OFFICIAL STATEMENT DATED MARCH 12, 1996

NEW ISSUE **Rating: Moody's Rating: A1**

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 Four-A1 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 Four-A1 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 Four-A1 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".)

$11,645,000

Minnesota Higher Education Facilities Authority

Revenue Bonds, Series Four-A1

(University of St. Thomas)

(DTC Book Entry Only)

Dated Date: March 1, 1996

Interest Due: April 1 and October 1, commencing October 1, 1996

$2,685,000 serial bonds to mature annually on October 1 as follows:

Year	Amount	Interest Rate	Price	Year	Amount	Interest Rate	Price
1997	$ 50,000	3.90%	100.589%	2003	$340,000	4.70%	100.00%
1998	$ 50,000	3.90%	100.00%	2004	$355,000	4.80%	100.00%
1999	$ 50,000	4.10%	100.00%	2005	$375,000	4.90%	100.00%
2000	$160,000	4.30%	100.00%	2006	$395,000	5.00%	100.00%
2001	$170,000	4.45%	100.00%	2007	$415,000	5.10%	100.00%
2002	$325,000	4.60%	100.00%				

$1,910,000 5.400% Term Bonds due October 1, 2011 Price 98.962%
$3,040,000 5.625% Term Bonds due October 1, 2016 Price 99.097%
$4,010,000 5.625% Term Bonds due October 1, 2021 Price 98.335%

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), the Series Four-A1 Bonds are subject to redemption prior to maturity, as described herein. See "The Series Four-A1 Bonds—Prior Redemption—Optional Redemption". The Series Four-A1 Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture. The Series Four-A1 Bonds will be subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. Series Four-A1 Bonds maturing October 1, 2011, 2016 and 2021 are subject to mandatory redemption in installments as described herein.

The Series Four-A1 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 Depository Trust Company ("DTC"). DTC will act as securities depository of the Series Four-A1 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 Series Four-A1 Bonds purchased. (See "Book Entry Only System" herein). Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as Trustee.

The Series Four-A1 Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the University of St. Thomas, St. 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 as described herein. The Loan Repayments will be a general obligation of the University.

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

The Series Four-A1 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters named below subject to the approval of legality by Faegre & Benson, LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Moore, Costello & Hart, P.L.L.P., St. Paul and Minneapolis, Minnesota; and for the Underwriters by Holmes & Galey, Ltd., Minneapolis, Minnesota. Series Four-A1 Bonds are expected to be available for delivery to the Underwriters at DTC on or about March 21, 1996.

The Underwriters intend to engage in secondary market trading in the Series Four-A1 Bonds, subject to applicable securities laws. The Underwriters are not obligated, however, to repurchase the Series Four-A1 Bonds at the request of any holder thereof. For information with respect to the Underwriters, see "UNDERWRITING" herein.

Dain Bosworth Incorporated **Piper Jaffray Inc.**
FBS Investment Services, Inc. **Norwest Investment Services, Inc.**

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES FOUR-A1 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, sales representative or other person has been authorized by the Authority, the University, or the 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 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. Except for information concerning the Authority, such information is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the University since the date hereof.

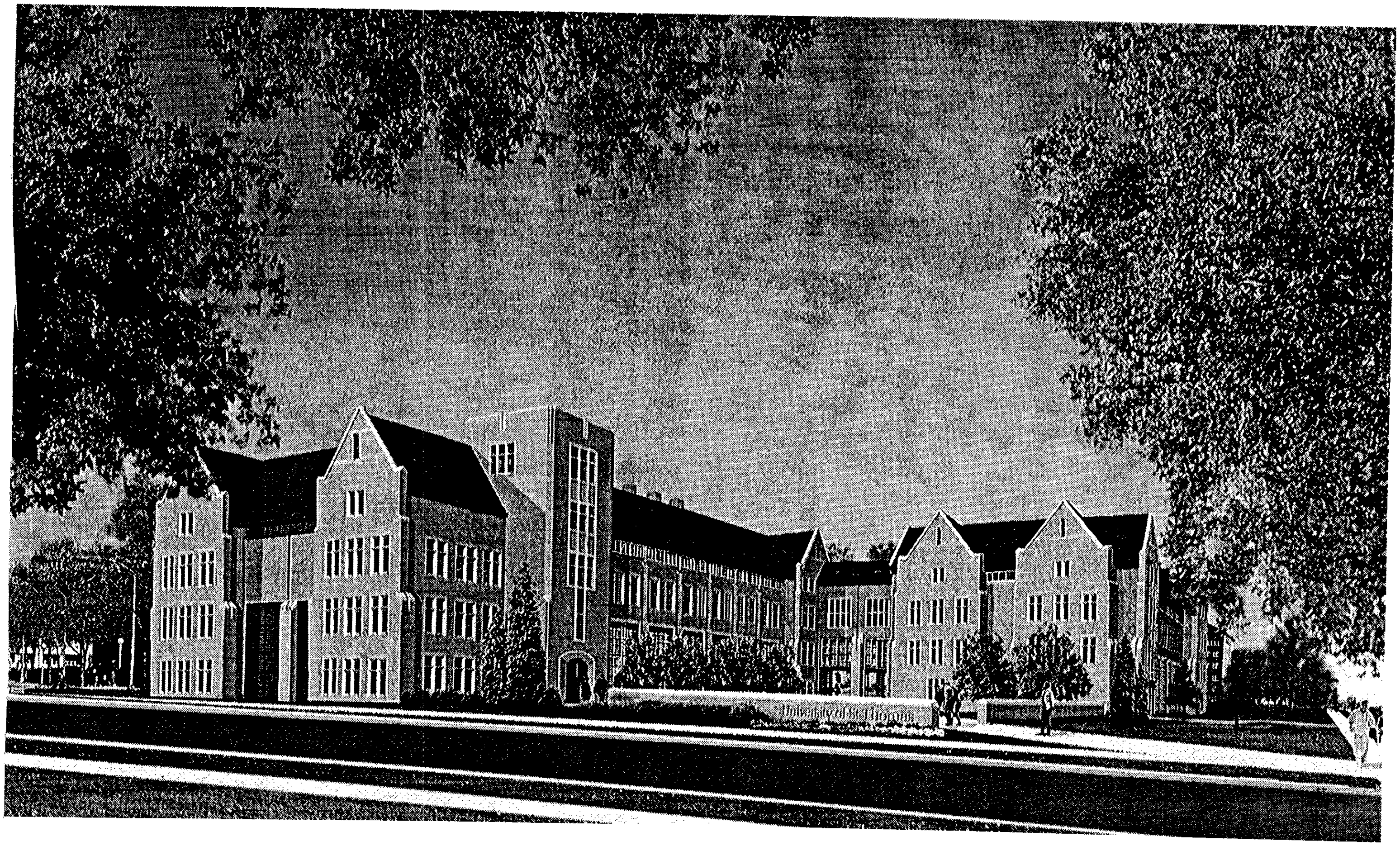
References in this Official Statement to laws, rules, regulations, agreements, and any other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications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

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

The Series Four-A1 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 Four-A1 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 Four-A1 Bonds may be registered or qualified and the exemption from registration or qualification in other jurisdictions shall not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have passed upon the merits of the Series Four-A1 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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

University of St. Thomas



Architect's Drawing

Science and Engineering Center

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

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OFFICIAL STATEMENT

$11,645,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES FOUR-A1

(UNIVERSITY OF ST. THOMAS)

(DTC 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, an institution of higher education with its primary campus located in Saint Paul, Minnesota, (the "University") in connection with the issuance of the Authority's $11,645,000 Revenue Bonds, Series Four-A1 (University of St. Thomas) (the "Series Four-A1 Bonds" or the "Issue").

The Authority will be simultaneously issuing its $6,600,000 Variable Rate Demand Revenue Bonds, Series Four-A2 (University of St. Thomas) (the "Series Four-A2 Bonds") by means of a separate Official Statement dated March 11, 1996. The Series Four-A2 Bonds will be issued pursuant to a separate indenture and payable from loan repayments by the University to be made under a separate loan agreement.

The Series Four-A1 Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, by the provisions of which the Authority was created and authorized to issue its obligations to assist institutions of higher education within the State of Minnesota to finance certain projects.

The Series Four-A1 Bonds are being issued pursuant to the Trust Indenture (the "Indenture") between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota as trustee (the "Trustee").

Pursuant to a Loan Agreement between the University and the Authority relating to the Series Four-A1 Bonds, the University will covenant as a general obligation of the University to make payments and deposits in amounts sufficient to pay the principal of and interest on the Series Four-A1 Bonds as the same shall become due. The proceeds of the Series Four-A1 Bonds and the Series Four-A2 Bonds will be loaned to the University by the Authority to finance a portion of the acquisition, construction and equipping of a new Science and Engineering Center to be owned and operated by the University and located on the campus of the University in Saint Paul, Minnesota (the "Project"), as more fully described under "THE PROJECT."

The Series Four-A1 Bonds are secured by a pledge of the Loan Repayments, which is a general obligation of the University. Under the Loan Agreement, the University will agree to provide the funds necessary to make timely payment of the Loan Repayments.

The Series Four-A1 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 descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices IV and V for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

RISK FACTORS

No person should purchase Series Four-A1 Bonds without carefully reviewing the following information which sets forth some, but not all, of the factors which may affect the Owners' receipt of payments of the principal of or interest on the Series Four-A1 Bonds.

No Collateral

The Series Four-A1 Bonds are payable solely from amounts payable by the University under the Loan Agreement. No mortgage lien on or security interest in any University property has been granted to secure payment of the Series Four-A1 Bonds.

Adequacy of Revenues

Payment of principal of and interest on the Series Four-A1 Bonds is intended to be made 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, some of which may be beyond the control of the University and may change in the future to an extent that cannot be presently determined. Certain debt of the University is secured by mortgage liens on the property financed by such debt. (See "Long-Term Debt," pages I-17 and I-18.)

Reliance on Tuition and Fees

The adequacy of University revenues will in part be dependent on the amount of future tuition revenue received by the University. Tuition revenue in turn will depend primarily on the ability of the University to charge sufficient rates for tuition and to maintain enrollment levels. Future enrollment levels will depend on the number of students applying to the University. A number of factors, including, without limitation, levels of tuition rates and other fees, competition from other colleges, a change in the number of college age students, and adverse general economic conditions will influence the number of applicants to the University.

Financial Aid

Approximately 74% of the University's students currently receive some form of 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 or that the University will continue to fund student aid 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 are provided in Appendix I under the caption "Annual Debt Service by Fiscal Year and Coverage Statement." The pro forma coverage is merely a mathematical computation, as reflected in the applicable table, and no assurance can be given that the University's future revenues will be sufficient to satisfy University operations and Series Four-A1 Bond and other debt service requirements.

Limited Obligation

No entity or person other than the University is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Indenture, or the Series Four-A1 Bonds or the other obligations of the University. Accordingly, for payment of principal and interest on the Series Four-A1 Bonds, holders of the Series Four-A1 Bonds must look solely to the University's ability to make Loan Repayments.

No Limitation on Indebtedness

Neither the Loan Agreement nor any of the loan documents for the other indebtedness of the University described in Appendix I under the caption "Long-Term Debt" contains any limitation on incurrence by the University of additional long-term or short-term indebtedness. Therefore, the University could incur additional indebtedness in the future, and the additional payments of principal and interest required for such indebtedness could limit the funds available to pay the Loan Repayments and the payments of principal and interest required for the University's existing indebtedness.

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.

Federal Grants

The University is relying on a $500,000 federal grant and a $15,000,000 federal grant to pay $15,500,000 in Project Costs (see "FEDERAL GRANTS," pages 9 and 10). The grants are subject to revocation, termination or suspension if the University fails to comply with the terms and conditions thereof. Subsequent to completion of the Project, the federal government has the option to conduct an audit of the application of federal grant monies. Such an audit would be conducted in order to determine compliance with the grant agreements. The findings of any such audit could result in the University being required to repay all or a portion of the grants to the federal government. If the grants were revoked, suspended or terminated in whole or in part, or if the University were required to repay any of the grant funds after an audit, the additional University funds required for such repayment or to complete the Project could limit the funds of the University otherwise available to pay University obligations, including debt service on the Series Four-A1 Bonds.

Other Possible Risk Factors

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

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

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

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

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

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the University will enter into an undertaking (the "Undertaking") with the Trustee for the benefit of beneficial owners of the Series Four-A1 Bonds to provide certain financial information and operating data relating to the University to certain information repositories annually, and to provide notices of the occurrence of the eleven events enumerated in the Rule to such repositories or the Municipal Securities Rulemaking Board and to the Minnesota state information depository, if any. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Agreement to be executed by the University at the time the Series Four-A1 Bonds are delivered, a copy of which is available from the University or the Trustee. Appendix III contains a summary of the financial information and operating data to be provided annually. The Continuing Disclosure Agreement may be amended under certain circumstances as permitted by the Rule. Furthermore, the University has reserved its right to discontinue providing information required by the Continuing Disclosure Agreement or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the University determines that such modification is required by the Rule. The University has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. (The University has never been a party to any Undertaking under the Rule.) A failure by the University to comply with the Undertaking will not constitute an event of default on the Series Four-A1 Bonds (although holders will have other remedies at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series Four-A1 Bonds in the secondary market. Consequently, such a failure, or the information supplied by the University pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Series Four-A1 Bonds and their market price.

THE SERIES FOUR-A1 BONDS

General

The Series Four-A1 Bonds will be dated March 1, 1996 and will mature annually each October 1, commencing October 1, 1998, as set forth on the cover page of this Official Statement. The Series Four-A1 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 Four-A1 Bonds will be payable on each April 1 and October 1, commencing October 1, 1996.

Book Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series Four-A1 Bonds. The Series Four-A1 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Security certificate will be issued for each maturity of the Series Four-A1 Bonds, 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 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 Four-A1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Four-A1 Bonds on DTC's records. The ownership of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Four-A1 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 interests in Series Four-A1 Bonds, except in the event that use of the book entry system for the Series Four-A1 Bonds is discontinued.

To facilitate subsequent transfers, all Series Four-A1 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series Four-A1 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 Four-A1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series Four-A1 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.

Neither DTC nor Cede & Co. will consent or vote with respect to Series Four-A1 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 Four-A1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series Four-A1 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on 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 payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the 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 or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series Four-A1 Bonds at any time by giving reasonable notice to the Trustee or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, Series Four-A1 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Authority believes to be reliable, but neither the University nor the Authority takes any responsibility for the accuracy thereof.

Prior Redemption

Mandatory Redemption

Series Four-A1 Bonds maturing on October 1, 2011, 2016 and 2021 shall be called for redemption on October 1 in the years 2008 through 2010, 2012 through 2015 and 2017 through 2020, respectively, at the principal amount thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

Term Bonds Due October 1, 2011		Term Bonds Due October 1, 2016		Term Bonds Due October 1, 2021	
Year	Amount	Year	Amount	Year	Amount
2008	$440,000	2012	$545,000	2017	$720,000
2009	$465,000	2013	$575,000	2018	$760,000
2010	$490,000	2014	$605,000	2019	$800,000
2011	$515,000*	2015	$640,000	2020	$850,000
		2016	$675,000*	2021	$880,000*

* *Maturity.*

The Series Four-A1 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 Four-A1 Bonds maturing in 2011, 2016 and 2021, to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the University, be reduced by the principal amount of any Series Four-A1 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 canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption obligations.

Optional Redemption

At the request of the University, the Authority may elect on October, 1, 2006, and on any day thereafter, to prepay Series Four-A1 Bonds due on or after October 1, 2007. Redemption may be in whole or in part and if in part in such order of maturity as directed by the University and selected by random means within a maturity. If less than all Series Four-A1 Bonds of a maturity are called for redemption, the Authority will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

Extraordinary Optional Redemption

The Series Four-A1 Bonds will also be subject to optional redemption at par and accrued interest in integral multiples of $5,000, as a whole or in part, in certain cases of damage to or destruction or condemnation of the Project Facilities, and upon a Determination of Taxability as provided in the Loan Agreement (see "Determination of Taxability" and "SUMMARY OF DOCUMENTS—The Loan Agreement").

Partial Redemption

In the case of Series Four-A1 Bonds of denominations greater than $5,000, if less than all of such Series Four-A1 Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each $5,000 of principal amount shall be treated as though it was a separate Series Four-A1 Bond of the denomination of $5,000 bearing the number borne by such fully registered Series Four-A1 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 Series Four-A1 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 Series Four-A1 Bond shall forthwith surrender such Series Four-A1 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 Series Four-A1 Bond or Series Four-A1 Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Series Four-A1 Bond which shall be issued to the registered Owner thereof, without charge therefor. If the Owner of any such Series Four-A1 Bond of a denomination greater than $5,000 shall fail to present such Series Four-A1 Bond to the Trustee for payment and exchange as aforesaid, such Series Four-A1 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 Series Four-A1 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 Series Four-A1 Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Series Four-A1 Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than thirty days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Series Four-A1 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 Four-A1 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 Four-A1 Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date Of Taxability effective until the respective dates on which the principal of the Series Four-A1 Bonds is paid. See "Tax Exemption" on pages 15 through 17 and Appendix IV, "DEFINITION OF CERTAIN TERMS."

The University will have the option to prepay the Loan, in full or in part on the next date for which due notice can be given or any date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability).

THE PROJECT

Proceeds of the Series Four-A1 Bonds and the Series Four-A2 Bonds, federal government grants and funds of the University will finance the construction and partial equipping of an approximately 195,000 square foot Science and Engineering Center (the "Project") on the Saint Paul campus of the University. The total cost of the Project is approximately $34.4 million. Its construction will be the largest building project ever undertaken by the University. The Project will be home to the undergraduate departments of science, math, computing science and engineering, and the Graduate School of Applied Science and Engineering.

The Project will consist of two five-level buildings. The north building will be used mainly for offices, classrooms and the "dry" sciences, such as quantitative methods-computer science, and will be connected to the south building by arches and a skyway. The south building will house the "wet" sciences, such as physics, biology and chemistry. It will contain most of the 82 instructional and research laboratories and a 150-seat auditorium.

Construction began in October 1995 on the Project and the University expects to complete the work in time for the 1997 fall term. Opus Corporation was selected as general contractor and architect of record. Holabird & Root, L.L.P. is the design architect. The University has entered into a guaranteed maximum price contract with Opus Corporation.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Series Four-A1 Bonds	$11,645,000
Series Four-A2 Bonds	6,600,000
Federal Government Grants	15,500,000
University Funds	1,110,000
Total Sources	$34,855,000
Uses of Funds	
Design and Construction Costs	$32,100,000
Furnishings and Equipment	2,300,000
Issuance Costs and Discount	340,000
Original Issue Discount	115,000
Total Uses	$34,855,000

In the event issuance costs of the Series Four-A1 Bonds including underwriter's discount exceed 2% of the proceeds of the Series Four-A1 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 Four-A1 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.

FEDERAL GRANTS

Two grants have been approved for the Project by agencies of the United States of America. The Defense Nuclear Agency ("DNA") of the U.S. Department of Defense has approved and disbursed to the University the sum of $500,000 which, with matching funds of the University, was expended for planning, design and engineering research in connection with the Project.

The DNA has also approved, and the University has received a part of, a grant of $15,000,000 to provide funding for the direct and indirect expenses of constructing the Project. Such expenses are to be paid 50 percent by the DNA and 50 percent by the University as they are incurred by the University, up to a maximum expenditure by the DNA of $15,000,000. The grant provisions remain in effect until the earlier of expenditure of the entire grant or September 28, 1999. Requests for advances or reimbursement of expenses may be made monthly by the University. As of February 1, 1996, $243,496 had been disbursed for construction expenditures by the DNA at the request of the University. After the end of the grant period, any uncommitted funds and interest earned thereon must be returned to the DNA. The University expects to complete the Project and obtain disbursement of the entire grant by December 1997. The funds are disbursed upon submission of required documents by the University.

The DNA grant is administered in accordance with numerous Office of Management and Budget Circulars referenced in the grant, and the University is required to comply with various federal acts and regulations, make certain certifications and submit numerous reports in connection with the grant. The grant may be revoked in whole or in part, terminated or suspended if the University fails to comply with the terms and conditions of the grant. The University believes itself to be in compliance with all requirements of the grant.

Pursuant to the requirements of the DNA grant, the University makes the following disclosures:

- The Project is sponsored by the Defense Nuclear Agency of the United States of America;
- The content of the information contained in the Official Statement concerning the grant does not necessarily reflect the position or policy of the United States government, and no official endorsement should be inferred;
- The percentage of the total cost of the Project which will be financed with federal money is 48.3% of $32,100,000; and
- The dollar amount of federal funds for the Project is $15,500,000.

SOURCE OF PAYMENT FOR THE SERIES FOUR-A1 BONDS

The Series Four-A1 Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the University as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture.

The Series Four-A1 Bonds are secured by the pledge of the Loan Repayments. The Loan Repayments are 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 Series Four-A1 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.

The University is planning to announce the public phase of a capital campaign in part to raise funds for the construction of the Project (see "THE PROJECT," page 8 and "Capital Campaign—Ever Press Forward," page I-16). To the extent available, the University anticipates that principal on the Series Four-A1 Bonds will be paid from campaign contributions, to the extent they are not used to complete the Project. However, campaign contributions are not pledged as security for the Series Four-A1 Bonds and will become part of the Trust Estate only upon deposit into the Bond and Interest Sinking Fund Account.

The Series Four-A1 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 Four-A1 Bonds will not be secured by the General Bond Reserve of the Authority (see "ACCOUNTS—General Bond Reserve Account").

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which the proceeds from the sale of the Series Four-A1 Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account and a Redemption Account. The net proceeds of original issue and sale of the Series Four-A1 Bonds are to be deposited into the Construction Account. Following Bond Closing, amounts received by the Trustee from the University as Loan Repayments are to be deposited 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 Series Four-A1 Bonds when due.

Construction Account

There shall be deposited initially into the Construction Account the net proceeds received from sale of the Series Four-A1 Bonds less the amount of underwriters discount. In addition, the University will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Series Four-A1 Bonds available therefor and to pay out of available general funds all costs of issuance of the Series Four-A1 Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Series Four-A1 Bonds (principal less original issue discount according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the University costs incurred in connection with the Project. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account.

Bond and Interest Sinking Fund Account and Sinking Fund Subaccount

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of the Series Four-A1 Bond proceeds representing accrued interest, which is to be used to pay interest on the Series Four-A1 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. 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 one Business Day prior to each October 1 on which a sinking fund payment is due in amounts equal to the redemption price of the principal specified for mandatory redemption.

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 Series Four-A1 Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Redemption Account

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

Amounts on deposit to the credit of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account and, second, for the redemption of outstanding Series Four-A1 Bonds at the request or direction of the University for the purchase of outstanding Series Four-A1 Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Series Four-A1 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.

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 Four-A1 Bonds, the Authority will not require that the University deposit funds into the General Bond Reserve Account. **The Series Four-A1 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 Series Four-A1 Bonds or interest thereon.**

Authorized Investments

Moneys on deposit to the credit of the Construction Account, Bond and Interest Sinking Fund Account, and 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. A representative of the Minnesota Higher Education Services Office and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

J. Luther Anderson has been the Executive Director of the Authority since June 30, 1995, at which time he replaced the retiring Executive Director.

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 90 issues (including refunded and retired issues) totaling $430,739,189, of which $220,176,036 (excluding the Series Four-A1 Bonds and the Series Four-A2 Bonds) is outstanding as of February 1, 1996. 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. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

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

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

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority 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 Series Four-A1 Bonds. In preparing the Official Statement, the Financial Advisor has relied upon University officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Series Four-A1 Bonds.

UNDERWRITING

The Series Four-A1 Bonds are being purchased by Dain Bosworth Incorporated; Piper Jaffray Inc.; FBS Investment Services, Inc.; and Norwest Investment Services, Inc. (the "Underwriters"). The Underwriters have agreed to purchase the Series Four-A1 Bonds at a purchase price of $11,426,446 (representing the aggregate principal amount of the Series Four-A1 Bonds less an underwriter's discount of $104,805 and original issue discount of $113,749).

The Underwriters intend to offer the Series Four-A1 Bonds to the public initially at the offering price set forth on the front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series Four-A1 Bonds to the public. The Underwriters may offer and sell the Series Four-A1 Bonds to certain dealers (including dealers depositing the Series Four-A1 Bonds into investment trusts) at prices lower than the public offering prices.

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

Norwest Investment Services, Inc. ("NISI") is a registered broker/dealer and a member of the National Association of Securities Dealers, Inc. and the Securities Investor Protection Corporation. NISI is not a bank or thrift and is separate from any Norwest Bank or any affiliated bank or thrift. NISI is solely responsible for its contractual obligations and commitments. Nondeposit investment products offered by NISI are not insured by the Federal Deposit Insurance Corporation; are not bank deposits; are not obligations of, or guaranteed by, any bank; and are subject to investment risks, including the possible loss of principal invested.

RATING

As noted on the cover page hereof, Moody's Investors Service has assigned a long-term rating of "A1" to the Series Four-A1 Bonds, with a negative outlook. The rating and the outlook reflect only the view of such rating agency. Further information concerning the rating or the outlook is available from Moody's. There is no assurance that the rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Series Four-A1 Bonds.

Moody's defines an "A" rating as follows:

> "Bonds that are rated "A" possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present that suggest a susceptibility to impairment some time in the future."

Those bonds within the "A" category that Moody's believes possess the strongest credit attributes are designated by the symbol "A1."

LITIGATION

The Authority and the University are unaware of any pending or overtly threatened in writing litigation which would affect the validity of the Series Four-A1 Bonds or materially affect the ability of the University to pay the principal of or interest on the Series Four-A1 Bonds as the same become due.

LEGALITY

The Series Four-A1 Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Faegre & Benson, LLP, 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, P.L.L.P., of St. Paul and Minneapolis, Minnesota; and for the Underwriters by Holmes & Galey, Ltd., Minneapolis, Minnesota.

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 Four-A1 Bonds in order that interest on the Series Four-A1 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 Series Four-A1 Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Series Four-A1 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 Four-A1 Bonds. Noncompliance with such requirements may cause interest on the Series Four-A1 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 Four-A1 Bonds are subject to optional redemption without premium, and the Series Four-A1 Bonds shall bear additional interest at a rate of two percent (2%) per annum from the Date Of Taxability until the respective dates on which the principal of the Series Four-A1 Bonds is paid. (See "THE LOAN AGREEMENT—Determination of Taxability" in Appendix IV). A determination that interest on the Series Four-A1 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 Four-A1 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 Four-A1 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 Four-A1 Bonds.

In addition, interest on the Series Four-A1 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 Four-A1 Bonds that is received or accrued during the taxable year. In addition, passive investment income, including interest on the Series Four-A1 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 Four-A1 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.

Series Four-A1 Bondholders should consult their tax advisors with respect to collateral consequences arising from the receipt of interest on the Series Four-A1 Bonds, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability, or the inclusion of social security or other retirement payments in taxable income.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Faegre & Benson, LLP, Bond Counsel, under present laws and rulings: interest on the Series Four-A1 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 Four-A1 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 Four-A1 Bonds with stated maturities in 2011, 2016 and 2021 (the "Discount Bonds") is less than the principal amount of Series Four-A1 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 Four-A1 Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

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THE UNIVERSITY

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 offered programs. The University currently offers a broad range of academic programs leading to undergraduate and graduate degrees. The University does not unlawfully 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 a leased 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 Hazeltine Gates Building is currently for sale, but academic programs are expected to continue to be provided to the Chaska area through the use of leased space.

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

Governance

The University is governed by a 43-member Board of Trustees (currently there are two 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 34 lay persons and seven clergy/religious. 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 Chair and Vice Chair, 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 January 1996:

Trustee	Principal Activity
Linda L. Hoeschler	Executive Director, American Composers Forum, Saint Paul
Al Hofstede[(a)]	President, North State Advisers and Associates, Minneapolis
James J. Howard, III	Chairman, President and Chief Executive Officer, Northern States Power Company, Minneapolis
Stanley S. Hubbard	President and Chief Executive Officer, Hubbard Broadcasting Inc., Saint Paul
Delbert W. Johnson	Chairman and Chief Executive Officer, Pioneer Metal Finishing, Minneapolis
David A. Koch[(a)]	Chairman and Chief Executive Officer, Graco, Inc., Minneapolis
James P. Larkin[(a)]	Shareholder and former Chair and Director, Larkin, Hoffman, Daly & Lindgren, Ltd., Bloomington, Minnesota
Rudy Luther	President, Motors Management Corp.
Thomas F. Madison[(a)]	President and Chief Executive Officer, MLM Partners, Minneapolis
Harry G. McNeely, Jr.	President and Chief Executive Officer, Industry Financial Corporation, Saint Paul
Arnold Mikulay	President, Mikulay Company, Minneapolis
Herbert F. Mischke	Chartered Financial Consultant & Chartered Life Underwriter, Equitable Companies, Saint Paul
Honorable Diana Murphy[(a)]	U.S. Circuit Judge, 8th Circuit Court of Appeals, Minneapolis
Rev. Msgr. Terrence J. Murphy	Chancellor, University of St. Thomas, Saint Paul
Rev. Michael J. O'Connell	Rector, Basilica of St. Mary, Minneapolis
John F. O'Shaughnessy, Jr.	Chairman and CEO, General Parts and Supply Co., Inc., Minneapolis
Rev. Msgr. Richard E. Pates	Pastor, Church of Our Lady of Peace, Minneapolis
Gerald A. Rauenhorst	Chairman and Chief Executive Officer, Opus Corporation, Minneapolis

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, 52, 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, and was spiritual director and dean of formation at the Saint Paul Seminary from 1979 to 1985. 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 and was elected Treasurer in 1991. 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, the buildings and grounds of the Minneapolis campus, and the facilities in or near the cities of Owatonna and Chaska. As of June 30, 1995, the value of all property and equipment, net of depreciation, was $124,097,216; buildings and contents have an insurable value of $264,707,966.

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 have a design capacity to house up to 1,666 students.

The 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 undergraduate programs. Current student enrollment at that site is 2,239 students, Fall 1995. 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), Management Center, Small Business Development Center and a variety of other non-credit outreach centers. Classes are offered in the late afternoon and early evening hours and on Saturdays in the MBA program, the MBC program, the graduate program in 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, and other adjacent facilities and parking lots.

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. The building is currently for sale, but academic programs are expected to continue to be provided to the Chaska area through the use of leased space.

Libraries

O'Shaughnessy-Frey Library Center contains approximately 320,000 volumes. The Archbishop John Ireland Theological Library has approximately 93,000 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 an $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 575,000. 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 $678,192 for Fiscal Year ended June 30, 1995. 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.

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 term in January. During each semester, the undergraduate student's normal course load is four courses; during the January term, concentration is on one subject.

The B.A. degree is awarded in the following major concentrations or programs of study: Advertising, Applied Sociology, Art History, Behavior Neuroscience, Biology, Broadcast Journalism, Business Administration (Accounting, Finance, Marketing, Human Resources Management, Operations Management, Entrepreneurship, General Business, International Business), Catholic Studies, Chemistry, Communication, Criminal Justice, Economics, Elementary Education, English, Environmental Studies, French, Geography, Geology, German, Health Education, History, International Business/Language Intensive, International Studies, Journalism/Mass Communication, Justice and Peace Studies, Latin, Literary Studies, Mathematics, Music, Music Education, Philosophy, Physical Education, Physics, Political Science, Print Journalism, Psychology, Psychology for Elementary Education, Public Relations, Quantitative Methods and Computer Science, Science and Mathematics for Elementary Education, Social Sciences, Social Studies (secondary teaching licensure), Social Work, Sociology, Spanish, Theater, Theology.

In cooperation with other institutions in the Associated College of the Twin Cities ("ACTC"), the B.A. degree is awarded in: Classical Languages, East Asian Studies, Russian Area Studies, Russian, Russian/Central/Eastern European Studies, Women's Studies.

The B.S. degree is awarded in Manufacturing Engineering.

Since 1950 the University has had a graduate program in education. The University grants the Master of Arts, the Education Specialist and the Doctor of Education 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 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 1995 enrollment in the Graduate School of Education, Professional Psychology and Social Work was 1,600.

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 2,957 in fall 1995.

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 1995 was 146 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 1995 enrollment in the Graduate School of Science and Engineering was 728 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 was added. Fall 1995 enrollment for the graduate School of Arts and Sciences was 82.

The University has 31 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 1995, the University employed 328 full-time and 337 part-time faculty. Total employees number approximately 1,550. The total payroll for the Fiscal Year ended June 30, 1995 was $49,808,000, not including contributed services of 18 religious employees.

The following table lists the average salary of the lay members of the full-time University faculty for the 1995/96 academic year.

Title	Average Salary
Professor	$61,118
Associate Professor	45,952
Assistant Professor	39,278
Instructor	35,306

The following table lists the degrees and professional designations held by the full-time faculty members for the 1995/96 academic year.

	Number
Doctorate	270
Master of Arts, Juris Doctorate, Certified Public Accountant	51
Bachelor of Arts	7
Total	328

Freshman Applications, Acceptances and Enrollments

	1991/92	1992/93	1993/94	1994/95	1995/96
Applications	2,008	1,947	2,057	1,801	1,950
Acceptances	1,831	1,786	1,807	1,653	1,764
Percent Accepted	91%	92%	88%	92%	90%
Fall Enrolled	855	800	831	769	857
Percent Enrolled to Accepted	47%	45%	46%	47%	49%

Transfer Student Enrollment—Fall Semester—Undergraduate Day Program

1991/92	1992/93	1993/94	1994/95	1995/96
357	384	354	354	355

Graduate School Applications, Acceptances and Enrollments[a]

Graduate School of Business

	1991/92	1992/93	1993/94	1994/95
Applications	1,869	1,661	1,832	1,845
Acceptances[b]	1,516	1,341	1,486	1,636
Percent Accepted	81%	81%	81%	89%
Enrollments[b]	1,132	900	963	991

Graduate School of Education, Psychology and Social Work

	1991/92	1992/93	1993/94	1994/95
Applications	1,243	1,149	1,373	1,356
Acceptances[b]	996	677	1,288	1,264
Percent Accepted	80%	59%	94%	93%
Enrollments[b]	807	761	640	661

(a) Students are admitted and enrolled throughout the year; therefore, comparable applications, acceptances and enrollments for Fiscal Year 1995/96 are not available. Interim data is not meaningful.

(b) 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 1995/96 academic year is 10,421; with a full-time equivalent ("FTE") enrollment of 7,039. Approximately 78% of the 1995/96 freshman class of 857 were students from the State of Minnesota.

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	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97 Estimates
Undergraduate Day	4,671	4,625	4,579	4,379	4,344	4,385
New College*	608	563	509	537	564	540
Total Undergraduate	5,279	5,188	5,088	4,916	4,908	4,925
Graduate School of Education, Professional Psychology and Social Work	1,183	1,480	1,364	1,374	1,600	1,600
Graduate School of Business	3,013	3,019	2,971	2,931	2,957	3,000
Graduate School of Divinity	126	121	115	140	146	140
Graduate School of Technology	555	602	649	708	728	800
Graduate School of Arts & Science	N/A	13	58	92	82	100
Total Graduate	4,877	5,235	5,157	5,245	5,513	5,640
Total Enrollment	10,156	10,423	10,245	10,161	10,421	10,565
FTE Enrollment	7,063	7,132	7,060	6,937	7,039	7,136

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

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 1995 the University had nine student residences with a design capacity of 1,666 and currently configured for a capacity for 1,573 with occupancy of 1,477, or 94%. Approximately 30% of the undergraduate day student population for the academic year 1995/96 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:

	1991/92	1992/93	1993/94	1994/95	1995/96
Undergraduate (full-time) per academic year	$10,528	$11,168	$11,712	$12,064	$13,056
Graduate education and religious education per credit	$ 255	$ 270	$ 287	$ 302	$ 321
Graduate School of Business, Business Communications, Engineering and Computer Science per credit	$ 282	$ 298	$ 316	$ 332	$ 352

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, 1991 through 1995.

Year	Tuition and Fees
1991	$53,968,397
1992	60,537,830
1993	65,071,824
1994	67,447,094
1995	69,561,561

1995/96 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Comprehensive Fees)

College	Tuition & Fees	Room & Board	Comprehensive Fees
Carleton College	$20,300	$4,125	$24,425
Macalester College	16,686	4,975	21,661
St. Olaf College	15,000	3,850	18,850
Gustavus Adolphus College	14,760	3,760	18,520
Hamline University	13,808	4,342	18,150
Minneapolis College of Art & Design	13,942	3,660	17,602
University of St. Thomas	**13,106**	**4,374**	**17,480**
College of Saint Catherine	13,190	4,282	17,472
College of St. Benedict	13,089	4,370	17,459
St. John's University	13,089	4,224	17,313
Augsburg College	12,604	4,591	17,195
Bethel College	12,260	4,460	16,720
College of St. Scholastica	12,534	3,807	16,341
St. Mary's University of Minnesota	11,280	3,770	15,050
Concordia College (St. Paul)	10,815	3,930	14,745
Concordia College (Moorhead)	10,720	3,280	14,000
Average	$13,574	$4,113	$17,686

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 74% 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	State of Minnesota SELF Loan Program[d]	PERKINS Loan Program (c), (e)	STAFFORD Loan Program Subsidized (c), (f)	STAFFORD Loan Program Unsubsidized (c), (g)	SLS Loan Program[h]	Work[i]	Total
1986	3,748	$ 2,155,411	$1,073,925	$ 754,942	$334,335	$2,144,945	$ 0	$593,950	$ 4,612,763	$ 0	$ 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	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	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	0	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	0	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	0	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	0	573,667	2,120,913	26,694,330
1993	4,761	7,256,692	1,488,648	1,614,397	420,622	4,598,712	1,625,480	500,545	8,225,755	0	902,887	2,190,738	28,824,476
1994	4,978	8,866,807	1,678,644	1,223,336	525,107	4,307,950	795,393	653,167	11,303,110	0	2,371,476	2,246,484	33,971,474
1995	5,086	10,292,227	1,740,092	1,156,514	484,985	3,912,354	532,681	700,078	12,053,835	2,974,489	0	2,023,233	35,870,488

(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) *Unsubsidized federal STAFFORD Loan information was not collected prior to 1995.*

(h) *SLS (Supplementary Loans for Students) information was not collected prior to 1989 and the University discontinued the program in 1995.*

(i) *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 exempt staff who work at least 1,000 hours through the University's 403(b) Retirement Plan in which employees elect 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 or to Fidelity Investments. TIAA and seven funds in CREF, as well as 25 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 to the extent allowed by 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 a period of time of at least ten years. The cost of these benefits to the University was $2,891,019 and $3,113,329 for 1994 and 1995, 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. These funds have the same investment options and restrictions as those available to the faculty and exempt staff. Prior to January 1993, retirement benefits were provided to this group through a plan administered by the Archdiocese of Saint Paul and Minneapolis. On January 1, 1993, a new University of St. Thomas Non-Exempt Employee Retirement Plan, a 401(a) Age Weighted Discretionary Contribution ("AWDC") Plan, combined with the increased contributions to the 403(b) 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 retirement contributions to the AWDC Plan was $204,993 and $218,759 for 1994 and 1995, 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, 1995 through January 31, 1998. The International Union of Operating Engineers Local 70 AFL-CIO, which represents five engineers and one maintenance assistant, negotiated a contract which runs from March 1, 1994 through February 28, 1997.

Additionally, the University contributes monthly to the Local 70 Central Pension fund in the amount of 7.3% of wages per regularly scheduled hours.

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 VI sets forth the comprehensive financial statements of the University for the year ended June 30, 1995, which statements have been audited by Coopers & Lybrand P.L.L.P., certified public accountants and their opinion on such financial statements are included therein. Supplemental schedules to the financial statements are available upon request.

The University expects that the presentation of financial statements prepared for the Fiscal Year ended June 30, 1996 will be significantly different from the presentation contained in Appendix VI. The Financial Accounting Standard Board ("FASB") has adopted two Statements of Financial Accounting Standards ("SFAS"), SFAS No. 116 and SFAS No. 117, which affect financial reporting by not-for-profit organizations. These standards will affect the University's financial statements beginning with the Fiscal Year ended June 30, 1996. Changes in presentation will impair the comparability between financial statements for the Fiscal Years ended prior to June 30, 1996 and financial statements for Fiscal Years thereafter.

SFAS No. 116 establishes accounting standards for contributions and applies to all entities that receive or make contributions. Generally, contributions received, including unconditional promises to give, will now be recognized as revenues, at their fair values, in the period received. This is a departure from prior standards under which colleges did not recognize promises to give until the asset was in hand.

SFAS 117 establishes standards for general-purpose external financial statements that will be more comparable to for-profit entities. The new statement requires classification of an organization's net assets, as well as its revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. It requires three classes of net assets—permanently restricted, temporarily restricted and unrestricted—to be displayed in a statement of financial position. It also requires the amount of change in each of those classes of net assets to be displayed in a statement of activities. Revenues that are classified as temporarily restricted or permanently restricted consist almost entirely of donor-restricted contributions. Most other types of revenue will be accounted for in the unrestricted asset class.

Statement of Revenues, Expenditures and Transfers

The table on page I-15 sets forth the University's statements of current unrestricted revenues, expenditures and other changes for the University for the Fiscal Years ended June 30, 1991 through 1995. This table should be read in conjunction with the financial statements which are Appendix VI.

UNIVERSITY OF ST. THOMAS
SUMMARY STATEMENT OF UNRESTRICTED CURRENT FUND
REVENUES, EXPENDITURES AND OTHER CHANGES

For the Years Ended June 30,

	1991	1992	1993	1994	1995
REVENUES:					
Tuition and fees	$53,968,397	$60,537,830	$65,071,824	$67,447,094	$69,561,561
Private Gifts and Grants and Contracts	1,434,189	1,601,368	1,536,471	1,679,721	1,692,620
Endowment Income	2,868,849	2,455,063	2,078,238	1,784,997	1,944,888
Income from Investments	979,060	466,780	588,298	436,513	927,587
Net Gain (Loss) on Investments	–	461035	230,004	(232,065)	355,520
Sales and Services of Ed. Enterprises	12,997,413	13,535,485	14,204,504	15,024,458	15,256,126
Sale and Services of Aux. Enterprises	12,407,915	12,941,321	13,024,168	13,599,912	14,108,113
Other Revenue	1,275,328	1,491,878	1,779,399	1,941,358	1,907,228
Total Revenue	85,931,151	93,490,760	98,512,906	101,681,988	105,753,643
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General					
Instruction	23,884,981	26,580,639	29,735,279	31,438,010	32,366,035
Educational Enterprises	11,674,895	12,741,576	13,108,209	13,327,995	14,284,068
Public Service	–	–	405,615	489,183	468,715
Academic Support	3,989,885	4,371,141	4,975,890	5,128,760	5,550,123
Student Services	5,603,478	6,063,039	6,448,486	6,780,853	7,357,807
Institutional Support	10,801,060	10,806,842	12,113,974	11,918,680	12,299,054
Operation and Maintenance of Plant	6,052,146	5,830,705	6,419,170	6,508,994	6,297,104
Student Aid	4,896,586	6,324,581	7,256,692	8,866,807	10,292,227
Educational and General Expenditures	66,903,031	72,718,523	80,463,315	84,459,282	88,915,133
Mandatory Transfers for:					
Principal and Interest	2,248,381	3,227,294	1,763,441	2,407,764	2,321,259
Student Loan Funds	2,073	1,584	0	11,495	11,204
Total Educational and General	69,153,485	75,947,401	82,226,756	86,878,541	91,247,596
Auxiliary Enterprises and Ind. Operations					
Expenditures	9,438,062	10,285,335	10,546,176	10,508,706	10,357,782
Mandatory Transfers for					
Principal and Interest	2,748,785	3,942,103	3,258,234	2,765,882	2,613,485
Renewals and Replacements	27,750	27,750	27,750	27,750	27,750
Total Auxiliary Enterprises and Independent Operations	12,214,597	14,255,188	13,832,160	13,302,338	12,999,017
Expended to Establish Aquinas Foundation	1,775,374				
Total Expenditures and Mandatory Transfers	83,143,456	90,202,589	96,058,916	100,180,879	104,246,613
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)					
Transfers Among Funds (Net)	(2,739,576)	(3,821,855)	(2,441,066)	(1,460,482)	(1,460,167)
Cumulative effect of change in accounting principle		561,262			
NET INCREASE IN FUND BALANCE	$48,119	$27,578	$12,924	$40,627	$46,863

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, 1995, the University had outstanding pledges of $11,039,000 and bequests of $3,571,000 for all purposes including scholarships, academic instruction and building construction and renovation.

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, 1991 through 1995.

Fiscal Year	Total All Funds
1991	$ 8,700,652
1992	9,646,265
1993	7,222,359
1994	11,769,244
1995	12,844,721

Capital Campaign—Ever Press Forward

The University is currently in the silent phase of a new $120 million capital campaign: Ever Press Forward. The University has received pledges totaling $31,012,178 as of December 31, 1995, of which $16,925,572 has been received in cash contributions as of December 31, 1995. Of the total $120 million capital campaign, $15 million is for the construction of the Science and Engineering Center. As of December 31, 1995, $4,046,910 for the Science and Engineering Center has been made in pledges and $865,985 received as cash contributions as of the same date. The public phase is expected to commence in the fall of 1996.

The University completed its last capital campaign in 1991, which had a stated goal of $50 million. The University actually raised $84 million in gifts and pledges.

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, including the Project, 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, 1991 through 1995. In Fiscal Year 1991, the endowment funds were accounted for on a cost basis. In Fiscal Year 1992 and thereafter, the endowment funds reflect the market value.

Fiscal Year	Endowment*	Quasi-Endowment	Total
1991	$46,259,073	$42,244,960	$ 88,504,033
1992	50,065,506	45,686,704	95,752,210
1993	58,548,184	51,470,580	110,018,764
1994	66,089,368	47,351,966	113,441,334
1995	78,520,805	50,492,988	129,013,793

* *Includes Life Income funds.*

Line of Credit

Norwest Bank Minnesota, National Association, has provided a revolving line of credit to the University under which up to $5,000,000 in short-term borrowing is available. As of the date of this Official Statement, $0 was outstanding. Borrowings under the line of credit mature on or before June 14, 1996 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 $100,000 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 $665,000 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 $677,000 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) $24,405,000 (original amount) Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-C, dated March 1, 1991 at various rates of interest; principal due September 1, 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, 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. All but $3,560,000 has been refunded by the Authority's Series Three-R2 Bonds (see paragraph (g) below).

(e) $10,200,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-I, dated April 1, 1992 at various rates of interest; principal outstanding is $8,350,000 due October 1, 1993 through 2003. The proceeds financed the acquisition and installation of a new telecommunications system on the Minneapolis and Saint Paul campuses of the University; the replacement and renovation of two boilers and related equipment on the Saint Paul campus; and the construction, furnishing and equipping of an addition to the physical plan headquarters on the Saint Paul campus. The bonds are secured by the full faith and credit of the University and a debt service reserve of $1,020,000.

(f) $22,985,000 Minnesota Higher Education Facilities Authority Refunding Revenue Bonds, Series Three-R1, dated June 15, 1993 at various rates of interest; principal outstanding is $19,740,000 due October 1, 1996 through 2008. The proceeds refunded five bond issues of the University. The bonds are secured by the full faith and credit of the University and a debt service reserve of $2,120,245.

(g) $23,015,000 Minnesota Higher Education Facilities Authority Refunding Mortgage Revenue Bonds, Series Three-R2, dated June 15, 1993 at various rates of interest; principal outstanding is $20,815,000 due September 1, 1996 through 2008. The bonds refunded the 1993 through 2014 maturities of the Authority's Series Three-C Bonds and are issued on a parity with, and are secured by the same collateral as, the Series Three-C Bonds (see paragraph (d) above). A debt service reserve of $2,380,000 secures both the outstanding Series Three-C Bonds and the Series Three-R2 Bonds.

(h) The Series Four-A1 Bonds.

(i) The Series Four-A2 Bonds.

As of December 31, 1995, the total of long-term debt outstanding adjusted to include the Series Four-A1 Bonds and the Series Four-A2 Bonds is $72,152,000.

Annual Debt Service by Fiscal Year and Coverage Statement

The table on page I-20 shows (i) the annual debt service of the University for each of the listed Fiscal Years ending June 30 with respect to all remaining long-term indebtedness; (ii) the debt service for each of such Fiscal Years on the Series Four-A1 Bonds and the estimated debt service for the Series Four-A2 Bonds; (iii) the combined total annual debt service for each of such Fiscal Years; 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, 1995. 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 plus (ii) mandatory transfers for the payment of debt service plus (iii) tax increment income from the City of Minneapolis dedicated to debt service on the Series Three-C and Three-R2 Bonds, all as stated in the audited financial statements of the University attached hereto as Appendix VI.

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 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 PROFORMA DEBT SERVICE BY FISCAL YEAR AND COVERAGE STATEMENT

Fiscal Year Ending June 30	Series Four-A2 Bonds Debt (a)	Series Four-A1 Bonds Debt	Combined Debt Service	Existing Long Term Debt Service	Total Long Term Debt Service	Amount Available For Debt Service (b)	Coverage (Times)
1995	$0	$0	$0	$5,873,200	$5,873,200	$7,106,570	1.21
1996	0	0	0	5,988,417	5,988,417	7,106,570	1.19
1997	275,000	679,637	954,637	5,788,392	6,743,029	7,106,570	1.05
1998	264,000	676,383	940,383	5,781,917	6,722,300	7,106,570	1.06
1999	264,000	674,433	938,433	5,797,168	6,735,601	7,106,570	1.06
2000	264,000	672,433	936,433	5,607,583	6,544,016	7,106,570	1.09
2001	264,000	777,968	1,041,968	5,448,928	6,490,896	7,106,570	1.09
2002	264,000	780,745	1,044,745	5,015,276	6,060,021	7,106,570	1.17
2003	264,000	924,488	1,188,488	5,048,278	6,236,766	7,106,570	1.14
2004	264,000	924,023	1,188,023	5,005,663	6,193,686	7,106,570	1.15
2005	264,000	922,513	1,186,513	3,721,956	4,908,469	7,106,570	1.45
2006	264,000	924,805	1,188,805	3,719,733	4,908,538	7,106,570	1.45
2007	264,000	925,743	1,189,743	3,693,621	4,883,364	7,106,570	1.46
2008	264,000	925,285	1,189,285	3,705,671	4,894,956	7,106,570	1.45
2009	264,000	927,823	1,191,823	3,796,590	4,988,413	7,106,570	1.42
2010	264,000	928,388	1,192,388	2,678,020	3,870,408	7,106,570	1.84
2011	264,000	927,603	1,191,603	2,589,820	3,781,423	7,106,570	1.88
2012	264,000	925,468	1,189,468	2,595,450	3,784,918	7,106,570	1.88
2013	264,000	926,234	1,190,234	2,599,780	3,790,014	7,106,570	1.88
2014	264,000	924,734	1,188,734	2,592,810	3,781,544	7,106,570	1.88
2015	264,000	921,547	1,185,547	2,594,400	3,779,947	7,106,570	1.88
2016	264,000	921,531	1,185,531	2,311,214	3,496,745	7,106,570	2.03
2017	264,000	919,547	1,183,547	1,933,544	3,117,091	7,106,570	2.28
2018	264,000	925,313	1,189,313	0	1,189,313	7,106,570	5.98
2019	264,000	923,688	1,187,688	0	1,187,688	7,106,570	5.98
2020	264,000	919,813	1,183,813	0	1,183,813	7,106,570	6.00
2021	264,000	923,406	1,187,406	0	1,187,406	7,106,570	5.98
2022	6,732,000	904,750	7,636,750	0	7,636,750	7,106,570	0.93
Totals:	$13,343,000	$22,728,295	$36,071,295	$93,887,431	$129,958,726		

(a) Based on an average annual interest rate of 4.000%, the average rate of comparable issues for the past year. The actual interest rate on the Series Four-A2 bonds will be reset weekly and will vary. The University expects to redeem the Series Four-A2 bonds prior to October 1, 2021. There is no assurance that an early redemption will occur.

(b) Amount available for Debt Service based on Fiscal Year 1994-1995 Audited Financial Statement of the University.

Unrestricted Current Fund ("UCF") Revenues:	$105,753,643
Less: UCF Expenditures and Mandatory Transfers	104,246,613
Excess of UCF Revenues over UCF Expenditures and Mandatory Transfers	$1,507,030
Add: Mandatory Transfers for Debt Service:	4,934,744
Add: Minneapolis Increment Income (Plant Fund)	664,796
Amount Available For Debt Service Payments	$7,106,570

PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON
PROFESSIONAL LIMITED LIABILITY PARTNERSHIP
2200 NORWEST CENTER, 90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
TELEPHONE 612-336-3000
FACSIMILE 612-336-3026

$_______________
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Four-A1
(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 only) Revenue Bonds, Series Four-A1 (University of St. Thomas), in the aggregate principal amount of $__________________ (the "Bonds"), dated March 1, 1996, in the denomination of $5,000 each and integral multiples thereof, maturing on October 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

October 1 of the Year	Amount	Basic Interest Rate	October 1 of the 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 ____, ____ and ____ 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 April 1 and October 1, commencing October 1, 1996. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds will bear additional interest at the rate of 2.00% per annum from the Date of Taxability (as defined). Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the principal corporate trust office of Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to the University of St. Thomas, a Minnesota nonprofit corporation and institution of higher education located in the City of St. Paul, Minnesota (the "University"), in order to finance a new science and engineering center, all owned or to be owned and operated by the

Minneapolis Denver Des Moines Washington, D.C. London Frankfurt Almaty

University and located on its main campus in St. Paul, Minnesota. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the University and the Trust Indenture (the "Indenture") between the Authority and the Trustee each dated as of March 1, 1996, one or more opinions of Moore, Costello & Hart P.L.L.P. 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 P.L.L.P., as to the Loan Agreement having been duly authorized and executed and being binding upon the University and as to the corporate organization, tax-exempt status, good standing and powers of the University, and as to title to the Project Site (as defined in the Loan Agreement and Indenture), 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 and the Indenture to secure the Bonds.

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

3. The Bonds are 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.

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. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the environmental tax imposed on corporations, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture and the Loan 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, March __, 1996.

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APPENDIX III

ANNUAL REPORT INFORMATION

The Annual Report Date will be the earlier of (a) thirty days after the Board of Trustees of the University approves and accepts the audited financial statements or (b) 270 days after the fiscal year-end, commencing with the fiscal year ended June 30, 1996. The Annual Report will contain:

1. Audited financial statements for the most recent complete fiscal year.

2. The following financial and operating data contained in Appendix I to the Final Official Statement:

   a. Provide information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:

      - Faculty and Staff
      - Freshmen Applications, Acceptances and Enrollments
      - Transfer Student Enrollment — Fall Semester — Undergraduate Day Program
      - Graduate School Applications, Acceptances and Enrollments
      - Student Body
      - Enrollments
      - Housing
      - Tuition
      - Financial Aid by Type

   b. Provide information as to gifts, bequests and grant support for the most recent complete fiscal year, identifying major sources.

   c. Provide information as to any publicly-announced capital campaign, including stated goals and progress toward the goals.

3. For the first Annual Report to be filed after June 30, 1996, a comparison of the financial statements prepared for the fiscal year ended June 30, 1996 and the financial statements included in the Official Statement, with a qualitative discussion and, to the extent feasible, a quantitative comparison of the differences in standards and the impact of the change on the presentation of the financial information resulting from the Statement of Financial Accounting Standards Nos. 116 and 117.

   The events enumerated in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, are as follows:

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

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APPENDIX IV

DEFINITION OF CERTAIN TERMS

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

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, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates.

Authorized Institution Representative: The President, the Provost or Vice President for Business Affairs or 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 the Board of Trustees of the University. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under the Indenture and described in Section 5.04 thereof.

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

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

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

Bond Resolution: The Series Resolution of the Authority adopted on March 20, 1996, authorizing the Series Four-A1 Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-A1 (University of St. Thomas).

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 on the Project Site 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 DTC or banks in Minnesota are not open for business.

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 Project Costs.

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

Determination of Taxability: A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that the interest payable on the

Bonds is includable in gross income for purposes of federal income taxation by reason of the application of the provisions of Section 103 of the Internal Revenue Code, related sections and regulations thereunder, in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement. A determination that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

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, Finance & Commerce or any other newspaper or journal devoted to financial news published in the English language in Minneapolis or St. Paul, Minnesota, or in the City of New York, New York.

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

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

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

Indenture: The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, as Trustee, dated as of March 1, 1996, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: University of St. Thomas, a Minnesota institution of higher education located in the cities of St. Paul and Minneapolis, Minnesota and owned and operated by the University.

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

Issue: The Series Four-A1 Bonds.

Issue Date: The date on which the Series Four-A1 Bonds are delivered to the Underwriter thereof upon original issuance.

Loan Agreement: The Loan Agreement between the Authority and the University relating to the Series Four-A1 Bonds, dated as of March 1, 1996, as amended or supplemented from time to time.

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

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

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

Project: The Project consists of the acquisition, construction and equipping of an approximately 195,000 square foot science and engineering building owned or to be owned and operated by the University and located on the main campus of the University in St. Paul, Minnesota.

Project Building: The Science and Engineering building.

Project Costs: Costs properly payable from the Construction Account for improvement, acquisition, construction and equipping of the Project.

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

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

Project Site: The land on which the Project Building is to be located or otherwise to be improved as part of the Project, described in the Loan Agreement.

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; and (ii) 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.

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

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

Series Four-A1 Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-A1 (University of St. Thomas).

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

Trust Estate: All the rights, interests and security given to the Trustee under the Indenture as security for the Series Four-A1 Bonds.

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

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

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The University represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than December 31, 1997 subject only to "force majeure," as provided in the Loan Agreement. The University may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the University, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Series Four-A1 Bonds and an opinion of counsel to such effects is furnished. The University agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Series Four-A1 Bonds, to the extent such payments and costs exceed the proceeds of the Series Four-A1 Bonds in the Construction Account.

Loan Repayments

Under the Loan Agreement, the University agrees to make Loan Repayments in amounts and at times sufficient to provide for payment in full of all principal of and interest and premium, if any, on the Series Four-A1 Bonds when due. To provide for such payments the University covenants to pay for the account of the Authority in the following amounts:

(a) at least one Business Day prior to each April 1 and October 1, commencing October 1, 1996, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Series Four-A1 Bonds on the next succeeding interest payment date, or the amount payable as principal (whether at maturity or mandatory sinking fund redemption) on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account; and (ii) any credits permitted by Sections 5.02, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

(b) on or prior to a date established for the optional redemption and prepayment of the Series Four-A1 Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Four-A1 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 Series Four-A1 Bond principal or interest payment date are for any reason insufficient to pay principal of and interest on the Series Four-A1 Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

(d) 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 5.04 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 Four-A1 Bonds prior to their maturity in certain events as described under "THE SERIES FOUR-A1 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 Series Four-A1 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 Series Four-A1 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 Series Four-A1 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 Series Four-A1 Bonds will not be affected thereby and such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture 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 the Project Facilities and may permit the items so contested to remain undischarged and unsatisfied during the period of such contest unless the Authority or Trustee shall notify the University that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities will be subject to loss or forfeiture, in which event the University shall promptly pay all such items.

Taxes and Other Governmental Charges

The University will pay all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the University, or the Project Facilities or any improvements, equipment or related property installed or bought by the University therein or thereon, or the Series Four-A1 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 and any appeal therefrom 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, with certain deductible amounts, 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 and Project Equipment.

(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 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 $1,000,000, 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 $1,000,000, the University shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Series Four-A1 Bonds in whole or in part as more fully provided in the Loan Agreement.

If the Series Four-A1 Bonds are redeemed in part, a pro rata portion of available Net Proceeds shall be used for redemption or purchase of outstanding Series Four-A1 Bonds. "Pro rata portion" means the proportionate share of the total Net Proceeds based upon the then outstanding principal amounts of the Series Four-A1 Bonds and the Series Four-A2 Bonds but not exceeding the outstanding principal amounts of the Series Four-A1 Bonds or the Series Four-A2 Bonds, respectively.

Condemnation

If at any time before the Series Four-A1 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 Series Four-A1 Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

Removal or Release of Project Equipment and Building Equipment

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

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

(b) the University may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the University pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the University, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Series Four-A1 Bonds; provided that if the depreciated book value of any item of equipment so removed was less than $25,000, such release without substitution and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent engineer upon such showing by the University as may be satisfactory to the Trustee; and

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

In connection with (a), (b), and (c) above, if the depreciated book value of the Project Equipment or Building Equipment to be substituted, removed or released equals or exceeds $25,000 the University will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the removal of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

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 Series Four-A1 Bonds.

Existence and Accreditation of University and Institution

The University agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets or all or substantially all the assets of the Institution, or consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) If the surviving, resulting or transferee corporation or institution, as the case may be, is other than the 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 unlawful discrimination and requiring that the Institution be nonsectarian; and (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 Series Four-A1 Bonds under the Internal Revenue Code and regulations thereunder.

$150,000,000 Limitation on Outstanding Non-Hospital Bonds

The University has represented that the sum of the principal amount of the Series Four-A1 Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt 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 or the assets of the Institution as an entirety if the effect of any such transaction would be to cause the sum of the principal amount of the Series Four-A1 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 and if the effect of exceeding such amount would be to adversely affect the tax-exempt status of the Series Four-A1 Bonds.

Institution to be Nonsectarian

Except for the School of Divinity which is separate from the general undergraduate and graduate programs of the University for which the Project is to be completed, the University agrees that the Institution will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect.

Federal Income Tax Status

The 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 at any time that interest payable on the Series Four-A1 Bonds is includible in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Series Four-A1 Bonds, the Series Four-A1 Bonds shall be subject to optional redemption, in whole or in part, on the next date for which due notice can be given or any date thereafter and the redemption price therefor shall be equal to par plus accrued interest (including additional interest from the Date of Taxability). See "THE SERIES FOUR-A1 BONDS—Determination of Taxability."

Other Covenants

The University further agrees to provide financial statements and other information to certain information repositories; to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of religion (except with respect to the School of Divinity), race, color, creed or national origin 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 Series Four-A1 Bonds; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Services Offices, 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 or Redemption

Account, as the case may be, on a Series Four-A1 Bond principal or interest payment date are insufficient to pay when due principal, premium, if any, and interest on the Series Four-A1 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); or

(c) If the University 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 by the Authority or the Trustee unless the Trustee shall agree in writing to an extension of such time prior to its expiration for such longer period as may be reasonably necessary to remedy such default so long as the University is proceeding with reasonable diligence to remedy the same; or

(d) 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

(e) 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

(f) 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.

Remedies on Default

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

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

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

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

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied first to advances and expenses, second to payment of the Series Four-A1 Bonds as provided in Section 7.04 of the Indenture and any excess to the University.

Amendments

Except as otherwise provided in the Loan Agreement or in the Indenture, subsequent to issuance of the Series Four-A1 Bonds and so long as any Series Four-A1 Bonds are outstanding, the Loan Agreement may not be amended without the prior written consent of the Trustee.

THE INDENTURE

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

Granting Clauses

Pursuant to the Indenture, the Authority grants to the Trustee, as security for the Holders of the Series Four-A1 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 created and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

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

Accounts

Series Four-A1 Bond proceeds, revenues and other funds derived under the Loan Agreement or Indenture shall be deposited into accounts held by the Trustee as described in "ACCOUNTS," contained in the body of this Official Statement.

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 Series Four-A1 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).

Additional Bonds

In addition to the Series Four-A1 Bonds, the Indenture permits the issuance of one or more series of Additional Bonds by the Authority, acting at the request of the University, equally and ratably secured on a parity with the Bonds to provide funds for the following purposes: (i) completion of the Project, (ii) refunding of all or any series or portion of series of then outstanding Bonds or Additional Bonds, (iii) improvements or alterations, repairs or replacement of the Project Facilities, or (iv) other project or projects as authorized by the Act.

The issuance of Additional Bonds requires, among other things, evidence satisfactory to the Authority of the University's ability to meet debt service on the Additional Bonds. Furthermore, to the extent required by the Authority, the University shall execute supplements to the Loan Agreement and the Indenture. Additional Bonds may not be issued unless in the opinion of bond counsel the interest on the outstanding Bonds remains excludable from gross income of the holders for federal income tax purposes.

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 Series Four-A1 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, 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 Series Four-A1 Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or moneys in the Accounts established by the Indenture.

Events of Default

The following are Events of Default under the Indenture:

(a) If payment of the principal of any of the Series Four-A1 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 Series Four-A1 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 Series Four-A1 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 Series Four-A1 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 Series Four-A1 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 upon written request of the Holders of a majority in aggregate principal amount of Series Four-A1 Bonds outstanding shall, by notice in writing delivered to the Authority, declare the principal of all Series Four-A1 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 Series Four-A1 Bonds then outstanding by written notice 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 Series Four-A1 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 Series Four-A1 Bonds which have not then attained their stated maturity and interest accrued on such Series Four-A1 Bonds since the last interest payment date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

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

Upon the happening and continuance of an Event of Default, the Trustee upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding

Series Four-A1 Bonds shall proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Series Four-A1 Bonds, to enforce application to payment of the Series Four-A1 Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Series Four-A1 Bonds, to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the Reference Rate of Norwest Bank Minnesota, National Association, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Series Four-A1 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 Series Four-A1 Bonds and otherwise deal with the Authority or the University 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 Series Four-A1 Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by the Authority, at the direction of the University, provided that no Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing.

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 Series Four-A1 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: First for the equal benefit of the Holders of all Series Four-A1 Bonds outstanding (other than University Bonds) and Second for the benefit of the Holders of the University Bonds.

The Trustee upon the written request of the Holders of a majority in principal amount of the Series Four-A1 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 Series Four-A1 Bonds at the date of maturity specified therein; provided, however, that a default in the payment of interest on the Series Four-A1 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 Series Four-A1 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 Series Four-A1 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 outstanding Series Four-A1 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 Series Four-A1 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 Series Four-A1 Bonds outstanding, or

(c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Series Four-A1 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 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 Series Four-A1 Bonds, and in any case, deposit with the Trustee before the date on which such Series Four-A1 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 Series Four-A1 Bonds are to be redeemed and on any interest payment dates, or

(d) surrender to the Trustee for cancellation all Series Four-A1 Bonds for which payment is not so provided,

and shall also pay or provide for the payment of all unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148(f) of the Internal Revenue Code and regulations thereunder, then at the request of the Authority or the 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 Series Four-A1 Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all Series Four-A1 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 Series Four-A1 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 or obligations fully guaranteed by the United States of America or evidence of ownership of principal or interest payable from a pool of such obligations sufficient to pay the principal of any Series Four-A1 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 Series Four-A1 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 Series Four-A1 Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Series Four-A1 Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

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

(a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Series Four-A1 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 51% in aggregate principal amount of the Series Four-A1 Bonds then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Series Four-A1 Bonds directly or indirectly affected (a) an extension of the maturity of any Series Four-A1 Bond, or (b) a reduction in the principal amount of any Series Four-A1 Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Series Four-A1 Bond over any other, or (e) a reduction in the aggregate principal amount of the Series Four-A1 Bonds the Holders of which are required to consent to such supplemental indenture or the Loan Agreement as set forth in the Indenture.

Amendments to the Loan Agreement

The Authority and the University with the consent of the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, or (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Series Four-A1 Bonds.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 51% in aggregate principal amount of the Series Four-A1 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 Series Four-A1 Bonds then outstanding.

Registration

The Series Four-A1 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. Series Four-A1 Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. If the Series Four-A1 Bonds are no longer in book entry form, Bonds may be exchanged for a new Bond or Bonds of the same series, aggregate principal amount, maturity and interest rate of any Authorized Denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable procedures while in book entry form.

UNIVERSITY OF ST. THOMAS

SAINT PAUL, MINNESOTA

REPORT ON AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1995

Coopers
&Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

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, 1995, 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, 1994, 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, 1995, and the changes in fund balances and current funds revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Saint Paul, Minnesota
September 1, 1995

University of St. Thomas
Balance Sheet
as of June 30, 1995
(with comparative totals for 1994)

1994 Total	1995 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
$ 53,538	$ 65,650	Cash			$ 65,650				
		Receivables:							
9,070,473	9,790,064	Notes and accounts receivable, less allowance for doubtful accounts of $643,348 in 1995 and $561,368 in 1994	$ 8,473,828	$ 473,000		$ 788,750	$ 54,486		
3,932,087	4,061,042	Loans to students, net of allowance for doubtful accounts of $147,157 in 1995 and $129,468 in 1994			4,061,042				
		Due from (to) other funds	(6,934,510)	4,254,550	(89,627)	1,309,271	3,187,991	$ (5,489,586)	$ 3,761,911
1,561,754	1,397,138	Inventories, at cost, net of allowance for slow-moving inventory of $161,084 in 1995	1,397,138						
3,637,035	3,045,681	Prepaid expenses and other assets	2,382,481	13,695	21,505	628,000			
138,654,857	162,346,649	Investments in securities	16,601,151	42,656		133,595,831	5,099,190	6,776,121	231,700
		Property and equipment:							
12,880,675	13,301,992	Land							13,301,992
122,758,727	123,757,245	Buildings							123,757,245
40,661,731	43,740,458	Equipment and furniture							43,740,458
1,277,819	1,885,697	Construction in progress					1,885,697		
177,578,952	182,685,392	Total property and equipment					1,885,697		180,799,695
52,208,386	58,588,176	Less accumulated depreciation							58,588,176
125,370,566	124,097,216	Total property and equipment, net of depreciation					1,885,697		122,211,519
960,297	834,871	Deferred debt financing costs, net of amortization							834,871
$ 283,240,607	$ 305,638,311	Total assets	$ 21,920,088	$ 4,783,901	$ 4,058,570	$ 136,321,852	$ 10,227,364	$ 1,286,535	$ 127,040,001
		LIABILITIES							
$ 11,629,934	$ 13,596,625	Accounts payable and accrued liabilities	$ 11,953,443	$ 28,657		$ 405,720		$ 1,208,805	
2,001,096		Short-term borrowing and accrued interest							
1,127,965	1,179,801	Student deposits	1,179,801						
		Deferred revenue:							
4,263,054	4,270,243	Subscriptions	4,270,243						
3,749,313	3,898,210	Tuition	3,898,210						
5,812,316	6,902,339	Deposits held for others				6,902,339			
65,081,000	62,159,000	Long-term debt							$ 62,159,000
93,664,678	92,006,218	Total liabilities	21,301,697	28,657		7,308,059		1,208,805	62,159,000
		FUND BALANCES							
571,528	618,391	Current unrestricted funds	618,391						
3,923,403	4,755,244	Current restricted funds		4,755,244					
		Loan funds:							
3,719,629	3,764,444	U.S. Government grant refundable			$ 3,764,444				
212,458	294,126	University funds			294,126				
		Endowment and similar funds:							
63,845,872	72,311,352	Endowment				72,311,352			
40,963,039	43,333,203	Quasi-endowment, undesignated				43,333,203			
6,388,927	7,159,785	Quasi-endowment, designated				7,159,785			
2,243,496	6,209,453	Life income				6,209,453			
		Plant funds:							
4,417,496	9,227,364	Unexpended					$ 9,227,364		
	1,000,000	Federal grant for Science and Engineering Center					1,000,000		
(88,080)00	77,730	Debt retirements, renewals and replacements						77,730	
63,378,761	64,881,001	Net investment in plant							64 881 001
189,575,929	213,632,093	Total fund balances	618,391	4,755,244	4,058,570	129,013,793	10,227,364	77,730	64 881 001
$ 283,240,607	$ 305,638,311	Total liabilities and fund balances	$ 21,920,088	$ 4,783,901	$ 4,058,570	$ 136,321,852	$ 10,227,364	$ 1,286,535	$ 127 040 001

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, 1995
(with comparative totals for 1994)

1994 Total	1995 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:							
$ 67,447,094	$ 69,561,561	Tuition and fees	$ 69,561,561						
5,095,594	4,711,363	State grants and contracts		$ 4,711,363					
2,480,150	3,720,172	Federal grants and contracts		2,406,364	$ 44,815		$ 1,268,993		
11,769,244	12,844,721	Private gifts, grants and bequests	1,692,620	2,928,611		$ 5,661,205	587,421	$ 396,820	$ 1,578,044
3,222,491	3,652,304	Endowment income	1,944,888	1,589,038			118,378		
960,813	1,695,731	Investment income	927,587	38,691		391,205		338,248	
15,962,009	16,500,547	Sales and services of educational enterprises	15,256,126	1,244,421					
13,599,912	14,108,113	Sales and services of auxiliary enterprises and independent operations	14,108,113						
5,933,572	3,592,657	Expended for plant facilities (including $1,135,872 charged to current funds in 1995)							3,592,657
3,090,423	2,922,000	Retirement of indebtedness							2,922,000
5,446,944	3,980,818	Other revenue	1,907,228	1,292,943	99,955	6,600	350	664,796	8,946
990,041	17,272,180	Net gain on investments	355,520			16,184,830	478,221	246,409	7,200
135,998,287	154,562,167	Total revenues and other additions	105,753,643	14,211,431	144,770	22,243,840	2,453,363	1,646,273	8,108,847
		Expenditures and other deductions:							
100,485,941	104,839,823	Educational and general	88,915,133	14,297,452		1,501,812			125,426
10,508,706	10,357,782	Auxiliary enterprises and independent operations	10,357,782						
72,694	29,491	Loan expenses and cancellations			29,491				
4,831,660	2,457,910	Expended for plant facilities					2,457,910		
6,362,363	6,379,790	Depreciation of plant facilities							6,379,790
3,090,423	2,922,000	Retirement of indebtedness						2,922,000	
3,594,645	3,519,207	Interest on indebtedness						3,519,207	
189,777		Net loss on disposal of fixed assets							
129,136,209	130,506,003	Total expenditures and other deductions	99,272,915	14,297,452	29,491	1,501,812	2,457,910	6,441,207	6,505,216
		Interfund transfers, additions (deductions):							
		Mandatory:							
		Principal and interest	(4,934,744)					4,934,744	
		Renewals and replacements	(27,750)					27,750	
		Student loan fund	(11,204)		11,204				
		Nonmandatory:							
		Endowment funds	1,869,569			(5,169,569)	3,300,000		
		Plant funds	(2,411,874)				2,514,415	(1,150)	(101,391)
		Restricted funds	(917,862)	917,862					
		Total transfers	(6,433,865)	917,862	11,204	(5,169,569)	5,814,415	4,961,344	(101,391)
6,862,078	24,056,164	Net increase in fund balances	46,863	831,841	126,483	15,572,459	5,809,868	166,410	1,502,240
182,713,851	189,575,929	Fund balance (deficit), beginning of year	571,528	3,923,403	3,932,087	113,441,334	4,417,496	(88,680)	63,378,761
$ 189,575,929	$ 213,632,093	Fund balance, end of year	$ 618,391	$ 4,755,244	$ 4,058,570	$ 129,013,793	$ 10,227,364	$ 77,730	$ 64,881,001

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, 1995
(with comparative totals for 1994)

1994 Total	1995 Total		Current Funds Unrestricted	Current Funds Restricted
		Revenue:		
$ 67,447,094	$ 69,561,561	Tuition and fees	$ 69,561,561	
5,095,594	4,711,363	State grants and contracts		$ 4,711,363
2,434,168	2,406,364	Federal grants and contracts		2,406,364
5,190,760	4,621,231	Private gifts, grants and bequests	1,692,620	2,928,611
3,107,892	3,533,926	Endowment income	1,944,888	1,589,038
458,649	966,278	Investment income	927,587	38,691
15,962,009	16,500,547	Sales and services of educational enterprises	15,256,126	1,244,421
13,599,912	14,108,113	Sales and services of auxiliary enterprises and independent operations	14,108,113	
3,516,364	3,286,192	Other revenue	1,907,228	1,378,964
(232,065)	355,520	Net gain (loss) on investments	355,520	
116,580,377	120,051,095	Total revenue	105,753,643	14,297,452
		Expenditures and mandatory transfers:		
		Educational and general:		
33,352,242	34,265,623	Instruction	32,366,035	1,899,588
390,833	476,383	Research		476,383
15,295,045	16,322,859	Educational enterprises	14,284,068	2,038,791
1,501,379	1,653,468	Public service	468,715	1,184,753
5,723,558	6,203,962	Academic support	5,550,123	653,839
7,201,036	7,708,058	Student services	7,357,807	350,251
12,762,714	12,428,849	Institutional support	12,299,054	129,795
6,517,073	6,326,744	Operation and maintenance of plant	6,297,104	29,640
16,613,791	17,826,639	Student aid	10,292,227	7,534,412
99,357,671	103,212,585	Educational and general expenditures	88,915,133	14,297,452
		Mandatory transfers:		
2,407,764	2,321,259	Principal and interest	2,321,259	
11,495	11,204	Student loan funds	11,204	
101,776,930	105,545,048	Total educational and general	91,247,596	14,297,452
		Auxiliary enterprises and independent operations:		
10,508,706	10,357,782	Expenditures	10,357,782	
		Mandatory transfers for:		
2,765,882	2,613,485	Principal and interest	2,613,485	
27,750	27,750	Renewal and replacement	27,750	
13,302,338	12,999,017	Total auxiliary enterprises and independent operations	12,999,017	
115,079,268	118,544,065	Total current expenditures and mandatory transfers	104,246,613	14,297,452
		Other transfers and additions (deductions):		
(226,683)	(86,021)	Excess of restricted expenditures over transfers to revenue		(86,021)
(863,028)	(542,305)	Nonmandatory transfers among funds	(1,460,167)	917,862
$ 411,398	$ 878,704	Net increase in fund balances	$ 46,863	$ 831,841

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

1. **Summary of Significant Accounting Policies:**

Accounting Basis:

The financial statements of the University of St. Thomas (the University) have been prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the 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 holding, sale, or other disposition of investments and other noncash assets and ordinary income derived from investments, receivables and the like, are accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds, which is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

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

The 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.

1. **Summary of Significant Accounting Policies, continued:**

Fund Accounting, continued:

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, depending upon the intended use of the income, of most endowment funds. This percentage can change from year to year. The intent of the spending policy is to provide a resource to fund expenditures in accordance with the donor's wishes and, at the same time, increase endowment fund value as a protection against inflation.

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, 1995, interfund borrowings include approximately $1,756,000 advanced from quasi-endowment funds to investment in 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.

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 bookstore and The Catholic Publishing Center.

Prepaid Expenses and Other Assets:

Prepaid expenses include direct-response circulation costs related to The Catholic Publishing Center, which are amortized over a one-year period on a straight-line basis from the dates incurred as the related subscription revenues are earned.

Investments in Securities:

The University records investments at fair value. Changes in fair value are recorded as unrealized gains or losses in the period of change. Fair values of substantially all investments are based upon quoted market prices for the same or similar issues. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, or with original maturities of three months or less. Realized gains and losses on sales of securities are generally determined using the average cost method. Gifts of investments in securities are recorded at fair value at the date of the gift.

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:

Deferred debt financing costs are amortized on a straight-line basis over a ten-year period.

Deferred Subscription Revenue:

Subscription revenues are deferred by The Catholic Publishing Center upon receipt of each subscription agreement. 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. Tuition revenue and costs are 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 7.

Fair Value Disclosures:

The fair value of long-term debt was determined using the present value of future cash flows of debt service payments. The discount rate used was based on the current rates on similar debt issues. The market values of receivables, investments in securities, accounts payable and accrued liabilities, student deposits, deferred revenue and deposits held for others approximate their carrying values at June 30, 1995 and 1994.

Determination of the fair value of loan fund receivables, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer of disposition, could not be made without incurring excessive costs.

2. **Investments in Securities:**

Investments in securities consists of the following:

	June 30, 1995		June 30, 1994	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 16,541,204	$ 16,537,760	$ 12,006,417	$ 12,006,417
Corporate stocks	95,381,107	78,299,401	83,529,072	76,780,637
Corporate bonds	13,495,649	13,518,575	8,754,600	8,794,565
Government securities	36,818,539	34,484,814	34,254,612	33,595,347
Other	110,150	151,922	110,156	151,921
Totals	$ 162,346,649	$ 142,992,472	$ 138,654,857	$ 131,328,887

Investments in securities are reflected in the following funds:

	June 30, 1995		June 30, 1994	
	Fair Value	Cost	Fair Value	Cost
Current unrestricted funds	$ 16,601,151	$ 16,007,796	$ 18,526,625	$ 17,775,569
Current restricted funds	42,656	42,656	53,773	53,773
Endowment and similar funds	133,595,831	115,707,060	109,288,511	102,895,225
Plant funds	12,107,011	11,234,960	10,785,948	10,604,320
Totals	$ 162,346,649	$ 142,992,472	$ 138,654,857	$ 131,328,887

The average aggregate spending rate approximated 5 percent for 1995. 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, 1995, securities on loan totaled approximately $16,944,191. The value of cash collateral held at this date was $17,294,434.

3. **Pledges:**

Pledges are not recognized as revenue until received. At June 30, 1995, the University had outstanding pledges of approximately $11,039,000 and outstanding bequests of approximately $3,571,000 which are restricted mainly to scholarships, academic instruction and building construction and renovation purposes.

3. Pledges, continued:

Scheduled future receipts from the pledges at June 30, 1995 are as follows:

Year Ending June 30	Outstanding Pledges
1996	$ 1,644,000
1997	1,144,000
1998	995,000
1999	630,000
2000	513,000
Thereafter	6,113,000
	$ 11,039,000

No allowance for potentially uncollectible pledges has been determined.

4. Long-Term Debt:

Long-term debt at June 30, 1995 consists of the following:

MHEFA Refunding Revenue Bonds, Series Three-R1, payable through 2008, interest at 3.5% to 5.6%, uncollateralized	$ 20,825,000
MHEFA Refunding Mortgage Revenue Bonds, Series Three-R2, payable through 2008, interest at 3.5% to 5.6%, collateralized by Minneapolis campus land, building, equipment and related revenues	21,485,000
MHEFA Revenue Bonds, Series Three-I, payable through 2003, interest at 5.5% to 6.2%, collateralized by the telecommunications system, boilers and plant headquarters building addition	9,175,000
City of Chaska, Minnesota Industrial Development Revenue Bonds, Series 1985, payable through 2010, interest at 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	5,210,000
MHEFA Mortgage Revenue Bonds, Series Three-C (Term bonds), payable 2016, interest at 6.25%, collateralized by Minneapolis campus land, buildings, equipment and related revenues, proceeds used to construct the downtown Minneapolis campus	3,560,000
Mortgage, payable semiannually through 1995, interest at 6.5%, collateralized by the Hazeltine Gates building and land	374,000

4. Long-Term Debt, continued:

Academic Building Bonds, 1969, payable annually through 2009, interest at 3%, collateralized by O'Shaughnessy Educational Center building	$ 715,000
Dormitory Bonds, 1967, payable annually through 2017, interest at 3%, collateralized by Brady Hall building and related net revenues	665,000
Dormitory Bonds, 1957, payable annually through 1997, interest at 2-7/8%, collateralized by Ireland and Dowling dormitory buildings and related net revenues	150,000
Total face value of long-term debt as of June 30, 1995	$ 62,159,000
Approximate market value of long-term debt as of June 30, 1995	$ 61,400,000

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 and Interest	Repair and Replacement
1996	$ 6,564,736	$ 27,750
1997	6,365,511	7,750
1998	6,358,636	7,750
1999	6,372,288	7,750
2000	6,184,703	7,750

5. Short-Term Borrowing:

The University has a short-term line of credit of $5,000,000 with a bank with interest generally at LIBOR plus 1%. The line of credit is collateralized by certain quasi-endowment funds. The University can borrow funds under the agreement for periods up to 120 days. At June 30, 1995, the University had no borrowings outstanding under the agreement. At June 30, 1994, borrowings under the agreement, including accrued interest of $1,096, totaled $2,001,096 at an interest rate of 5.74%. The line of credit agreement expires on June 30, 1996.

6. Retirement Benefits:

Retirement benefits are provided for exempt employees through Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA/CREF) and Fidelity Investments. Under these arrangements, the University makes contributions of a defined percentage of aggregate covered payroll to TIAA/CREF and Fidelity Investments. Participants have the option to purchase individual annuities or to invest the contribution amount in various investment choices. Contributions charged to current unrestricted fund expenditures for these benefits were $3,113,329 and $2,891,019 for 1995 and 1994, respectively.

Retirement benefits are provided for substantially all nonexempt employees under an age-weighted discretionary qualified, noncontributory defined contribution plan established by the University. Contributions are made solely by the University. While contributions are discretionary, the University generally bases its contribution on the minimum amount required to fund normal costs of benefits to be paid as actuarially determined. Contributions charged to current unrestricted fund expenditures for these benefits amounted to $218,759 and $204,993 for 1995 and 1994, respectively.

7. Income Taxes:

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 $6,286,000 at June 30, 1995 which expire in fiscal years 1995 through 2009. Valuation allowances have been established for the entire tax benefit associated with the loss carryforwards.

8. Commitments and Contingencies:

In the normal course of operations, the University is subject to various claims and lawsuits. In management's opinion, the ultimate resolution of these contingencies would not have a significant adverse effect upon the overall financial position or operations of the University.

University of St. Thomas
Notes to Financial Statements, Continued

8. Commitments and Contingencies, continued:

During 1995, the University entered into agreements with various parties in connection with its planned construction of the Science and Engineering Center. The estimated cost of the Science and Engineering Center is $34.3 million, of which approximately $15 million will be funded by a grant from the federal government. In addition, the University entered into an agreement with the Archdiocese of Saint Paul (the Archdiocese) whereby the Archdiocese agreed to forego its rights to the use of the land, owned by the University and leased to the Archdiocese. In return, the University agreed to build a new retirement residence on land owned by the Saint Paul Seminary and, upon completion of such residence, transfer title of the new retirement residence to the Archdiocese. The new retirement residence is expected to be completed in November 1995, at an estimated cost of $3.3 million.

In connection with the issuance of certain bonds, 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). The Revenue Note has not been recorded as an asset due to the contingent nature of the Agency payments on the note.

9. Recent Pronouncements:

Effective June 30, 1996, the University of St. Thomas will be required to implement Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", and SFAS No. 117, "Financial Statements of Not-For-Profit Organizations". The most significant provision of SFAS No. 116 is the recognition of pledges in the financial statements. SFAS No. 117 requires a change in the display of financial statements from those based on fund accounting to a display based on the concept of "net assets". The impact of these pronouncements has not been determined, but management does not expect these pronouncements to have a material impact on the total fund balance of the University.