335
Mandatory Transfers for					
Principal and Interest	1,860,343	2,032,790	2,646,394	2,748,785	3,942,103
Renewals and Replacements	309,875	43,750	27,750	27,750	27,750
Total Auxiliary Enterprises and Independent Operations	10,059,976	10,541,183	11,543,523	12,214,597	14,255,188
Expended to Establish Aquinas Foundation				1,775,374	
Total Expenditures and Mandatory Transfers	60,995,819	66,003,061	73,941,309	83,143,456	90,202,589
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)					
Transfers Among Funds (Net)	(1,348,300)	(3,440,095)	(4,677,794)	(2,739,576)	(3,821,855)
Cumulative effect of change in accounting principle					561,262
NET INCREASE (DECREASE) IN FUND BALANCE	$32,780	$98,757	$54,119	$48,119	$27,578

Source: Audited financial statements of the 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, 1992, the University had outstanding pledges of $18,300,000 and bequests of $8,200,000 for all purposes including scholarships, academic instruction and building construction.

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, 1988 through 1992.

Fiscal Year	Total All Funds
1988	$8,103,041
1989	7,387,801
1990	8,020,957
1991	8,700,652
1992	9,646,265

Capital Campaign for Minneapolis Campus

The University announced in 1989 a capital campaign with a goal of raising $15 million for construction and equipping of the Minneapolis campus. As of April 28, 1993, the University has received a total of $16,178,750 in contributions and pledges, of which $8,689,151 are restricted to use for the Minneapolis campus. Of the restricted amount, $3,929,186 has been received as cash contributions as of April 28, 1993. In addition, unrestricted contributions of $2,973,000 have been received as of the same date. Under the Loan Agreement, only the restricted contributions are required to be deposited by the University with the Trustee in the Gift Receipts Account.

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, 1988 through 1991. In Fiscal Year 1992, the University changed how it accounts for endowment funds from a cost basis to market value. The Fiscal Year 1992 endowment values reflect the market value at June 30, 1992.

Fiscal Year	Endowment*	Quasi-Endowment	Total
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
1991	46,259,073	42,244,960	88,504,033
1992	50,065,506	45,686,704	95,752,210

* *Includes Life Income funds.*

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.

Line of Credit

Norwest Bank, National Association, has provided a revolving line of credit to the University under which up to $8,000,000 in short-term borrowing is available. As of the date of this Official Statement, $2,000,000 was outstanding. Borrowings under the line of credit mature on or before June 14, 1994, and are secured by marketable securities.

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 $240,000 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 $705,000 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 $788,000 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 $125,000 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 Mortgage Revenue Bonds, Series U, dated January 1, 1978, at various interest rates from 4.40% to 5.90%; remaining principal is $375,000 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. A portion of the proceeds of the Series Three-R1 Bonds will be deposited in the Escrow Account to redeem the outstanding maturities on October 1, 1993.

(f) $1,800,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series X, dated September 1, 1978, at various interest rates from 6.00% to 7.00%; principal outstanding is $1,200,000 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. A portion of the proceeds of the Series Three-R1 Bonds will be deposited in the Escrow Account to refund the outstanding maturities of the Series X Bonds.

(g) $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 $1,175,000 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.

(h) A $1,379,000 promissory note dated February 3, 1992, at various rates of interest from 4.70% to 6.50% and secured by a mortgage on the Hazeltine Gates building located in Chaska; principal outstanding is $1,059,000, due in annual installments through December 1, 1995.

(i) $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 a ten-year Irrevocable Letter of Credit issued by Norwest Bank Minneapolis. $5,520,000 is outstanding. If the Letter of Credit is not renewed or replaced in 1995, the University will be required to pay or refinance the principal balance then remaining. 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.

(j) $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 $5,400,000 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. A portion of the proceeds of the Series Three-R1 Bonds will be deposited in the Escrow Account to refund the outstanding maturities of the Series Two-I Bonds.

(k) $36,789 mortgage note payable in monthly installments of $307 through January 2007 at 8% interest; $30,423 is outstanding; secured by a mortgage on a townhouse in Hill City, Minnesota.

(l) $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 $9,900,000 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. A portion of the proceeds of the Series Three-R1 Bonds will be deposited in the Escrow Account to refund the outstanding maturities of the Series Two-O Bonds.

(m) $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 $4,210,000 due November 1 through 2014. The proceeds financed three building renovations and additions. The bonds are secured by the full faith and credit of the University and a debt service reserve of $405,800. A portion of the proceeds of the Series Three-R1 Bonds will be deposited in the Escrow Account to refund the outstanding maturities of the Series Two-S Bonds.

(n) $24,405,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-C, dated March 1, 1991 at various rates of interest; principal due September 1, 1993 through 2016. The proceeds financed the new Minneapolis campus. The bonds are secured by the full faith and credit of the University, a debt service reserve of $2,380,000, a security interest in contribution and pledges restricted to use for the Minneapolis campus, a mortgage on the building, and the proceeds of a revenue note issued by the Minneapolis Community Development Agency to the University and assigned to the Trustee for the Bondholders. The revenue note is in the principal amount of $9.2 million and is payable solely from available tax increment from another property in Minneapolis. The proceeds of the Series Three-R2 Bonds will be deposited in the Escrow Account to refund all the outstanding Series Three-C Bonds with the exception of $3,560,000 maturing in 2016.

(o) $10,200,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-I, dated April 1, 1992 at various rates of interest; principal due October 1, 1993 through 2003. The proceeds financed the acquisition and installation of a new telecommunications system on the Minneapolis and St. Paul campuses of the University; the replacement and renovation of two boilers and related equipment on the St. Paul campus; and the construction, furnishing and equipping of an addition to the physical plan headquarters on the St. Paul campus. The bonds are secured by the full faith and credit of the University and a debt service reserve of $1,020,000.

As of May 1, 1993, the total of long-term debt outstanding adjusted to include the Series Three-R1 Bonds and the Series Three-R2 Bonds and taking into account the refunding of the bonds described in paragraphs (e), (f), (j), (l) and (m) above (the "Three-R1 Refunded Bonds") by the Series Three-R1 Bonds and the refunding of certain maturities of the Series Three-C Bonds by the Series Three-R2 Bonds is $69,402,423.

Annual Debt Service by Fiscal Year and Coverage Statement

The table on page I-22 shows (i) the annual debt service of the University for each of the listed Fiscal Years ending June 30th with respect to all remaining long-term indebtedness after giving effect to the refunding of the Three-R1 Refunded Bonds and a portion of the Series Three-C Bonds; (ii) the debt service for each of such Fiscal Years on the Series Three-R1 Bonds and the debt service for the Series Three-R2 Bonds; (iii) the combined total annual debt service for each of such Fiscal Years with respect to the existing unrefunded debt, the Series Three-R1 Bonds and the Series Three-R2 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, 1992 and by the average annual "income available for debt service" for the two Fiscal Years ending June 30, 1991 and 1992, 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.

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 pro forma statement of combined annual debt service of the University after giving effect to the issuance of the Bonds and the Series Three-R2 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.

ANNUAL PRO FORMA DEBT SERVICE BY FISCAL YEAR AND COVERAGE STATEMENT

FISCAL YEAR ENDING	DEBT SERVICE ON SERIES THREE-R1 BONDS(a)	DEBT SERVICE ON SERIES THREE-R2 BONDS(b)	EXISTING LONG TERM DEBT SERVICE(c)	COMBINED LONG TERM DEBT SERVICE	PRO FORMA COVERAGE BASED ON FY 1992 IET REVENUES (times)(d)	PRO FORMA COVERAGE BASED ON AVERAGE OF FY 1991 & FY 1992 NET REVENUES (times)(d)
06/30/93	0	0	7,307,874	7,307,874	1.43	1.25
06/30/94	2,064,053	1,660,841	2,364,095	6,088,989	1.72	1.50
06/30/95	2,021,620	1,791,405	2,643,215	6,456,240	1.62	1.41
06/30/96	2,112,753	1,764,218	2,691,447	6,568,417	1.59	1.39
06/30/97	2,086,765	1,974,293	2,308,135	6,369,192	1.64	1.43
06/30/98	2,071,035	2,005,513	2,285,770	6,362,317	1.64	1.43
06/30/99	2,120,245	2,026,943	2,228,781	6,375,968	1.64	1.43
06/30/00	1,923,230	2,043,423	2,221,731	6,188,383	1.69	1.47
06/30/01	1,764,875	2,054,693	2,205,761	6,025,328	1.74	1.51
06/30/02	1,780,475	1,597,368	2,217,833	5,595,676	1.87	1.63
06/30/03	1,805,915	1,602,588	2,217,376	5,625,878	1.86	1.62
06/30/04	1,782,325	1,604,703	2,196,636	5,583,663	1.87	1.63
06/30/05	1,794,700	1,598,755	904,901	4,298,356	2.43	2.12
06/30/06	1,792,140	1,599,523	900,871	4,292,533	2.44	2.12
06/30/07	1,766,330	1,602,258	897,034	4,265,621	2.45	2.14
06/30/08	1,781,518	1,601,759	895,995	4,279,271	2.44	2.13
06/30/09	1,878,275	1,597,485	888,430	4,364,190	2.40	2.09
06/30/10	748,880	1,603,920	894,020	3,246,820	3.22	2.81
06/30/11	723,500	1,601,020	832,100	3,156,620	3.31	2.89
06/30/12	731,860	1,599,340	264,250	2,595,450	4.03	3.51
06/30/13	733,120	1,603,460	263,200	2,599,780	4.02	3.51
06/30/14	732,420	1,598,240	262,150	2,592,810	4.03	3.52
06/30/15	729,760	1,598,540	266,100	2,594,400	4.03	3.52
06/30/16	375,220	0	1,935,994	2,311,214	4.52	3.95
06/30/17	0	0	1,933,544	1,933,544	5.41	4.72
Totals	$35,321,013	$37,730,282	$44,027,241	$117,078,535		

(a) Actual.
(b) Actual.
(c)After FY 1993, excludes refunded Prior Bonds and refunded Series Three-C Bonds.
(d)Coverage is based on amount available for debt service from the Unrestricted Current Fund, as compiled from audited financial reports of the University for fiscal years 1990-91 and 1991-92, as follows:

	1990-91	1991-92
Unrestricted Current Fund ("UCF") Revenues:	$85,931,151	$93,490,760
Less UCF Expenditures & Mandatory Transfers:	83,143,456	90,202,589
Excess of UCF Revenues over UCF Expenditures and Mandatory Transfers:	$2,787,695 *	$3,288,171
Add: Mandatory Transfers for Debt Service:	4,997,166	7,169,397
Amount Available for Debt Service:	$7,784,861	$10,457,568
Two-Year Average:		$9,121,215

*Excess of UCF Revenues over Expenditures and Mandatory Transfers was lower by the amount of $1,775,374 than would otherwise have been the case due to a non-recurring expenditure in that amount for the purpose of establishing the Aquinas Foundation (see Statement of Current Fund Revenues, Expenditures and Other Changes, Appendix V, page V-7).

PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON
2200 NORWEST CENTER
90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
612/336-3000
FACSIMILE 336-3026

$__________
Minnesota Higher Education Facilities Authority
Refunding Mortgage Revenue Bonds, Series Three-R2
(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 (initially book-entry system) Refunding Mortgage Revenue Bonds, Series Three-R2 (University of St. Thomas), in the aggregate principal amount of $__________ (the "Bonds"), dated June 15, 1993, 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	Basic Interest Rate	Year	Amount	Basic Interest Rate

The Bonds are subject to optional redemption prior to the stated maturities thereof as provided in the Bonds and the Indenture. The Bonds due in the years 20__ and 20__ 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, 1993. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds are subject to mandatory redemption. 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 University of St. Thomas, a Minnesota nonprofit corporation as owner and operator of an institution of higher education with its main campus in the City of St. Paul, Minnesota (the "University"), in order to refund a portion of a certain series of the Authority's outstanding bonds, originally issued to acquire and construct certain college facilities, all owned and operated by the University and located on its campus in Minneapolis, Minnesota. 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, each dated as of June 15, 1993, one or more opinions of Moore, Costello & Hart as counsel to the University, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the University without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Moore, Costello & Hart, as to the Loan Agreement, the Mortgage and the Security Agreement having been duly authorized and executed and being binding upon the University and enforceable in accordance with their terms and as to the corporate organization, tax-exempt status, good standing and powers of the University. As to questions of title to the Project Site (as defined in the Loan Agreement and Indenture) and as to the lien of the Mortgage being duly recorded, we have relied on the title insurance policy and endorsement thereon and information furnished by Title Insurance Company of Minnesota, without examining the records of the University or original title records or abstracts of title.

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

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

1. The Authority is an agency of the State of Minnesota 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 assignment of the Mortgage to secure the Bonds.

2. The Loan Agreement, the Indenture and the assignment of Mortgage 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, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture (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.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of Federal income taxation or in taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. 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 and the Security Agreement 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, _____________, 1993.

(This page was left blank intentionally.)

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 the Secretary of its Board of Trustees or the President or the Provost of the University. Such certificate may designate an alternate or alternates.

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

Board of Trustees: The Board of Trustees of the University, including the 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: The Series Three-C Bonds, the Series Three-R2 Bonds and any Additional Bonds then outstanding.

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-R2 Bonds by the Authority to the Underwriters and any similar agreement providing for the sale of any series of Additional Bonds.

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

Bond Resolution: The Series Resolution of the Authority adopted on June 16, 1993, authorizing the Series Three-R2 Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: (a) with respect to the Series Three-C Bonds, the period from the Issue Date of the Series Three-C Bonds to the close of business on September 1, 1991; and with respect to the Series Three-R2 Bonds, the period from the Issue Date of the Series Three-R2 Bonds to the close of business on September 1, 1993; and (b) 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, shall 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 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.

Costs of Issuance Account: The account established under the Indenture as amended by the Supplemental Indenture for the deposit of certain Series Three-R2 Bond proceeds to be used for the payment of costs of issuance.

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 a series of 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 applicable Bonds. A determination that interest is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

Escrow Account: The Escrow Account created to provide for payment of the Prior Bonds pursuant to the Escrow Agreement.

Escrow Agreement: The Escrow Agreement dated as of the Issue Date among the Escrow Agent, the Trustee, the Authority and the University.

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

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 Saint Paul, Minnesota, or in the City of New York, New York.

First Supplemental Indenture: The First Supplemental Trust Indenture between the Authority and the Trustee, dated as of June 15, 1993, under which the Series Three-R2 Bonds are authorized to be issued.

First Supplemental Loan Agreement: The First Supplemental Loan Agreement between the University and the Authority, dated as of June 15, 1993.

First Supplemental Mortgage: The First Supplemental Combination Mortgage, Security Agreement and Fixture Financing Statement between the University and the Authority, dated as of June 15, 1993.

First Supplemental Security Agreement: The First Supplemental Security Agreement between the University and the Trustee, dated as of June 15, 1993.

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 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 the Trustee, dated as of March 1, 1991, including any indenture supplemental thereto, including the First Supplemental Indenture, under which the Series Three-R2 Bonds were authorized to be issued.

Institution: The University.

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

Issue: The Series Three-R2 Bonds.

Issue Date: The date on which any series of the Bonds are delivered to the original purchasers thereof upon original issuance.

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, including the First Supplemental Loan Agreement.

Loan Repayments: Payments required to be made by the University to the Trustee pursuant to Section 4.02 of 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, including the First Supplemental Mortgage.

Net Proceeds: When used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the University as owner or lessee and 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 Institution; (iv) the Mortgage; and (v) those additional encumbrances set forth in Exhibit C of the Mortgage.

Prior Bonds: The particular maturities of the Series Three-C Bonds refunded by the Series Three-R2 Bonds.

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, owned and operated by the University as its principal downtown Minneapolis campus facility.

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

Project Costs: The costs of acquiring the Project Site, including payment 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 and installed and located in or as part of the Project Building or elsewhere as part of the Project.

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

Project Site: The land on which the Project Building is located.

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 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 and amended on November 19, 1990; April 4, 1991; and February 28, 1992, including the schedules thereto and the agreements regarding scholarships and parking executed pursuant thereto.

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 and required to be maintained at the 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.

Reference Rate: The interest rate per annum announced from time to time by Norwest Bank Minnesota, National Association as its prime or reference rate.

Reserve Requirement: (i) If no Additional Bonds are outstanding, Reserve Requirement shall mean $2,378,767.50 (the initial Reserve Requirement) or (ii) if Additional Bonds are outstanding, the sum of (A) the amount set forth in Subsection (i) plus (B) the maximum amount of principal of and interest on Additional Bonds payable in any remaining 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 debt service 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.

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

Series Three-C Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-C (University of St. Thomas), dated March 1, 1991, in the original principal amount of $24,405,000.

Series Three-R Bond Resolution: The Series Resolution of the Authority adopted on June 16, 1993, authorizing the issuance of the Series Three-R1 Bonds and the Series Three-R2 Bonds.

Series Three-R1 Bonds: $22,985,000 Minnesota Higher Education Facilities Authority Refunding Revenue Bonds, Series Three-R1 (University of St. Thomas), issued concurrently with the Series Three-R2 Bonds.

Series Three-R2 Bonds: $23,015,000 Minnesota Higher Education Facilities Authority Refunding Mortgage Revenue Bonds, Series Three-R2 (University of St. Thomas).

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

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, and the Series Three-R2 Bonds maturing in 2014.

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 Inc.; Norwest Investment Services, Inc.; and Dain Bosworth Incorporated as original purchasers of the Series Three-R2 Bonds.

University: University of St. Thomas, a Minnesota nonprofit corporation and institution of higher learning, its successors and assigns.

(This page was left blank intentionally.)

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement and First Supplemental 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 and Construction of Project Building

At the Bond Closing for the Series Three-C Bonds, the University (i) purchased 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) executed and delivered the Mortgage to the Authority; and (iii) assigned the Revenue Note to the Trustee. The University represents that the construction and equipping of the Project Building has been fully completed.

Loan Repayments

Under the Loan Agreement, the University has agreed 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 scheduled semiannual interest payment date, a sum which will be equal to the amount payable as interest on the Series Three-C Bonds and the Series Three-R2 Bonds on such interest payment date, and (y) at least 10 Business Days prior to each scheduled principal payment date, a sum equal to the amount payable as principal of the Series Three-C Bonds and the Series Three-R2 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 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 and the Series Three-R2 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 and the Series Three-R2 Bonds the original principal amount of Contributions and Pledge Receipts from the cash and investments in the Gift Receipts Account, and (v) against the obligation to pay into the Sinking Fund Subaccount the amount of Series Three-C Bonds and the Series Three-R2 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 redemption and prepayment of the Series Three-C Bonds and the Series Three-R2 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 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).

There is reserved to the University the right to prepay all or part of the Loan and to redeem Series Three-R2 Bonds prior to their maturity in certain events as described under "THE SERIES THREE-R2 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 law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with a program of a school or department of divinity for any religious denomination. The 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 Redevelopment Contract or the Act.

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 such 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 such 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 Indenture, 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.

(b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $5,000,000 and against liability for property damage in the minimum amount for each occurrence of $100,000.

(c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the 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 comprehensive general public liability insurance and workers' compensation insurance 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 during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and 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: (a) 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 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; (b) 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; (c) no Event of Default shall exist under the Loan Agreement; and (d) the combined unrestricted fund balances (including plant funds) of the surviving, resulting or transferee corporation or institution immediately following such merger, consolidation or transfer 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 Non-Hospital Bonds

The University has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt Non-hospital bonds issued on behalf of or for the benefit of the 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 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

The University agrees that except with respect to the School of Divinity, 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 such Bonds, the Bonds of that series 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 such Bonds is paid. In addition, in the event of such Determination of Taxability is made as to the Series Three-C Bonds, the Series Three-C Bonds shall be subject to optional redemption, as a whole or in part, on the next practicable date and on any date thereafter and the redemption price therefor shall be equal to par plus accrued interest (including additional interest from the Date of Taxability). If such Determination of Taxability is made as to the Series Three-R2 Bonds, the Series Three-R2 Bonds shall be subject to mandatory redemption, as a whole and not in part, on the next practicable date at 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; and 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.

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) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account or Redemption Account, as the case may be, on a Bond principal or interest payment date are insufficient to pay when due principal, premium, if any, and interest on the Bonds; or

(ii) such failure shall continue for 5 Business Days after notice from the Trustee or the Authority to the 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) or 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 shall become immediately due and payable.

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

(c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement, the Mortgage, the Security Agreement, the Revenue Note or the Indenture 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") and the First Supplemental 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; (iii) moneys and investments in the Costs of Issuance Account; and (iv) 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.

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

Provided certain conditions more fully described in the Indenture have been met, 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 and the Series Three-R2 Bonds, (i) to provide funds to complete the Project, (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, 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 the 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 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 shall occur and be continuing.

Remedies

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

In the case of the breach of any of the covenants or conditions of the Loan Agreement, 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 Loan Agreement, 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, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority, 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 Loan Agreement unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all Bonds outstanding.

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

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

Defeasance

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

(c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived; or (2) a written instrument executed by the 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 all other sums due and payable under the Indenture by the Authority, 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, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of 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 otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the Holders thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue. 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 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 or the Revenue Note or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission, or (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, 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 principal corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic interest rate of any authorized denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee.

THE MORTGAGE

At the Closing for the Series Three-C Bonds, the University executed and delivered to the Authority, and the Authority assigned to the Trustee, the Mortgage to secure the Bonds, including the Series Three-R2 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.

Events of Default; Remedies

The following are Events of Default under the Mortgage:

(a) if and 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.

UNIVERSITY OF ST. THOMAS

SAINT PAUL, MINNESOTA

REPORT ON AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1992

(This page was left blank intentionally.)

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 (the University) as of June 30, 1992, 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, 1991, 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, 1992, 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.

As discussed in Note 2 to the financial statements, the University has changed the method of valuation of investments from cost to market in 1992.

Coopers & Lybrand

St. Paul, Minnesota
September 25, 1992

UNIVERSITY OF ST. THOMAS

BALANCE SHEET, June 30, 1992
(with comparative totals for 1991)

1991 Total	1992 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
$ 184,251	$ 367,391	Cash	$ 324,144		$ 42,680	$ 567			
		Receivables:							
7,019,095	6,608,649	Notes and accounts receivable, less allowance for doubtful accounts of $403,000 in 1992 and $536,000 in 1991	6,360,615	$ 248,034					
3,819,127	3,874,456	Loans to students, net of allowance for doubtful accounts of $101,000 in 1992 and $140,000 in 1991			3,874,456				
		Due from (to) other funds	(3,709,152)	2,814,360	(41,462)	2,610,356	$ 1,336,103	$(4,706,150)	$ 1,695,945
1,574,281	1,590,581	Inventories, at cost	1,590,581						
3,470,918	3,920,542	Prepaid expenses and other assets	2,682,699		23,783	1,099,000	115,060		
119,645,385	129,148,536	Investments in securities	17,824,128	82,909		92,042,287	11,171,379	7,281,832	746,001
		Property and equipment:							
11,068,532	11,592,981	Land							11,592,981
89,102,014	95,050,877	Buildings							95,050,877
27,630,503	30,943,260	Equipment and furniture							30,943,260
8,840,442	20,448,200	Construction in progress					20,448,200		
136,641,491	158,035,318	Total property and equipment					20,448,200		137,587,118
36,130,783	40,182,417	Less accumulated depreciation							40,182,417
100,510,708	117,852,901	Total property and equipment, net of depreciation					20,448,200		97,404,701
1,304,234	1,284,756	Deferred debt financing costs, net of amortization							1,284,756
$237,527,999	$264,647,812	Total assets	$25,073,015	$3,145,303	$3,899,457	$95,752,210	$33,070,742	$ 2,575,682	$101,131,403

UNIVERSITY OF ST. THOMAS

BALANCE SHEET, June 30, 1992, Continued
(with comparative totals for 1991)

1991 Total	1992 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
$ 10,942,399	$ 12,447,242	Accounts payable and accrued liabilities	$11,273,790					$ 1,173,452	
1,158,135	1,065,299	Student deposits	1,065,299						
		Deferred revenue:							
3,553,153	4,125,413	Subscriptions	4,125,413						
2,899,207	3,403,605	Tuition	3,403,605						
4,529,589	4,686,931	Deposits held for others	4,686,931						
61,765,259	68,223,131	Long-term debt					$21,956,966		$ 46,266,165
84,847,742	93,951,621	Total liabilities	24,555,038				21,956,966	1,173,452	46,266,165
		FUND BALANCES							
490,399	517,977	Current unrestricted funds	517,977						
2,803,915	3,145,303	Current restricted funds		$3,145,303					
		Loan funds:							
		National Direct Student Loans:							
3,659,387	3,673,647	U.S. Government grant refundable			$3,673,647				
167,915	200,511	University funds			200,511				
25,258	25,299	Federally insured student loan			25,299				
		Endowment and similar funds:							
45,072,517	48,598,662	Endowment				$48,598,662			
36,874,295	40,141,174	Quasi-endowment, undesignated				40,141,174			
5,370,665	5,545,530	Quasi-endowment, designated				5,545,530			
1,186,556	1,466,844	Life income				1,466,844			
		Plant funds:							
7,795,372	11,113,776	Unexpended					11,113,776		
796,817	1,402,230	Debt retirements, renewals and replacements						1,402,230	
48,437,161	54,865,238	Net investment in plant							54,865,238
152,680,257	170,696,191	Total fund balances	517,977	3,145,303	3,899,457	95,752,210	11,113,776	1,402,230	54,865,238
$237,527,999	$264,647,812	Total liabilities and fund balances	$25,073,015	$3,145,303	$3,899,457	$95,752,210	$33,070,742	$ 2,575,682	$101,131,403

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, 1992
(with comparative totals for 1991)

1991 Total	1992 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:							
$ 53,968,397	$ 60,537,830	Tuition and fees	$ 60,537,830						
4,981,384	5,354,559	State grants and contracts		$ 5,354,559					
2,255,796	2,745,889	Federal grants and contracts		2,731,629	$ 14,260				
8,700,652	9,646,265	Private gifts, grants and bequests	1,601,368	2,459,984		$ 1,507,154	$ 4,024,153		$ 53,606
4,526,043	3,972,924	Endowment income	2,455,063	1,491,196			26,665		
1,700,458	1,772,247	Investment income	466,780	45,755		95,663	653,129	$ 467,749	43,171
12,997,413	13,736,652	Sales and services of educational enterprises	13,535,485	201,167					
12,407,915	12,941,321	Sales and services of auxiliary enterprises and independent operations	12,941,321						
17,172,166	15,834,246	Expended for plant facilities (including $667,928 charged to current funds and $985,926 of capitalized interest)					985,926		14,848,320
2,411,823	3,765,833	Retirement of indebtedness							3,765,833
2,264,339	2,754,863	Other revenue	1,491,878	758,040	118,098	309,812		77,035	
3,387,439	11,361,240	Net gain on investments	461,035			10,528,721	191,700	179,784	
10,269,000	3,055,310	Proceeds expended from interfund borrowings (1992) and long-term debt (1991)					3,055,310		
137,042,825	147,479,179	Total revenues and other additions	93,490,760	13,042,330	132,358	12,441,350	8,936,883	724,568	18,710,930
		Expenditures and other deductions:							
77,773,156	86,731,993	Educational and general	72,718,523	13,108,989		774,429			130,052
9,438,062	10,285,335	Auxiliary enterprises and independent operations	10,285,335						
91,880	87,045	Loan expenses and cancellations			87,045				
15,793,904	15,209,884	Expended for plant facilities					14,180,392	1,029,492	
878,143	1,500,000	Expended for financing costs					1,500,000		
4,737,580	5,028,279	Depreciation of plant facilities							5,028,279
2,411,823	3,765,833	Retirement of indebtedness						3,765,833	
3,181,660	3,318,167	Interest on indebtedness						3,318,167	
10,269,000	3,055,310	Borrowings							3,055,310
112,320	2,798,774	Net loss on disposal of fixed assets							2,798,774
2,000,000		Expended to establish Aquinas Foundation							
220,279		Other							
126,907,807	131,780,620	Total expenditures and other deductions	83,003,858	13,108,989	87,045	774,429	15,680,392	8,113,492	11,012,415
		Interfund transfers, additions (deductions):							
		Mandatory:							
		Principal and interest	(7,169,397)					7,169,397	
		Renewals and replacements	(27,750)					27,750	
		Student loan funds	(1,584)		1,584				
		Nonmandatory:							
		Endowment funds	3,788,938			(5,904,881)	2,115,943		
		Plant funds	(7,202,746)				7,913,676	629,508	(1,340,438)
		Restricted funds	(408,047)	408,047					
		Total transfers	(11,020,586)	408,047	1,584	(5,904,881)	10,029,619	7,826,655	(1,340,438)
10,135,018	15,698,559	Net increase (decrease) in fund balances before cumulative effect of change in accounting principle	(533,684)	341,388	46,897	5,762,040	3,286,110	437,731	6,358,077
	2,317,375	Cumulative effect of change in accounting principle (Note 2)	561,262			1,486,137	32,294	167,682	70,000
10,135,018	18,015,934	Net increase (decrease) in fund balances	27,578	341,388	46,897	7,248,177	3,318,404	605,413	6,428,077
142,545,239	152,680,257	Fund balances, beginning of year	490,399	2,803,915	3,852,560	88,504,033	7,795,372	796,817	48,437,161
$152,680,257	$170,696,191	Fund balances, end of year	$ 517,977	$ 3,145,303	$3,899,457	$95,752,210	$11,113,776	$1,402,230	$54,865,238

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, 1992
(with comparative totals for 1991)

1991 Total	1992 Total		Current Funds Unrestricted	Current Funds Restricted
		Revenue:		
$53,968,397	$ 60,537,830	Tuition and fees	$60,537,830	
4,981,384	5,354,559	State grants and contracts		$ 5,354,559
2,237,141	2,731,629	Federal grants and contracts		2,731,629
3,274,727	4,061,352	Private gifts, grants and bequests	1,601,368	2,459,984
4,523,021	3,946,259	Endowment income	2,455,063	1,491,196
1,009,065	512,535	Investment income	466,780	45,755
	461,035	Net gains on investments	461,035	
12,997,413	13,736,652	Sales and services of educational enterprises	13,535,485	201,167
12,407,915	12,941,321	Sales and services of auxiliary enterprises and independent operations	12,941,321	
1,275,328	2,316,577	Other revenue	1,491,878	824,699
96,674,391	106,599,749	Total revenue	93,490,760	13,108,989
		Expenditures and mandatory transfers:		
		Educational and general:		
25,122,573	28,188,589	Instruction	26,580,639	1,607,950
297,267	324,066	Research		324,066
12,149,039	13,559,262	Educational enterprises	12,741,576	817,686
648,302	698,111	Public service		698,111
4,164,516	4,687,425	Academic support	4,371,141	316,284
6,032,022	6,408,663	Student services	6,063,039	345,624
10,956,177	11,070,774	Institutional support	10,806,842	263,932
6,057,641	6,087,992	Operation and maintenance of plant	5,830,705	257,287
12,218,734	14,802,630	Student aid	6,324,581	8,478,049
77,646,271	85,827,512	Educational and general expenditures	72,718,523	13,108,989
		Mandatory transfers:		
2,248,381	3,227,294	Principal and interest	3,227,294	
2,073	1,584	Student loan funds	1,584	
79,896,725	89,056,390	Total educational and general	75,947,401	13,108,989

UNIVERSITY OF ST. THOMAS

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

for the year ended June 30, 1992
(with comparative totals for 1991)

1991 Total	1992 Total		Current Funds Unrestricted	Current Funds Restricted
		Auxiliary enterprises and independent operations:		
$ 9,438,062	$ 10,285,335	Expenditures	$10,285,335	
		Mandatory transfers for:		
2,748,785	3,942,103	Principal and interest	3,942,103	
27,750	27,750	Renewal and replacement	27,750	
12,214,597	14,255,188	Total auxiliary enterprises and independent operations	14,255,188	
1,775,374		Expended to establish Aquinas Foundation		
93,886,696	103,311,578	Total current expenditures and mandatory transfers	90,202,589	$13,108,989
		Other transfers and additions (deductions):		
1,454,749	(66,659)	Excess of restricted (expenditures) receipts over transfers to revenue		(66,659)
(3,630,383)	(3,413,808)	Transfers among funds	(3,821,855)	408,047
612,061	(192,296)	Net increase (decrease) in fund balances before cumulative effect of change in accounting principles	(533,684)	341,388
	561,262	Cumulative effect of change in accounting principle	561,262	
$ 612,061	$ 368,966	Net increase in fund balances	$ 27,578	$ 341,388

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

1. Summary of Significant Accounting Policies, continued:

FUND ACCOUNTING, continued:

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 unrestricted current fund also includes the accounts of The Catholic Publishing Center, a division of the University. All significant interfund balances and transactions have been eliminated.

The endowment and similar funds group consists of endowments, quasi-endowments and life income funds. Endowment funds are funds which donors have stipulated are to be maintained inviolate and in perpetuity and invested for the purpose of producing income which may either be expended or added to principal. 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 years 1992 and 1991.

INVENTORIES:

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

INVESTMENTS IN SECURITIES:

Beginning in fiscal 1992 (see Note 2), the University began stating investments in purchased securities at quoted market. Changes in quoted market are recorded as unrealized gains or losses in the period of change. 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.

1. Summary of Significant Accounting Policies, continued:

PROPERTY AND EQUIPMENT:

Property and equipment are recorded at cost, except those received as gifts or bequests which are recorded at estimated fair market value at date of gift. Depreciation has been computed on a straight-line basis over the estimated useful lives of buildings (20-60 years), land improvements (15 years), equipment and furniture (5-8 years) and library books (15 years).

Deferred debt financing costs are amortized over the period of the related debt instrument on a method which approximates the interest method.

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.

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.

PROCEEDS EXPENDED FROM LONG-TERM DEBT:

Proceeds expended from long-term debt represents funds expended for land and debt financing costs.

DUE TO/FROM OTHER FUNDS:

Interfund borrowings represent temporary advances between funds which are expected to be repaid within a relatively short period of time. At June 30, 1992, interfund borrowings include approximately $3,000,000 advanced from quasi-endowment funds to unexpended plant funds for costs associated with construction of the O'Shaughnessy-Frey Library Center. These advances are expected to be repaid as pledges are received.

2. Change in Accounting Principal:

The University changed its method of accounting for investments from cost to market value in fiscal 1992. The market value method was adopted to more accurately reflect the current financial position of the University.

The cumulative effect of the change in accounting for investments for years prior to fiscal 1992 was $2,317,375, and is included in net increase in fund balances for the year ended June 30, 1992. The effect of the change during fiscal 1992 was to increase the net increase in fund balances by $4,118,967. The following pro forma amounts show the effect on net increase in fund balances for the year ended June 30, 1991, assuming the new method was applied retroactively.

Net increase in fiscal 1991 fund balances, as reported	$10,135,018
Adjustment assuming the new method was applied retroactively to fiscal 1991	(2,913,042)
	$ 7,221,976

3. Investments in Securities:

Investments in securities consists of the following:

	June 30, 1992		June 30, 1991	
	Market	Cost	Market	Cost
Cash and equivalents	$ 24,267,430	$ 24,259,526	$ 26,186,231	$ 26,186,231
Corporate stocks	59,706,576	55,198,130	54,188,490	52,320,600
Corporate bonds	6,789,440	6,658,150	3,883,018	4,004,198
Government securities	38,168,434	36,337,967	37,275,000	36,655,935
Other	216,656	258,421	430,021	478,421
	$129,148,536	$122,712,194	$121,962,760	$119,645,385

Investments in securities are reflected in the following funds:

	June 30, 1992		June 30, 1991	
	Market	Cost	Market	Cost
Current unrestricted funds	$ 17,824,128	$ 15,506,104	$ 13,650,041	$ 13,088,779
Current restricted funds	82,909	82,909	62,059	62,059
Endowment and similar funds	92,042,287	88,337,739	85,156,242	83,670,105
Plant funds	19,199,212	18,785,442	23,094,418	22,824,442
	$129,148,536	$122,712,194	$121,962,760	$119,645,385

4. Pledges:

Pledges are not recognized as revenue until received. At June 30, 1992, the University had outstanding pledges of approximately $18,300,000 and outstanding bequests of approximately $8,200,000 which are restricted mainly to scholarships, academic instruction and building construction and renovation purposes.

Scheduled future receipts from the pledges at June 30, 1992 are as follows:

Year Ending June 30	Outstanding Pledges
1993	$ 2,900,000
1994	2,600,000
1995	1,600,000
1996	900,000
1997	800,000
Thereafter	9,500,000
	$18,300,000

No allowance for potentially uncollectible pledges has been determined.

5. Property and Equipment Construction in Progress:

Property and equipment projects under construction or in the planning stage at June 30, 1992 consist of the following:

Project	Estimated Total Cost (Unaudited)	Construction in Progress June 30, 1992	To Be Financed By
Minneapolis Campus:			
Building and equipment	$18,200,000	$14,942,489	Primarily debt financing
Telecommunications system, replacement of boilers, and expansion of plant headquarters building	9,100,000	5,287,977	Primarily debt financing
Remodel Murray-Herrick student dining room	260,000	40,114	Current funds
Dunwoody remodeling	200,000		Current funds
Other	940,000	177,620	Current funds
	$28,700,000	$20,448,200	

6. Long-Term Debt:

Long-term debt at June 30, 1992 consists of the following:

MHEFA Mortgage Revenue Bonds, Series Three-C, payable through 2016, interest at 5.5% to 7.125%, collateralized by Minneapolis campus land, building, equipment and related revenues, proceeds used to construct the downtown Minneapolis campus	$24,405,000
MHEFA Revenue Bonds, Series Two-O, payable through 2008, interest at 6.5% to 7.6%, 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	10,225,000
MHEFA Revenue Bonds, Series Three-I, payable through 2003, interest at 5.4% to 6.2%, to be used for and collateralized by the telecommunications system, boilers and plant headquarters building addition	10,200,000
City of Chaska, Minnesota Industrial Development Revenue Bonds, Series 1985, payable through 2010, interest at 7.4% to 8%, 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	5,660,000
MHEFA Revenue Bonds, Series Two-I, principal payments required beginning in 1995 and ending in 2015, interest at 6.5% to 7.5%, uncollateralized; proceeds used to finance additions to Brady and Dowling Halls	5,450,000
MHEFA Revenue Bonds, Series Two-S, payable through 2014, interest at 7.1% to 7.3%, uncollateralized; proceeds used to finance renovation of Grace Residence and Cretin Residence and expansion and remodeling of Binz Refectory	4,285,000
MHEFA Refunding Revenue Bonds, Series 1985-1, payable through 1993, interest at 8.0% to 8.2%, uncollateralized; original bond proceeds used to finance construction of Coughlan Field House and Schoenecker Arena and additions to Gainey Center	2,375,000

6. Long-Term Debt, continued:

Mortgage, payable semiannually through 1995, interest at 4.7% to 6.5%, collateralized by the Hazeltine Gates building and land	$ 1,379,000
Residence Hall Building Bonds, 1978, MHEFA First Mortgage Revenue Bonds, Series X, payable annually through 1999, interest at 6.25% to 6.5%, collateralized by John Paul II Residence Hall and related net revenues as well as by guarantee of the University	1,310,000
Academic Building Bonds, 1969, payable annually through 2009, interest at 3%, collateralized by O'Shaughnessy Educational Center building	823,000
Dormitory Bonds, 1967, payable annually through 2017, interest at 3%, collateralized by Brady Hall building and related net revenues	725,000
Contract for Deed, payable in monthly installments of $3,600 through August 1, 1992 with a balloon payment of $475,000 including accrued interest on August 1, 1992, interest at 10%, collateralized by Grand Avenue Apartments	474,514
Dormitory Bonds, 1978, MHEFA Mortgage Revenue Bonds, Series U, payable annually through 2000, interest at 5.6% to 5.9%, collateralized by Murray Hall Dormitory and related net revenues under a second mortgage lien	410,000
Other, collateralized by various buildings	501,617
	$68,223,131

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
1993	$2,890,708	$4,481,581	$27,750
1994	3,337,294	4,286,634	27,750
1995	2,583,401	4,098,809	27,750
1996	2,848,517	3,938,295	27,750
1997	2,831,643	3,767,259	27,750

7. Retirement Benefits:

Retirement benefits are provided for the full-time salaried employees 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 charged to current unrestricted fund expenditures for these benefits were $2,313,589 and $2,030,405 for 1992 and 1991, 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 $305,861 and $284,977 for 1992 and 1991, respectively. Actuarial information for the individual participating entities is not available.

8. Income Taxes:

Effective July 1, 1991, the University adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes". The impact of the adoption of this accounting standard was not significant.

The University is generally exempt from income taxes. Certain advertising and list rental income and income generated from meeting facilities is subject to unrelated business income tax. Related to these activities, the University has net operating loss carryforwards of approximately $6,000,000 at June 30, 1992 which expire in fiscal years 1993 through 2007. Valuation allowances have been established for the entire tax benefit associated with the loss carryforwards.

9. Commitments and Contingencies:

In connection with the issuance of the Series Three-C MHEFA Mortgage Revenue Bonds during fiscal 1991, the University entered into a redevelopment contract with the Minneapolis Community Development Agency (the Agency). Under terms of the contract, the University has committed to provide eight full-term (4 year) scholarships each year (for a maximum of 32 scholarships at any one time) to eligible students through 2017. The Agency has provided the University a $9.2 million Revenue Note, payment of which is contingent upon the receipt of certain tax revenues by the City of Minneapolis (the City).

9. Commitments and Contingencies, continued:

Under the terms of the original redevelopment contract, any proceeds received by the University on the Revenue Notes in excess of the value of the scholarships provided were to be repaid to the City in the form of either additional scholarships, services, or cash, at the discretion of the City. During fiscal 1992, under the terms of an amendment to the redevelopment contract, the University paid the Agency $1.5 million and has no further obligation to provide cash or services beyond the 8 full-term scholarships to be awarded annually in repayment of the excess Revenue Note proceeds. This payment has been expensed in 1992. The Revenue Note has not been recorded as an asset due to the contingent nature of the Agency payments on the note.

Also in connection with the issuance of the Series Three-C MHEFA Mortgage Revenue Bonds, the University has agreed to deposit all gifts designated for construction of the Minneapolis campus and received after December 31, 1992 with the bond's trustee.

The University participates in a securities lending program, whereby securities owned by the University and included in the University's investments are loaned to other institutions. The University requires that collateral from the borrower in an amount equal to 102% of the market of the loaned securities be placed with a third-party trustee in the name of the University. At June 30, 1992, securities on loan totaled approximately $22,800,000. The value of cash collateral held at this date was $25,500,000.

10. Concentrations of Credit Risk:

Approximately 87% of the University's investments are held with one trustee. These investments are managed by several investment managers.

11. Establishment of the Aquinas Foundation:

In fiscal 1991, the University authorized a $2,000,000 contribution to establish the Aquinas Foundation, a nonprofit corporation. The Foundation was established to contribute to and support religious and educational activities of the University. Contributions received by the Foundation, including those from the University, are to be used at the discretion of the Foundation's Board of Governors.

UNIVERSITY OF ST. THOMAS

NON ALIAM NISI TE

MINNESOTA