OFFICIAL STATEMENT DATED SEPTEMBER 16, 1997

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

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

$10,800,000

Minnesota Higher Education Facilities Authority

Variable Rate Demand Revenue Bonds, Series Four-O
(University of St. Thomas)

(DTC Book Entry Only)

Dated Date: Date of Issue **Principal Due: October 1, 2021**

This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date.

The Bonds will be issued as fully registered bonds without coupons in minimum denominations of $100,000 and any larger amount which is an integral multiple of $5,000, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only and Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein.)

During the Variable Rate Period, payment of principal of and 46 days of interest on the Bonds at the Maximum Rate will be secured by an irrevocable Letter of Credit issued by

ALLIED IRISH BANKS, p.l.c., NEW YORK BRANCH

During the Variable Rate Period, if the University provides an Alternate Letter of Credit as more fully described herein, then the Bonds shall be subject to mandatory tender on the effective date of substitution of the Alternate Letter of Credit.

The Bonds are subject to redemption prior to maturity as described herein, including upon a failure to provide an Alternate Letter of Credit as more fully provided herein.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the University of St. Thomas, Saint Paul, Minnesota (the "University") and during the Variable Rate Period, drawings on the Letter of Credit.

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

The Bonds will bear interest at an initial rate to be determined by the Remarketing Agent from their date of issue to and including September 30, 1997. Interest on the Bonds shall be payable on each Interest Payment Date for the immediately preceding Interest Accrual Period. Interest shall be computed on the basis of a 365- or 366-day year and actual days elapsed. At the option of the Authority and upon the conditions set forth in the Indenture, the interest rate on the Bonds may be converted to the Fixed Rate. Prior to the Conversion Date and the establishment of a Fixed Rate, Owners of the Bonds have the right to tender their Bonds for purchase by presentation to Norwest Bank Minnesota, National Association (the "Trustee" and the "Tender Agent") at certain times upon prior written notice as described herein at a purchase price equal to 100% of the principal amount thereof plus (unless the purchase date is an Interest Payment Date) accrued interest thereon, as more fully described herein. The initial Remarketing Agent is Dain Bosworth Incorporated.

BONDHOLDERS SHALL BE REQUIRED TO TENDER AND SELL THEIR BONDS ON A MANDATORY TENDER DATE AT A PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS ACCRUED INTEREST THEREON, OR, IF THE MANDATORY TENDER RELATES TO THE PROVISION OF AN ALTERNATE LETTER OF CREDIT, MAY ELECT NOT TO TENDER OR SELL, ALL AS MORE FULLY DESCRIBED HEREIN. A Mandatory Tender Date occurs on the effective date of the substitution of any Alternate Letter of Credit or any Proposed Conversion Date. Any Bond to be purchased which is not timely delivered to the Tender Agent on the Mandatory Tender Date or Optional Tender Date and as to which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof shall be "deemed tendered" for purposes of the Indenture and shall be deemed no longer outstanding and shall cease to accrue interest on such Tender Date.

The Bonds are being offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the opinion as to validity and tax exemption of the Bonds 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., of St. Paul and Minneapolis, Minnesota; and for the Underwriters by Oppenheimer Wolff & Donnelly, Saint Paul, Minnesota. It is expected that the Bonds in definitive form will be available for delivery to the Underwriters at DTC, on or about September 25, 1997.

Dain Bosworth Incorporated

FBS Investment Services, Inc.
An operating division of U.S. Bancorp Investments

Piper Jaffray Inc.

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

No dealer, broker, sales representative or other person has been authorized by the Authority, the University, or the 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, DTC and the Bank, 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 Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The registration or qualification of these securities in accordance with applicable provisions of securities laws of the jurisdictions in which the Bonds may be registered or qualified and the exemption from registration or qualification in other jurisdictions shall not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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

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OFFICIAL STATEMENT

$10,800,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
VARIABLE RATE DEMAND REVENUE BONDS, SERIES FOUR-O
(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 $10,800,000 Variable Rate Demand Revenue Bonds, Series Four-O (University of St. Thomas) (the "Bonds" or the "Issue").

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

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

Pursuant to a Loan Agreement between the University and the Authority relating to the 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 Bonds as the same shall become due. A portion of the proceeds of the Bonds will be loaned to the University by the Authority to finance in part the construction, furnishing, and equipping of an approximately 345-bed residence hall, an approximately 345-stall parking ramp beneath the residence hall, 63 surface parking stalls adjacent to the residence hall, a commons building connecting Brady Hall and Dowling Hall for administrative and office space and recreational facilities and related improvements to connecting areas of Brady and Dowling Halls, a skyway connection between the commons building and the new residence hall and related site improvements (collectively, the "Project") to be owned and operated by the University and located on the campus of the University in Saint Paul, Minnesota. An additional $20.5 million of Project costs were previously financed through the issuance by the Authority of Revenue Bonds, Series Four-M (the "Series Four-M Bonds") on behalf of the University on July 8, 1997. In addition, the proceeds of the Bonds, together with University funds, will be used to refund certain prior bonds of the Authority (the "Prior Bonds") on behalf of the University, as more fully described, together with the Project, in "USE OF PROCEEDS," pages 14-15 herein.

The Bonds are secured by a pledge of the Loan Repayments, which is a general obligation of the University.

At the time of the issuance of the Bonds, an irrevocable, transferable, direct pay letter of credit (the "Original Letter of Credit," which term includes any extensions or renewals thereof or, together with an alternate or replacement letter of credit delivered in accordance with the provisions of the Loan Agreement, the "Letter of Credit") will be delivered by Allied Irish Banks, p.l.c., New York Branch (the "Bank"), to the Trustee, which will be authorized to draw an amount equal to the aggregate principal amount of the Bonds plus 46 days of interest to accrue thereon (assuming a maximum interest rate (the "Maximum Rate") on the Bonds during the Variable Rate Period of 15% per annum). If the Original Letter of Credit is not renewed or replaced prior to its stated expiration date (September 25, 2002, unless terminated earlier pursuant to the terms thereof), the Bonds are required to be redeemed or converted to bear a Fixed Rate. The University has agreed in the Loan Agreement to maintain with the Trustee at all times during the Variable Rate Period, as hereinafter defined, a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, calculated at the Maximum Rate, for a period equal to 46 days.

The Original Letter of Credit is to be issued pursuant to a Letter of Credit and Reimbursement Agreement dated as of September 1, 1997 (the "Reimbursement Agreement"), between the University and the Bank. See "THE ORIGINAL LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT."

For information concerning the Bank, including certain financial information, see Appendix VI hereto. In addition, copies of the Bank's Annual Report for the year ended December 31, 1996 and any more recent Condensed Interim Statements of Condition may be obtained in the manner described in Appendix VI.

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

EXCEPT AS EXPRESSLY PROVIDED HEREIN, THIS OFFICIAL STATEMENT PROVIDES INFORMATION RELEVANT TO THE BONDS ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT AND, WITH RESPECT TO THE TERM OF THE ORIGINAL LETTER OF CREDIT, INVESTORS ARE CAUTIONED THAT IT BEARS A STATED EXPIRATION DATE OF SEPTEMBER 25, 2002, THOUGH BY ITS TERMS IT MAY BE TERMINATED SOONER OR EXTENDED. SEE "THE ORIGINAL LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" HEREIN.

RISK FACTORS

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

Collateral

The Bonds are secured by (a) during the Variable Rate Period, the Letter of Credit; (b) a pledge of amounts payable under the Loan Agreement and applied to the payment of principal and interest on the Bonds; and (c) money and investments held by the Trustee under the Indenture (except any money and investments required to be paid to the United States Treasury).

The Bonds are initially secured by the Original Letter of Credit issued by the Bank and the purchasers of the Bonds are expected to rely thereon in deciding whether to purchase, hold, or sell the Bonds. See "Rating" herein. However, if for any reason the Bank fails to honor a drawing on the Original Letter of Credit, the Bonds will be accelerated and may be paid in whole or in part out of the University's Loan Repayments. In addition, failure of the University to comply or otherwise satisfy certain terms, covenants, and conditions contained in the Reimbursement Agreement (including the incorporation by reference therein of the Events of Default under the Pledge Agreement, the Loan Agreement and the Indenture) would entitle the Bank to cause the Trustee to accelerate the Bonds and draw on the Letter of Credit. See "THE ORIGINAL LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT."

Letter of Credit

The ability of the Bank to honor drawings on the Letter of Credit will be based solely on the Bank's general credit. Certain information with respect to the Bank is set forth in Appendix VI. Such information was provided by the Bank and no representation is made as to the adequacy or accuracy thereof.

Redemption, Acceleration, or Purchase Prior to Maturity

In considering whether the Bonds might be redeemed prior to maturity, Bondholders should consider the information included in this Official Statement under the heading "THE BONDS—Redemption." The Bonds may be called for redemption prior to maturity on any interest payment date at the option of the University. The Bonds shall be called for redemption if the University fails to replace the Letter of Credit prior to its Termination Date. In addition, if certain Events of Default otherwise occur under the Loan Agreement, the Indenture or the Reimbursement Agreement, the Bank has the right, in its sole discretion, to require that the Bonds be accelerated. The Bonds are subject to mandatory tender for purchase upon the substitution of a Letter of Credit or proposed conversion to Fixed Rates. (See "THE BONDS—Mandatory Tender".) The effect on Bondholders of such an acceleration or purchase would be similar to that of early redemption at par. See "THE ORIGINAL LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT—The Reimbursement Agreement" herein and "THE LOAN AGREEMENT—Events of Default" and "THE INDENTURE—Events of Default" in APPENDIX IV—SUMMARY OF DOCUMENTS. The Reimbursement Agreement provides for the University to reimburse the Bank for drawings on the Letter of Credit, with the failure to make timely reimbursement resulting in an event of default and an acceleration of the Bonds at the option of the Bank. The ability of the University to reimburse the Bank from time to time is dependent upon its ability to receive sufficient unrestricted revenues in excess of expenditures. The amount of future unrestricted revenue may be limited by a number of factors, including competition and adverse general economic conditions.

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 constitutes no assurance as to the future sufficiency of University revenues to satisfy University operations and debt service requirements, including its reimbursement obligations under the Reimbursement Agreement.

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, the Reimbursement Agreement or the other obligations of the University. Except to the extent payable from drawings under the Letter of Credit or any Alternate Letter of Credit, the Bonds are payable solely from payments made by the University pursuant to the Loan Agreement in amounts sufficient to pay when due, the principal of and interest on the Bonds.

Bankruptcy and Receivership

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

CONTINUING DISCLOSURE

The Bonds are exempt from continuing disclosure requirements of Rule 15c2-12 of the Securities Exchange Act of 1934 because they are issued in denominations of $100,000 or more. Consequently, the University is not covenanting to provide annual financial information, notices of certain material events or any other disclosure which might otherwise be required by that Rule. However, certain continuing disclosure information may be available pursuant to Rule 15c2-12 relating to other outstanding obligations of the University.

THE BONDS

Although certain features of the Bonds described below will remain the same after the conversion to a Fixed Rate, the sole purpose of this section is to describe features of the Bonds before the Conversion Date, while the Bonds bear interest at the Variable Rate.

General

The Bonds will be dated the date of initial delivery thereof and will mature October 1, 2021. Interest will be payable on the first Business Day of each month ("Interest Payment Date").

The Bonds are issuable only as fully-registered bonds without coupons (initially in Book Entry Form), in denominations of $100,000 and any integral multiple thereof.

The Bonds will bear interest at variable rates established by the Remarketing Agent, as described under the caption "THE BONDS—Setting of Interest Rates." From the Issue Date to and including September 30, 1997, the Bonds will bear interest at a rate to be determined by the Remarketing Agent prior to the Issue Date. Thereafter, each Weekly Period will last seven days and begins on Wednesday of each week. Interest will be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. The Bonds are subject to optional and mandatory tender. See the captions "THE BONDS—Optional and Mandatory Tender," pages 5 and 6. The Bonds may be converted to a Fixed Rate as described on pages 6 and 7 under the caption "THE BONDS—Conversion to a Fixed Rate."

Setting of Interest Rates

The University has appointed Dain Bosworth Incorporated to serve as the Remarketing Agent (the "Remarketing Agent") who will determine the interest rate on the Bonds for each Weekly Period ending prior to the Conversion Date pursuant to the Remarketing Agreement. The University or the Remarketing Agent may terminate the Remarketing Agreement effective upon the later of 30 days' notice or the effective date of appointment of a successor Remarketing Agent. The Weekly Interest Rate will be determined by the Remarketing Agent on the Tuesday of each week or the succeeding Business Day if such Tuesday is not a Business Day.

The Weekly Interest Rate will be the minimum interest rate which, in the sole judgment of the Remarketing Agent, would enable the Remarketing Agent to sell such Bonds on the first day of the applicable Weekly Period at a price equal to the principal amount thereof (plus accrued interest, if any). If, for any reason, the Remarketing Agent fails to determine the Weekly Interest Rate, or if a Weekly Interest Rate cannot legally be determined, the Weekly Interest Rate for such period will be equal to (a) 105% of the Varifact Rate published by The Bond Buyer for such period, or (b) if the Varifact Rate is not published, 80% of the bond equivalent yields (calculated in accordance with standard practice in the banking industry) for the 90-day United States Treasury bills sold at the last United States Treasury auction of such bills prior to the date of determination. Interest during a Weekly Period shall be computed on the basis of the actual number of days in a year of 365 or 366 days, as appropriate.

The Remarketing Agent shall give notice to the Trustee, the University, the Tender Agent, and the Bank of the determination of each Weekly Interest Rate. The interest rate determination by the Remarketing Agent shall be conclusive and binding on the Holders, the University, the Authority, the Bank, the Tender Agent and the Trustee. Failure by the Trustee to give any notice described herein, or any defect therein, shall not affect the interest rate borne by the Bonds or the rights of the Holders thereof.

The interest rate on any Bond before the Conversion Date may not exceed 15% per annum.

Optional and Mandatory Tender

Optional Tender

Prior to the Conversion Date, a Holder may tender Bonds to the Tender Agent for purchase at the principal amount thereof plus accrued interest (the "Purchase Price") on any Business Day at least seven days after the Notice of Optional Tender is deemed to be given by the Holder.

The Tender Agent will purchase Bonds at the option of the Holder provided that an Optional Tender Notice is delivered to the Tender Agent at its principal office at or before 4:00 P.M., New York City time, on any Business Day (and if such Notice is delivered after the required time, it shall be deemed to be delivered on the next succeeding Business Day), which shall be irrevocable. The Notice shall state the principal amount of each Bond to be purchased, its number, the name of the Holder and the date on which such Bond is to be purchased, which date shall be a Business Day not less than seven days after the date the Optional Tender Notice is deemed received. During any period in which the Bonds are not in the Book-Entry System, such Bond must be delivered (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent) to the Tender Agent, at its principal office, by 10:00 A.M., New York City time, on the Optional Tender Date.

Interest on any Bond which the Holder thereof has elected to tender for purchase and which is not delivered on the Optional Tender Date, but for which there has been deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue interest on the Optional Tender Date, and shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from moneys held by the Trustee for such payment.

Mandatory Tender

The Bonds are required to be tendered to the Tender Agent for purchase at the Purchase Price on (i) the effective date of the substitution of any Alternate Letter of Credit and (ii) any Proposed Conversion Date.

The Trustee shall give notice by mail to the University, the Bank, the Tender Agent, the Remarketing Agent, and the Holders of the Bonds subject to such mandatory tender not less than 30 days prior to the Mandatory Tender Date.

Each Bond must be tendered to the Tender Agent for purchase on behalf of the University at or before 10:00 A.M., New York City time, on the Mandatory Tender Date, by delivering such Bond to the Tender Agent during any period in which the Bonds are not in the Book-Entry System (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent). On the Mandatory Tender Date the Tender Agent will purchase such Bond or cause such Bond to be purchased for the account of the University at the Purchase Price.

Interest on any Bond for which there has been irrevocably deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Mandatory Tender Date, whether or not actually tendered on the Mandatory Tender Date and the Holder of such Bond shall not be entitled to any payment other than the Purchase Price for such Bond, and such Bond shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from funds held by the Tender Agent or the Trustee for such payment.

<u>Under Book-Entry System</u>

While any Bond is in Book-Entry Form, the term "Tendered Bond" refers to the beneficial ownership interest of the Beneficial Owner. On a Tender Date or upon remarketing, each Bond will be deemed delivered or transferred to a person upon transfer to such person of the beneficial ownership interest therein pursuant to the Book-Entry System.

If any Holder is entitled to receive notice of a Mandatory Tender Date, the notice shall be given by the Trustee to DTC. No Bond in Book-Entry Form (other than a Bond which is to be converted to a Fixed Rate Bond) will be required to be delivered for an exchange, purchase or transfer in connection with such Mandatory Tender Date, and any transfer of beneficial interest in any Tendered Bonds shall be effected through the Book-Entry System. Unless waived by the Tender Agent, beneficial interest in any Tendered Bonds in Book-Entry Form shall be transferred to the Tender Agent on or before the applicable Mandatory Tender Date. For purposes of giving an Optional Tender Notice and requiring an optional tender pursuant to the Indenture of a Bond in Book-Entry Form, the Beneficial Owner shall be deemed the Holder thereof. Upon receipt of an Optional Tender Notice, the Tender Agent will promptly notify the Participant who is the nominee for the tendering Beneficial Owner (or the Depository, if such Beneficial Owner is a Participant) of such receipt. The delivery of certificates evidencing the Tendered Bonds shall not be required to effect any optional tender pursuant to the Indenture, and the beneficial ownership interest of the Beneficial Owner in such Bond shall be transferred through the Book-Entry System to the Tender Agent on the Optional Tender Date against credit for the Purchase Price.

Remarketing and Purchase

On each Optional Tender Date and on each Mandatory Tender Date, the Tender Agent is required to purchase such Bonds with funds either derived from the remarketing of such Bonds or funds drawn under the Letter of Credit. Subject to the availability of any required offering materials and satisfaction of other conditions precedent, the Remarketing Agent has agreed to use its best efforts to remarket tendered Bonds.

Conversion to a Fixed Rate

The Indenture provides that the University has the one-time right, to be exercised at any time, to direct the Authority to convert the interest rate on the Bonds to a Fixed Rate, effective on any Variable Rate Interest Payment Date. To exercise its option, the University must deliver to the Authority, the Trustee, the Bank, the Tender Agent and the Remarketing Agent written notice thereof at least 45 days prior to the Variable Rate Interest Payment Date on which the Fixed Rate is to become effective (the "Conversion Date") and an opinion of nationally recognized bond counsel to the effect that the conversion to a Fixed Rate is authorized by the Indenture and will not adversely affect the exemption of interest on any Bonds from federal income taxation. See "Tax Exemption," pages 22 and 23.

The Trustee shall give notice by mail to the Holders of the conversion to a Fixed Rate not less than 30 days prior to the Conversion Date, specifying, among other things, the Proposed Conversion Date, the Computation Date, which is the date on which the Fixed Rate shall be determined and announced, which shall be not less than 15 days prior to the Conversion Date, and stating that the Bonds shall be subject to mandatory tender for purchase on the Proposed Conversion Date.

Notwithstanding the foregoing, the University may cancel the conversion to a Fixed Rate at any time on or prior to the last Business Day preceding the Proposed Conversion Date by giving notice to the Trustee, the Authority, the Remarketing Agent, the Tender Agent, and the Bank.

On the Computation Date, the Remarketing Agent shall determine the Fixed Rate, which shall be the annual interest rate, which, in the determination of the Remarketing Agent, if borne by the Bonds until their maturity, would result in the market value of such Bonds on that date being as nearly as practicable 100% of the principal amount thereof. In determining the Fixed Rate, the Remarketing Agent shall have due regard for general financial conditions and such other or special conditions as in the judgment of the Remarketing Agent may have a bearing on the Fixed Rate. After the Conversion Date, the Holders of any affected Bonds shall have no right to tender such Bonds for purchase.

Redemption

Optional Redemption Prior to Conversion to Fixed Rate

The Bonds are subject to optional redemption by the Authority at the direction of the University, in whole or in part on any Interest Payment Date, at a redemption price equal to the principal amount of Bonds to be so redeemed, plus accrued interest on the redemption date.

Extraordinary Optional Redemption

The Bonds are also subject to optional redemption at par plus accrued interest, as a whole or in part, in certain cases of damage to or destruction or condemnation of the Project Facilities (see "SUMMARY OF DOCUMENTS—The Loan Agreement").

Mandatory Redemption

The Bonds are subject to mandatory redemption in whole but not in part on the last regularly scheduled Interest Payment Date preceding the Termination Date of the Letter of Credit, if the University has failed to deliver (i) an irrevocable commitment of a bank to issue an Alternate Letter of Credit to the Trustee at least 35 days prior to such Interest Payment Date or (ii) an Alternate Letter of Credit to the Trustee by 10:00 a.m. New York City time on such Interest Payment Date, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the Redemption Date; provided that this provision shall not preclude the University from establishing a Conversion Date at any time on or prior to such Interest Payment Date, in which event Bonds will not be redeemed and will be purchased and remarketed as Fixed Rate Bonds.

Partial Redemption

If less than all of the Bonds at the time outstanding are to be called for prior redemption, the University shall designate to the Trustee the amount of the Bonds to be redeemed, and the particular Bonds or portions thereof to be redeemed shall be selected randomly, unless otherwise provided in the Indenture, by the Trustee in units of $100,000 and in no event shall such redemption result in units remaining outstanding of less than $100,000. The University may direct the Trustee to select randomly from among all the Holders and thereafter select randomly the particular Bonds or portions thereof held by the Holders so selected in order to call for redemption as many Bonds or portions thereof from among the fewest number of Holders. Pledged Bonds shall be selected for redemption prior to any other Bonds.

If less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each $100,000 of principal amount shall be treated as though it was a separate Bond of the denomination of $100,000. If it is determined that one or more, but not all, of the $100,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such $100,000 unit or units, the Holder of such Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the $100,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than $100,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the $100,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $100,000 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 $100,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $100,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units. In no event shall the portion of Bonds to be redeemed and the portion of Bonds not to be redeemed be less than the Authorized Denomination.

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, except in the case of a mandatory redemption resulting from the failure to provide an Alternate Letter of Credit. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Book Entry System

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 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 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment 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 Trustee, the Tender Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or Purchase Price to DTC is the responsibility of the Trustee or the Tender Agent as the case may be, 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

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

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

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

THE ORIGINAL LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

The Loan Agreement requires the University at all times during the Variable Rate Period to maintain with the Trustee a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, computed at the Maximum Rate, for a period equal to 46 days.

The Bank

The Original Letter of Credit will be issued by Allied Irish Banks, p.l.c., New York Branch (the "Bank"), upon satisfaction of certain conditions precedent to the issuance of the Original Letter of Credit as specified in the Reimbursement Agreement. For information concerning the Bank, see Appendix VI to this Official Statement. The information contained in Appendix VI was furnished by the Bank which is solely responsible for such information.

THE ABILITY OF THE BANK TO HONOR DRAWINGS ON THE LETTER OF CREDIT WILL BE BASED SOLELY ON THE BANK'S GENERAL CREDIT. INFORMATION AS TO THE FINANCIAL CONDITION OF THE BANK IS SET FORTH IN APPENDIX VI HERETO.

The Original Letter of Credit

At the time of issuance of the Bonds, the University will cause the Bank to issue the Original Letter of Credit to the Trustee in an original stated amount of $11,004,164.38 (the "Original Stated Amount"). The Original Letter of Credit will be an irrevocable, unsecured obligation of the Bank, which will have a stated expiration date of September 25, 2002, unless terminated earlier or extended. So long as the Original Letter of Credit is effective (i.e., prior to the Termination Date, as hereinafter defined), the Trustee will be required to draw under the Original Letter of Credit, in accordance with the terms thereof, amounts sufficient to pay (i) accrued interest on the Bonds on an Interest Payment Date (an "Interest Drawing"), (ii) principal of and accrued interest on the Bonds in respect of any optional or mandatory redemption (a "Redemption Drawing"), provided that, in the event the date of redemption coincides with an Interest Payment Date, the Redemption Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing),

(iii) the Purchase Price of Bonds tendered pursuant to the terms of the Indenture for purchase on a Tender Date to the extent such Bonds have not been successfully remarketed or for which the Purchase Price has not been received by the Remarketing Agent or the Tender Agent, as appropriate, by 11:00 A.M., New York City time, on the Tender Date (a "Liquidity Drawing"), provided that in the event the Tender Date coincides with an Interest Payment Date, the Liquidity Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iv) to pay principal of and accrued interest in respect of Bonds the payment of which has been accelerated pursuant to the Indenture (an "Acceleration Drawing"), and (v) if the Original Letter of Credit has been extended and is in effect on such date, to pay the principal amount of Bonds outstanding on October 1, 2021 (a "Stated Maturity Drawing"); provided, however, none of the foregoing drawings shall be made under the Original Letter of Credit for payment of the principal or Purchase Price of or interest on University Bonds.

The Available Amount (as hereinafter defined) of the Original Letter of Credit will be reduced automatically by the amount of any drawing thereunder; provided, however, that the amount of any Interest Drawing, less the amount of the reduction in the Available Amount of the Original Letter of Credit attributable to interest as specified in a certificate of the Trustee (because of a reduction in the outstanding principal amount of Bonds) shall be automatically reinstated effective the 7th calendar day from the date of such drawing unless the Trustee receives notice prior to the close of business on the 6th calendar day following the date of any Interest Drawing that the Bank has not been reimbursed in full for any such drawing or any other Event of Default has occurred and is continuing under the Reimbursement Agreement and as a consequence thereof the Available Amount attributable to such Interest Drawing will not be so reinstated, in which case, the Trustee is required to accelerate the Bonds. After payment by the Bank of a Liquidity Drawing, the Available Amount will be automatically reduced by an amount equal to the Original Purchase Price (as hereinafter defined) of any Bonds (or portions thereof) purchased pursuant to said drawing. Prior to the Conversion Date, in the event of the remarketing of any Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, the Available Amount under the Letter of Credit will be automatically reinstated upon receipt of the Original Purchase Price thereof by the Trustee, on behalf of the Bank, in an amount equal to the Original Purchase Price of any Pledged Bonds or portions thereof so remarketed, except that the Bank, in its sole discretion, may by notice to the Trustee, the University and the Remarketing Agent (as defined in the Indenture) refuse to permit the remarketing of any Pledged Bonds and reinstatement of the Letter of Credit if there shall have occurred and be continuing an Event of Default or Unmatured Insolvency Default under the Reimbursement Agreement. An "Unmatured Insolvency Default" shall mean an event or condition which, but for the lapse of time or the giving of notice, or both, would constitute an Event of Default under Sections 6.1 (f), (g) or (h) of the Reimbursement Agreement. Prior to the Fixed Rate Conversion Date, in the event of a repayment of any amount relating to a Liquidity Drawing, the Available Amount under the Letter of Credit shall be automatically reinstated in an amount equal to the amount of the repayment, except that the Bank, in its sole discretion may by notice to the University, the Trustee and the Remarketing Agent refuse to so reinstate the Available Amount under the Letter of Credit if there shall have occurred and be continuing an Event of Default or Unmatured Insolvency Default under the Reimbursement Agreement. The Bank will provide confirmation to the Trustee of any such reinstatement.

The "Original Purchase Price" of Bonds shall mean the principal amount of any Bonds purchased with the proceeds of a Liquidity Drawing plus the amount of accrued interest on such Bonds paid with the proceeds of a Liquidity Drawing (and not pursuant to an Interest Drawing) upon such purchase. The "Available Amount" of the Original Letter of Credit shall mean the Original Stated Amount (i) less the amount of all prior reductions pursuant to Interest, Redemption, Liquidity, Acceleration or Stated Maturity Drawings, (ii) less the amount of any reduction in the Available Amount of the Letter of Credit pursuant to a certificate of the Trustee to the extent such reduction is not already accounted for by a reduction in the Available Amount pursuant to (i) above, and (iii) plus the amount of all reinstatements as above described.

The "Termination Date" of the Original Letter of Credit is defined as the earliest to occur of the close of business of the Bank on: (i) September 25, 2002, (ii) the date which is five (5) days following the Conversion Date, as such date is specified in a certificate of the Trustee; (iii) the date which is five (5) days following the receipt by the Bank of a certificate of the Trustee in the form prescribed in the Original Letter of Credit to the effect that either (a) no Bonds remain outstanding, (b) all drawings required to be made under the Indenture and available under the Original Letter of Credit have been made and honored or (c) an Alternate Letter of Credit has been issued in accordance with the Indenture and Reimbursement Agreement; (iv) the date on which an Acceleration Drawing is honored and (v) the date which is twenty (20) days following receipt by the Trustee of a written notice from the Bank notifying the Trustee that an Event of Default has occurred under the Reimbursement Agreement and that the Bank is terminating the Letter of Credit.

Alternate Letter of Credit

At least thirty-five (35) days before the last regularly scheduled Interest Payment Date preceding the Termination Date of a Letter of Credit during the Variable Rate Period, the Loan Agreement requires that the University may deliver to the Trustee an irrevocable commitment from a bank to issue an Alternate Letter of Credit and an opinion of counsel for the bank issuing such Alternate Letter of Credit and an Alternate Letter of Credit on such Interest Payment Date. If the University fails to comply with that procedure for delivering an Alternate Letter of Credit, the Bonds are subject to mandatory redemption. An Alternate Letter of Credit shall be an irrevocable letter of credit, having a term of at least one year, issued by a commercial bank organized under the laws of the United States or a foreign national and doing business in the United States, the terms of which are required by the Indenture to be in all material respects the same as the Original Letter of Credit. If at any time there shall have been delivered to the Trustee (i) an Alternate Letter of Credit pursuant to, and meeting the requirements of, the Loan Agreement and in an available amount meeting the requirements specified in the Indenture, and (ii) an opinion of counsel for the bank which is the issuer of the Alternate Letter of Credit to the effect that the Alternate Letter of Credit has been duly authorized, executed and delivered by the issuer thereof and is a valid and binding obligation of the issuer thereof and enforceable against the issuer, subject to bankruptcy and similar laws affecting creditors' rights generally thereof, then the Bond Trustee shall accept such Alternate Letter of Credit and upon the date the Trustee is permitted to draw under such Alternate Letter of Credit promptly surrender the previously held Letter of Credit to the issuer thereof for cancellation.

The effective date of substitution of any Alternate Letter of Credit shall be a Variable Rate Interest Payment Date and shall also be a Mandatory Tender Date; provided that any Bondholder may elect to retain its Bonds by filing a Non-Tender Notice in accordance with the Indenture.

The Reimbursement Agreement

The Original Letter of Credit will be issued by the Bank pursuant to a Letter of Credit and Reimbursement Agreement, dated as of September 1, 1997 (the "Reimbursement Agreement"), between the Bank and the University, under which the University will agree, among other things, to reimburse the Bank for a Liquidity Drawing on the earlier of the date of the remarketing of the Bonds purchased with such Liquidity Drawing or the 60th day following the date of the Liquidity Drawing, for the amount of the drawing under the Original Letter of Credit plus interest thereon at the rate specified in the Reimbursement Agreement. Pursuant to the Reimbursement Agreement, the University will also agree to pay certain fees for issuance and maintenance of the Original Letter of Credit. The Reimbursement Agreement, and the terms, conditions and agreements contained therein, are solely for the benefit of the Bank and should not be relied upon by the Holders of Bonds or the Trustee. **The Reimbursement Agreement may be amended by the Bank and the University without the consent of or notice to the Trustee or the Holders of Bonds.**

Each of the following events constitutes an "Event of Default" under the Reimbursement Agreement:

a) any representation or warranty made by the University in the Reimbursement Agreement, the Pledge Agreement, as defined in the Reimbursement Agreement, the Original Letter of Credit, the Indenture, the Bonds, the Loan Agreement, the Remarketing Agreement, the Bond Purchase Agreement or the Official Statement (the "Related Documents") or in any certificate, document, instrument or financial or other statement contemplated by or made or delivered pursuant to or in connection therewith, shall prove to have been incorrect, incomplete or misleading in any material respect when made;

b) any default or event of default shall have occurred under the Reimbursement Agreement, the Pledge Agreement, the Original Letter of Credit, the Indenture, the Bonds, the Loan Agreement or the Remarketing Agreement, and any cure periods available shall have expired without cure of the default or event of default;

c) failure of the University to pay to the Bank any obligations of the University to the Bank under the Reimbursement Agreement when and as due;

d) the Reimbursement Agreement or the other Related Documents to which the University is a party cease for any reason (other than release by the Bank) to be valid and binding obligations of the University and in full force and effect, or if the University shall assert that it is not liable under the Reimbursement Agreement or any other Related Documents to which it is a party;

e) default in the due observance or performance of any other term, covenant or agreement set forth in the Reimbursement Agreement and continuation of such default for thirty (30) days after written notice thereof by the Bank to the University;

f) the University shall (i) not pay, or admit in writing its inability to pay, its debts generally as they become due or suspend payment of its obligations, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, conservator, liquidator or similar official for it or any substantial part of its property, (iv) institute any voluntary proceeding seeking to have entered against it an order for relief under the Bankruptcy Code of 1978, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshaling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, or (v) take any action in furtherance or any of the foregoing purposes;

g) a custodian, receiver, trustee, conservator, liquidator or similar official shall be appointed for the University or any substantial part of the property of the University, and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of sixty (60) or more days;

h) without the application, approval or consent of the University, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors seeking in respect of the University an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, or the like of the University or of all or any substantial part of its assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by the University in good faith, the same shall (i) nevertheless result in the entry of an order for relief or in any such adjudication or appointment or (ii) continue undismissed, or pending and unstayed, for any period of 60 consecutive days;

i) default shall occur under any evidence of indebtedness of the University for borrowed money in an aggregate outstanding principal amount in excess of $1,000,000 or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such indebtedness (whether or not such maturity is in fact accelerated), or any such indebtedness shall (subject to any period of any grace provided for the payment thereof) not be paid when and as due (whether by lapse of time, acceleration or otherwise) (provided that, in the case of indebtedness comprised of guarantees, no event of default shall be deemed to occur until a demand for payment has been made against the University with respect thereto);

j) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of $1,000,000 shall be entered or filed against the University or against any of the property of the University and remain unpaid, unvacated, unbonded or unstayed for a period of thirty (30) days or;

k) the University shall cease, for any reason, to be affiliated with the Catholic Church to the extent it is on the date of the Reimbursement Agreement.

Upon the occurrence and during the continuance of any Event of Default the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies under the Reimbursement Agreement or by law provided:

a) by notice to the University, declare all Letter of Credit Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, provided that upon the occurrence of an event of Default under paragraphs (f), (g), and (h) above, such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);

b) give notice of the occurrence of an Event of Default to the Trustee, thereby causing the Letter of Credit to terminate twenty (20) days after receipt of such notice by the Trustee;

c) pursue any rights and remedies it may have under the Related Documents; or

d) pursue any other action available at law or in equity.

Amounts paid on the Letter of Credit Obligations representing amounts not yet drawn on the Letter of Credit shall, after payment of all other Letter of Credit Obligations, be held by the Bank in a cash collateral account, with interest to accrue thereon to the credit of the University (provided that such interest shall also secure the Letter of Credit Obligations, in addition to such cash collateral) in accordance with rates then paid by the Bank on corporate money market accounts. If (A) at least 90 days has elapsed since the receipt by the Bank of such cash collateral from the University, (B) the University has remedied the event that gave rise to the Event of Default causing the demand and no other Event of Default or Potential Default has occurred, and (C) the Bank has not notified the Trustee of an Event of Default under this Agreement, then, at the written request of the University, the Bank shall return to the University any such cash collateral and accrued interest not applied to payment of the Letter of Credit Obligations.

USE OF PROCEEDS

The Project

Proceeds of the Bonds totaling $4 million, together with approximately $20.5 million in net proceeds of the Series Four-M Bonds and $1 million of University funds, will finance the construction, furnishing and equipping of a new approximately 345-bed residence hall, an approximately 345-stall parking ramp beneath the residence hall, 63 surface parking stalls adjacent to the residence hall, a commons building connecting Brady Hall and Dowling Hall for administrative and office space and recreational facilities and related improvements to connecting areas of Brady and Dowling Halls, a skyway connection between the commons building and the residence hall and related site improvements.

The apartment-style residence hall is intended for upperclass undergraduate students and graduate students. At present the University provides housing for approximately 1,600 undergraduate students in nine residence halls on the Saint Paul campus. Most of these residence halls are traditional dormitory style and are primarily occupied by freshmen and sophomore undergraduate students. University studies have shown that both upperclass undergraduate and graduate students desire additional amenities such as private bedrooms and bathrooms which the University currently provides only in limited numbers. Based on University studies, approximately 1,000 students reside off campus within an eight-block radius of the campus and many have expressed a desire to live in campus housing with higher amenities. The University is also planning for and experiencing an increased undergraduate enrollment and current residence halls are occupied above capacity. Due to these factors, the University believes there is a market demand for the new residence hall. There will be a total of 111 living units, averaging 16 units per floor and approximately 48 students per floor. Room configurations will differ from floor to floor, but will include a mix of singles, doubles, triples and quads, each with one or more bedrooms, a living room, one or more bathrooms and a kitchenette. The residence hall will be constructed in brick with stone accents and will be similar in design to other University buildings.

Residential students will be provided first priority to utilize the new parking facility on a fee basis. If residential students do not fully occupy the facility, the parking spaces will be provided to commuting students, faculty and staff on a fee basis. The ramp will consist of three levels with a total of 345 stalls, plus parking at grade on the roof of the ramp for an additional 63 stalls.

The commons building will link two current residence hall facilities, Brady Hall and Dowling Hall, with the new residence hall and will provide recreational and meeting space for residential students. Currently, Brady Hall and Dowling Hall lack sufficient recreational and meeting spaces.

Construction began in May 1997 on the Project and the University expects to complete the work by September 1998. Opus Corporation was selected as general contractor and architect of record. McGuire Courteau Lucke Architects Inc. is the design architect. The University has entered into a guaranteed maximum price contract with Opus Corporation.

The Refunding

A portion of the proceeds of the Bonds, together with University funds, will be used to finance the current refunding on November 3, 1997 of the Authority's Variable Rate Demand Revenue Bonds, Series Four-A2, dated March 21, 1996 (the "Series Four-A2 Bonds" or the "Prior Bonds"). The Series Four-A2 Bonds were originally issued on behalf of the University to finance, in part, the acquisition, construction, furnishing and equipping of the Frey Science and Engineering Center (the "Prior Project"), which was completed in August 1997.

Proceeds of the Bonds totaling $6.6 million will be deposited in the Redemption Account held by the trustee for the Series Four-A2 Bonds to redeem the Series Four-A2 Bonds on November 3, 1997 at a price of par. The University will also deposit sufficient funds to pay interest on the Prior Bonds through November 3, 1997.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be used as follows:

Sources of Funds	
Bond Proceeds	$10,800,000
Uses of Funds	
Project Costs	$ 4,000,000
Refunding of the Prior Bonds	6,600,000
Issuance Costs	146,000
Underwriters' Discount	54,000
Total Uses	$10,800,000

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

SOURCE OF PAYMENT FOR THE BONDS

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the University as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including, during the Variable Rate Period, drawings under the Letter of Credit.

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the University. The University will agree pursuant to the terms of the Loan Agreement and the Indenture 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.

During the Variable Rate Period, the Bonds will be secured by the Original Letter of Credit or Alternate Letter of Credit, as discussed under "ORIGINAL LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT."

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

The Bonds 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 Bonds and revenues received as Loan Repayments under the Loan Agreement and moneys from draws under the Letter of Credit are to be deposited. These accounts include a Construction Account, a Bond Purchase Fund, a Bond and Interest Sinking

Fund Account, a Reserve Account, and a Redemption Account. Each account or fund (except the Construction Account and the Reserve Account) includes a General Account and a Letter of Credit Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account and the redemption account held by the trustee for the Prior Bonds. Following Bond Closing, amounts received by the Trustee from the University as Loan Repayments, proceeds of remarketing or proceeds from draws under the Letter of Credit are to be deposited into the Bond and Interest Sinking Fund Account, the Bond Purchase Account, and the Redemption Account, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on or the Purchase Price of the Bonds when due.

Construction Account

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account and the redemption account for the Prior Bonds. In addition, the University will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds (principal less original issue discount according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the University costs incurred in connection with the Project. When work on the Project 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 Purchase Fund

There shall be deposited to the General Account in the Bond Purchase Fund (a) the remarketing proceeds of Bonds received by the Trustee from the Tender Agent (together with any investment income thereon) in a separate sub-account of the General Account, but not including any moneys received from the Authority or the University and (b) all other moneys (except moneys available pursuant to the Letter of Credit) which are required or directed to be deposited to the Bond Purchase Fund. There shall be deposited to the Letter of Credit Account in the Bond Purchase Fund all moneys drawn by the Trustee pursuant to the Letter of Credit.

Moneys in the Bond Purchase Fund shall be used solely for the payment of the Purchase Price of Bonds upon optional or mandatory tender and shall be disbursed by the Trustee from the Bond Purchase Fund in the following order: (a) amounts in the General Account derived from remarketing of the Bonds and investment income thereon, (b) amounts in the Letter of Credit Account and (c) amounts in the General Account derived from any other sources and investment income thereon. If the funds available under clause (a) in the foregoing sentence for the payment of the Purchase Price of Bonds on any Optional Tender Date or Mandatory Tender Date, are not sufficient to pay in full the Purchase Price of such Bonds, the Trustee shall make a drawing under the Letter of Credit in an amount which will be sufficient, together with the funds available under clause (a), to pay the Purchase Price.

If there remains any balance (other than moneys held by the Trustee for the purchase of Untendered Bonds) in either the Letter of Credit Account or General Account of the Bond Purchase Fund, the Trustee shall, prior to the close of business on the Optional Tender Date or Mandatory Tender Date, authorize the payment of such balance to the Bank, but only to the extent of amounts due under the Reimbursement Agreement, and to the University.

Bond and Interest Sinking Fund Account and Sinking Fund Subaccount

There shall be deposited into the General Account of the Bond and Interest Sinking Fund Account transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the University. There shall be deposited to the Letter of Credit Account of the Bond and Interest Sinking Fund Account all money drawn by the Trustee under the Letter of Credit to pay interest on any Bond, (except University Bonds) on any Interest Payment Date and principal on any Bond (except University Bonds) on the Stated Maturity or acceleration thereof.

Funds for the payment of principal of and interest on the Bonds (other than University Bonds) on a Stated Maturity, acceleration or Interest Payment Date are to be derived from the following sources in the order of priority indicated: (i) amounts in the Letter of Credit Account of the Bond and Interest Sinking Fund Account derived from the Letter of Credit for such purpose; and (ii) amounts in the General Account of the Bond and Interest Sinking Fund Account.

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

Reserve Account

While the Bonds bear interest at the Variable Rate, the Reserve Requirement is zero and there shall be no deposit into the Reserve Account prior to the Conversion Date.

Redemption Account

All deposits to the Redemption Account will be made to the General Account unless specified to be deposited in the Letter of Credit Account by the Indenture, the Loan Agreement or the Letter of Credit. There shall be deposited into (a) the Letter of Credit Account of the Redemption Account, all moneys drawn by the Trustee under the Letter of Credit for optional or mandatory redemption during the Variable Rate Period and all income derived from the investment of such moneys, and (b) the General Account of 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 General Account of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account, Bond Purchase Fund and Reserve Account, in the order listed, and, second, for the redemption of outstanding Bonds at the request or direction of the University for the purchase of outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption or to pay any unpaid obligations under the Reimbursement Agreement. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the General Account of the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the University or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Funds for the payment of the principal of and premium, if any, on the Bonds upon redemption shall be disbursed by the Trustee in the following order of priority: (i) amounts in the Letter of Credit Account of the Redemption Account derived form the Letter of Credit for such purpose, and (ii) amounts in the General Account of the Redemption Account.

General Bond Reserve Account

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. In general, the General Bond

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account, Bond and Interest Sinking Fund Account, the Reserve Account, the Bond Purchase Fund and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which are generally as follows currently: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, rated at least in the rating category of "AA" or "Aa"; revenue bond obligations of states and local governments insured by municipal bond insurance and rated "AAA" or "Aaa"; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the rating category of "A"; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 8.05 of the Indenture sets forth further restrictions as to type and maturity of investments.

FUTURE FINANCING

The University regularly improves and expands its physical plant and incurs long-term financing as needed for those purposes.

The University is currently planning a project consisting of the construction and equipping of a classroom and office building of approximately 98,000 square feet on part of a one-half city block site adjacent to its Minneapolis campus. The City of Minneapolis (the "City") will own the site on which the University's building will be located. The building will house the University's School of Education, offices and other programs of the University. The University expects to finance the project through tax-exempt bonds issued in the future by the Authority in the approximate principal amount of $16 million, which includes $14.5 million of estimated project costs. Construction of the building is expected to begin in the spring of 1998 and be completed by the spring of 1999. The University and the Minneapolis Community Development Agency ("MCDA") entered into a lease ("Lease") dated June 26, 1997, whereby the University will lease the air rights necessary to construct and maintain the building on the site. It is expected that the MCDA's interests in the Lease will be assigned to the City. The Lease is for a term of 50 years. The Lease requires the University to pay a total of $1.5 million of base rent for the first 30 years of the Lease. Under a separate agreement with the City, however, the City has agreed that the University's payment of a total of $60,000 per year, for five consecutive years beginning in 1997, will constitute full satisfaction of the University's obligation to pay base rent during the first 30 years of the Lease term. During the remaining 20 years of the Lease, from 2029 to 2049, if the University fails to exercise an option to purchase the entire site, the rent is expected to be approximately $135,000 per month.

The University's project is part of a larger redevelopment project at the same site, consisting of construction by the City of a below-grade parking ramp for approximately 600 vehicles and construction by a consortium of nine public school districts (the "School Districts") of an elementary and secondary school building pursuant to an air rights lease similar to the

University's. The University's project will occupy approximately 45 percent of the air rights above the site, the School Districts' building will occupy approximately 45 percent of the air rights above the site, and the remainder of the surface of the site will be occupied by rights of way, sidewalks and other common areas owned by the City. Opus Corporation will act as redeveloper and contractor for the City's parking ramp and as contractor for the University's project.

During a 15-year period, which is expected to commence in 2014 and end in 2029, the University will have an option to purchase the entire site, including the land, the City's parking ramp and the City's interest as landlord under the air rights leases, at an agreed upon price which is based in part on the net costs paid by the City to redevelop the site. Assuming the City's current estimate of redevelopment costs is accurate, the purchase price to be paid by the University from 2024 to 2029 of the option period will be approximately $15,055,000. The University, the School Districts and the Minneapolis Public School District will have certain reciprocal rights of refusal with respect to the University's building, the School Districts' building and the City's interest in the site and parking ramp.

No assurance can be given as to the exact cost, timing, accuracy of the City's estimate of redevelopment costs and other elements of the project, and the foregoing description of the University's project could change.

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 Joseph E. La Belle, who retired after serving as Executive Director since the inception of the Authority. Mr. Anderson was formerly a Senior Vice President with Springsted Incorporated.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $500 million. The Authority has had 103 issues (including refunded and retired issues) totaling $576,964,189, of which $333,865,821 (excluding the Bonds) is outstanding as of September 1, 1997. The Authority currently has no authorized but unissued debt as of that date. 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 Bonds. In preparing the Official Statement, the Financial Advisor has relied upon University officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

UNDERWRITING

The Bonds are being purchased by Dain Bosworth Incorporated, FBS Investment Services, Inc., An operating division of U.S. Bancorp Investments, and Piper Jaffray Inc. (the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a purchase price of $10,746,000.

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

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

RATING

Application has been made to Moody's Investors Service for a long-term rating and a short-term rating on the Bonds. The ratings will reflect only the view of such rating agency. Further information concerning the ratings is available from Moody's. There is no assurance that either rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

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

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Faegre & Benson 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 Saint Paul and Minneapolis, Minnesota; and for the Underwriters by Oppenheimer Wolff & Donnelly, Saint Paul, 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 Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed or refinanced by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and 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.

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 Bonds is not includable in gross income for federal income tax purposes or in the taxable income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is includable in "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 Code imposes a branch profits tax equal to 30% of the "dividend equivalent amount" which is measured by "earnings and profits" effectively connected to the United States, net of certain adjustments. Included in the earnings and profits of a United States branch of a foreign corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Bonds.

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

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

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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THE UNIVERSITY

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, gender, 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 gender as one factor in its undergraduate admissions policy in order to effect a desired balance in the proportionate representation of gender 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 Minneapolis campus consists of the Kate Dunwoody Hall owned by the University and located at 52 South Tenth Street in Minneapolis. The site of the Kate Dunwoody Hall is part of a proposed development that is expected to lead to purchase or condemnation of the facility. The University also owns and operates the Gainey Conference Center near Owatonna, Minnesota. The University's Hazeltine Gates Building, in Chaska, Minnesota, was sold July 15, 1996. Academic programs are provided in leased space to the southwest metro area in Chaska and to the south metro area at the Mall of America in Bloomington, Minnesota.

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 five vacancies). At least two vacancies on the Board are expected to be filled by fall 1997. 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 33 lay persons and six 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 August 1997:

Trustee	Principal Activity
Most Rev. Harry J. Flynn, D.D., Chair	Archbishop, Archdiocese of Saint Paul and Minneapolis
Rev. Kevin McDonough, Vice Chair	Vicar General, Archdiocese of Saint Paul and Minneapolis
John R. Albers	President and Chief Executive Officer, Fairfield Enterprises, Inc., Dallas, Texas
Dr. Jacquelyn Belcher	President, DeKalb College, Decatur, Georgia
Mrs. Elizabeth M. Bennett	Board Member, Children's Health Care, Minneapolis
Michael W. Cashman, Sr.	Chairman and Chief Executive Officer, Cashman Holding Inc., Wayzata, Minnesota
Michael V. Ciresi	Partner and Chairman of the Executive Board, Robins, Kaplan, Miller & Ciresi, Minneapolis
Rev. Dennis Dease[(a)]	President, University of St. Thomas, Saint Paul
Dorothy Dolphin[(a)]	Chair of the Board, Dolphin Corporations, Minneapolis
Eugene Frey[(a)]	Chairman, Wabash Management Inc., Minneapolis
Sr. Sally Furay[(a)]	Retired Provost and Vice President, University of San Diego, San Diego, California
George J. Gardner	Chairman of the Board and Chief Executive Officer, Packaging Incorporated, Minnetonka, Minnesota
Honorable Isabel Gomez	Judge, Hennepin County District Court, Minneapolis
Pierson M. Grieve	Retired Chairman, Chief Executive Officer, Ecolab, Inc., Saint Paul
Kathy Gullickson[(b)]	Recruiting Manager, Robert Half International, Minneapolis
Charles A. Haggerty	Chairman, President and Chief Executive Officer, Western Digital Corp., Irvine, California
Harry A. Hammerly	Retired Executive Vice President of International Operations, 3M Co., Saint Paul
Linda L. Hoeschler	Executive Director, American Composers Forum, Saint Paul

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, 53, 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. Dr. Keffer has elected to voluntarily leave his position with the University effective August 31, 1998.

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 City of Owatonna. As of June 30, 1996, the book value of all property and equipment, net of depreciation, was $130,966,694; buildings and contents have an insured value of $251,789,006.

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 25 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 1,774 students. Construction is currently underway on the University's new residence hall and parking facilities on the Saint Paul campus, which are being financed in part from a portion of the proceeds of this Issue. Construction on the Frey Science and Engineering Center, consisting of the O'Shaughnessy and Owens Science Halls on the Saint Paul campus was completed in August 1997. Totaling 195,000 square feet, the Frey Science and Engineering Center constitutes the largest construction project in the University's history. The Frey Science and Engineering Center will be home to the undergraduate departments of science, math, computing science and engineering, and the Graduate School of Applied Science and Engineering.

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 2,189 students, as of fall 1996. 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. The University also owns Kate Dunwoody Hall located at 52 South Tenth Street which is used as part of the Minneapolis campus, and other adjacent facilities and parking lots. The site of the Kate Dunwoody Hall is part of a proposed development that is expected to lead to purchase or condemnation of the facility.

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 is currently leasing space in Chaska, Minnesota and at the Mall of America in Bloomington, Minnesota for classrooms.

Libraries

O'Shaughnessy-Frey Library Center contains approximately 336,500 volumes. The Archbishop John Ireland Theological Library has approximately 80,500 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 completed in 1991 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 503,000. 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 $924,477 for Fiscal Year ended June 30, 1996. 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 Colleges 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.

The University currently has 32 graduate programs, including 27 masters programs, two education specialist programs and three doctoral programs. Beginning in fall 1997, three additional graduate programs are being offered.

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 1996, the University employed 305 full-time and 356 part-time faculty. Total employees number approximately 1,582. The total payroll for the Fiscal Year ended June 30, 1996 was $52,543,543, not including contributed services of 19 religious employees.

The following table lists the average salary of the lay members of the full-time University faculty for the 1996/97 academic year.

Title	Average Salary
Professor	$62,356
Associate Professor	47,587
Assistant Professor	40,210
Instructor	35,743

The following table lists the degrees and professional designations held by the full-time faculty members for the 1996/97 academic year.

	Number
Doctorate	251
Master of Arts, Juris Doctorate, Certified Public Accountant	44
Bachelor of Arts	10
Total	305

Freshman Applications, Acceptances and Enrollments

	1992/93	1993/94	1994/95	1995/96	1996/97
Applications	1,947	2,057	1,801	1,950	2,199
Acceptances	1,786	1,807	1,653	1,764	1,997
Percent Accepted	92%	88%	92%	90%	91%
Fall Enrolled	800	831	769	857	997
Percent Enrolled to Accepted	45%	46%	47%	49%	50%
Mean ACT Scores	23.3	23.2	23.0	23.3	23.7

Transfer Student Enrollment—Fall Semester—Undergraduate Day Program

1992/93	1993/94	1994/95	1995/96	1996/97
384	354	354	355	341

Graduate School Applications, Acceptances and Enrollments[(a)]

Graduate School of Business

	1991/92	1992/93	1993/94	1994/95	1995/96
Applications	1,869	1,661	1,832	1,845	2,085
Acceptances[(b)]	1,516	1,341	1,486	1,636	1,896
Percent Accepted	81%	81%	81%	89%	91%
Enrollments[(b)]	1,132	900	963	991	1,128

Graduate Schools of Education, Psychology and Social Work

	1991/92	1992/93	1993/94	1994/95	1995/96[(c)]
Applications	1,243	1,149	1,373	1,356	993
Acceptances[(b)]	996	677	1,288	1,264	898
Percent Accepted	80%	59%	94%	93%	90%
Enrollments[(b)]	807	761	640	661	602

(a) *Students are admitted and enrolled throughout the year; therefore, comparable applications, acceptances and enrollments for Fiscal Year 1996/97 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.*

(c) *In 1996, the University reduced the number of Graduate Education Extended Degree programs which bring masters education programs on-site to school districts. While these programs have grown significantly over the past several years, a decision was made by the University to insure the quality of the programs, partially by reducing program offerings. The reduction in applications and acceptances is primarily a result of the reduction in Extended Degree programs offered.*

Student Body

The fall term enrollment at the University for the 1996/97 academic year is 10,324; with a full-time equivalent ("FTE") enrollment of 7,146. Approximately 79% of the 1996/97 freshman class of 997 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 51% 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	1992/93	1993/94	1994/95	1995/96	1996/97
Total Undergraduate	5,188	5,088	4,916	4,908	5,066
Graduate School:					
Education	1,167	1,042	1,029	1,257	951
Professional Psychology	193	191	189	173	190
Social Work	120	131	156	170	188
Business	3,019	2,971	2,931	2,957	2,947
Divinity	121	115	140	146	129
Applied Science and Engineering	602	649	708	728	761
Arts and Science	13	58	92	82	92
Total Graduate	5,235	5,157	5,245	5,513	5,258
Total Enrollment	10,423	10,245	10,161	10,421	10,324
FTE Enrollment	7,132	7,060	6,937	7,039	7,146

Housing

Students may live either off campus or in one of the residence halls on campus. Substantially all students living on campus also must board on campus. As of fall 1996 the University had nine student residences with a design capacity of 1,774 and currently configured for a capacity for 1,672 with occupancy of 1,635, or 98%. Approximately 35% of the undergraduate day student population for the academic year 1996/97 reside on campus.

Tuition

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

	1993/94	1994/95	1995/96	1996/97	1997/98
Undergraduate (full-time) per academic year	$11,762	$12,114	$13,106	$13,778	$14,660
Graduate education and religious education per credit	$ 287	$ 302	$ 321	$ 341	$ 360
Graduate School of Business, Business Communications, Engineering and Computer Science per credit	$ 316	$ 332	$ 352	$ 373	$ 394

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, before deducting University funded financial aid, for the Fiscal Years ended June 30, 1992 through 1996.

Year	Tuition and Fees
1992	$60,537,830
1993	65,071,824
1994	67,447,094
1995	69,561,561
1996	74,498,940

1997/98 Undergraduate Rate Comparison of Minnesota Private Colleges
(Ranked by Comprehensive Fees)

College	Tuition & Fees	Room & Board	Comprehensive Fees
Carleton College	$21,885	$4,440	$26,325
Macalester College	18,758	5,430	24,188
St. Olaf College	16,500	4,020	20,520
Gustavus Adolphus College	16,170	4,010	20,180
Minneapolis College of Art & Design	15,808	4,075	19,883
Hamline University	14,850	4,799	19,649
College of St. Benedict	14,758	4,706	19,464
University of St. Thomas	**14,660**	**4,769**	**19,429**
St. John's University	14,758	4,574	19,332
Augsburg College	13,996	4,986	18,982
Bethel College	13,840	4,950	18,790
College of St. Catherine	14,258	4,430	18,688
College of St. Scholastica	13,995	3,957	17,952
St. Mary's University	12,495	4,120	16,615
Concordia College (St. Paul)	11,980	4,500	16,480
Concordia College (Moorhead)	12,145	3,525	15,670
Average	$15,054	$4,456	$19,510

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 70% 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	PERKINS Loan Program (c), (d)	STAFFORD Loan Program Subsidized (c), (e)	STAFFORD Loan Program Unsubsidized (c), (f)	SLS Loan Program(g)	Work(h)	Total
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
1996	5,366	11,647,318	2,664,863	1,214,029	540,580	4,067,027	635,950	609,000	12,553,515	7,413,788	0	2,167,464	43,513,534

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

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

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

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

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

NOTE: Due to modifications in 1996 financial reporting, some University aid previously reported as University aid is now restricted funds. The amount in 1996 reported as restricted was $475,832.

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. Two funds in TIAA and eight funds in CREF, as well as 30 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 $3,113,329 for 1995 and $3,206,468 for 1996.

Retirement benefits are provided for the non-exempt staff in the University's 403(b) Retirement Plan. Effective January 1, 1997, the contribution is 5.5% of base salary. 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 an average of 1.8% of this group's annual base salary to a Trust administered by the University's Treasurer. The cost of the retirement contributions to the AWDC Plan was $218,759 for 1995 and $199,092 for 1996. The University has decided to phase out the AWDC Plan so that it is terminated as of January 1, 2000, and concurrently will increase its contribution to the 403(b) Plan so that on January 1, 2000 the University's contribution will be 10.4%, the same contribution level currently in place for faculty and exempt staff.

Unions

The International Brotherhood of Teamsters Local 120 represents 59 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 seven engineers and one maintenance assistant, negotiated a contract which expired February 28, 1997 and is currently in negotiation.

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

Presentation of Financial Statements

For the year ended June 30, 1996, the University adopted two new Statements of Financial Accounting Standards (SFAS) issued by the Financial Accounting Standards Board. Together the new statements significantly alter the appearance and content of private college and university financial statements. These changes in presentation make it difficult to draw comparisons between the financial statement for the fiscal years ended prior to June 30, 1996, and the financial statements for 1996 and thereafter.

SFAS #116, *Accounting for Contributions Received and Contributions Made*, has two significant aspects. The first is a requirement to record certain specifically verifiable donor promises as revenues in the period the promises are received, and to reflect the promises as receivables of the University. This contrasts with the previous practice of recording contributions when the actual cash or property was received.

The second aspect of SFAS #116 is the requirement to record contributions into one of three classes of net assets: permanently restricted, temporarily restricted or unrestricted, based on the existence or absence of donor imposed restrictions.

SFAS #117, *Financial Statements for Not-for-Profit Organizations*, is intended to make financial statements of not-for-profit organizations more understandable to users of those statements, and requires that the financial statements of all not-for-profit organizations include a statement of position, a statement of activities and a statement of cash flows. Such financial statements focus on the University as a whole and present balances and transactions according to the existence or absence of donor imposed restrictions, and again classify fund balances and transactions into three classes of net assets: permanently restricted, temporarily restricted or unrestricted.

The University adopted SFAS #116 and SFAS #117 effective July 1, 1995, and retroactively restated its beginning net assets for the year ended June 30, 1996 to conform to the new standards.

Note 1 in the Notes to Financial Statements dated June 30, 1996, includes an explanation of the restatement of the fund balances for SFAS #117 as previously reported at June 30, 1995. There is also further discussion of the accounting policies related to the changes brought about by the new SFAS statements.

Appendix VI sets forth the financial statements of the University for the year ended June 30, 1996, audited by Coopers & Lybrand L.L.P., Certified Public Accountants, and prepared in accordance with SFAS No. 116 and SFAS No. 117. The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

Statement of Revenues, Expenditures and Transfers for Fiscal Years 1992 through 1995

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, 1992 through 1995 which were maintained and presented on the fund accounting system.

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

	1992	1993	1994	1995	1996
REVENUE:					
Tuition and Fees	$60,537,830	$65,071,824	$67,447,094	$69,561,561	
Private Gifts, Grants and Contracts	1,601,368	1,536,471	1,679,721	1,692,620	
Endowment Income	2,455,063	2,078,238	1,784,997	1,944,888	
Income from Investments	466,780	588,298	436,513	927,587	**See**
Net Gain (Loss) on Investments	461,035	230,004	(232,065)	355,520	
Sales & Services of Ed. Enterprises	13,535,485	14,204,504	15,024,458	15,256,126	**"Statement**
Sales & Services of Aux. Enterprises	12,941,321	13,024,168	13,599,912	14,108,113	
Other Revenue	1,491,878	1,779,399	1,941,358	1,907,228	**of**
Total Revenue	$93,490,760	$98,512,906	$101,681,988	$105,753,643	
					Activities",
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General:					**Unrestricted**
Instruction	$ 26,580,639	$ 29,735,279	$ 31,438,010	$ 32,366,035	
Educational Enterprises	12,741,576	13,108,209	13,327,995	14,284,068	**Column**
Public Service	-	405,615	489,183	468,715	
Academic Support	4,371,141	4,975,890	5,128,760	5,550,123	**in**
Student Services	6,063,039	6,448,486	6,780,853	7,357,807	
Institutional Support	10,806,842	12,113,974	11,918,680	12,299,054	**Appendix VI,**
Operation and Maintenance of Plant	5,830,705	6,419,170	6,508,994	6,297,104	
Student Aid	6,324,581	7,256,692	8,866,807	10,292,227	**Financial**
Educational and General Expenditures	$ 72,718,523	$ 80,463,315	$ 84,459,282	$ 88,915,133	
Mandatory Transfers for:					**Statements**
Principal and Interest	$ 3,227,294	$ 1,763,441	$ 2,407,764	$ 2,321,259	
Student Loan Funds	1,584	-	11,495	11,204	**for the year**
Total Educational and General	$ 75,947,401	$ 82,226,756	$ 86,878,541	$ 91,247,596	
					ending
Auxiliary Enterprises and Independent Operations:					
Expenditures	$ 10,285,335	$ 10,546,176	$ 10,508,706	$ 10,357,782	**6/30/96**
Mandatory Transfers for:					
Principal and Interest	3,942,103	3,258,234	2,765,882	2,613,485	
Renewals and Replacements	27,750	27,750	27,750	27,750	
Total Auxiliary Enterprises and Independent Operations	$ 14,255,188	$ 13,832,160	$ 13,302,338	$ 12,999,017	
Total Current Expenditures and Mandatory Transfers	$ 90,202,589	$ 96,058,916	$ 100,180,879	$ 104,246,613	
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)					
Transfers Among Funds (Net)	$ (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	$ 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.

In connection with the University's Frey Science and Engineering Center (currently under construction), two grants were approved by agencies of the United States of America. The Defense Nuclear Agency ("DNA") of the U.S. Department of Defense approved and has 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 Center.

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 Center. 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 August 31, 1997, $13,004,168 has 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 Center and obtain disbursement of the entire grant by December 1997. The funds are disbursed upon submission of required documents by the University.

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

	1996	1995
In one year or less	$17,387,995	$ 4,730,673
Between one year and five years	15,111,391	7,016,359
More than five years	10,125,977	319,222
Total face value of pledges outstanding	$42,625,363	$12,066,254
Discount (to present value)	(6,520,400)	(1,211,200)
Allowance for uncollectable pledges	(3,410,000)	(1,050,000)
Contributions receivable	$32,694,963	$ 9,805,054

Capital Campaign—Ever Press Forward

On September 20, 1996, the University publicly announced a new $120 million capital campaign: Ever Press Forward. The University has received pledges totaling $98,039,889 as of August 24, 1997, of which $49,360,720 has been received in cash contributions as of August 24, 1997. Of the total $120 million capital campaign, $73.5 million is expected to be designated as endowment funds and $46.5 million is expected to be designated as current funds. Approximately $40 million of the endowment funds is expected to be used for student scholarships, with the remainder used for a variety of programs, including $15 million for distinguished professorships and $6 million for faculty and staff development. Of the $46.5 million current funds, $26.5 million is expected to be used for facilities and equipment and $20 million is expected to be used for annual operating items.

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 for the fiscal years ended June 30, 1992 through 1995 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, 1992 through 1995, which represents fund information prior to the University's adoption of SFAS #116 and SFAS #117.

Fiscal Year	Endowment*	Quasi-Endowment	Total
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.*

The following tables restate as of June 30, 1995 the fund balances for endowment funds to reflect the change in accounting standards for SFAS #116 and SFAS #117, as well as the comparable net assets for endowment funds as of June 30, 1996.

	Net assets restated as of June 30, 1995:			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Endowment Funds				
Endowment	$32,935,270	$1,160,216	$38,754,818(a)	$ 72,850,304
Quasi-Endowment	54,674,171			54,674,171(b)
Life Income		1,301,023	1,092,771	2,393,794
Total	$87,609,441	$2,461,239	$39,847,589	$129,918,269

(a) *The permanently restricted funds as of June 30, 1995 include uncollected pledges of $5,349,634.*

(b) *$4,181,183 of endowment funds are reclassified as quasi-endowment as of June 30, 1995.*

	Net assets as of June 30, 1996:			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Endowment Funds				
Endowment	$41,921,853	$2,152,220	$56,590,989	$100,665,062
Quasi-Endowment	56,006,176			56,006,176
Life Income		1,466,247	1,480,094	2,946,341
Total	$97,928,029	$3,618,467	$58,071,083	$159,617,579

Line of Credit

Norwest Bank Minnesota, National Association, provides a $3,000,000 revolving line of credit to the University for short-term borrowing. As of the date of this Official Statement, $0 was outstanding. The line of credit expires on June 30, 1998, unless renewed. In addition, Allied Irish Bank provides a $9,000,000 revolving line of credit to the University for short-term borrowing. The outstanding balance as of September 1, 1997 was $2,000,000, which is expected to be paid on October 1, 1997. The line of credit expires on March 26, 1998, unless renewed.

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 $50,000 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 $625,000 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 $637,000 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 Educational Center. The bonds are secured by (i) a first mortgage lien on O'Shaughnessy Educational 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 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 of the Series Three-C Bonds 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 $7,475,000 due October 1, 1997 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 plant 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 $18,640,000 due October 1, 1997 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 $18,925,000 due September 1, 1998 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) $11,645,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-A1, dated March 1, 1996 at various rates of interest; principal outstanding is $11,645,000 due October 1, 1997 through 2021. The proceeds financed a portion of the acquisition, construction and equipping of the O'Shaughnessy and Owens Science Halls. The bonds are secured by the full faith and credit of the University.

(i) $6,600,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Four-A2, dated March 21, 1996. These Bonds will be refunded by a portion of the Series Four-O Bonds.

(j) $580,000 Contract for Deed for the purchase of property adjacent to the Minneapolis campus, with no stated interest rate, due in 2000.

(k) $21,680,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-M, dated June 15, 1997, at various rates of interest; principal outstanding is $21,680,000 due April 1, 1999 through 2022. The proceeds financed a portion of the construction, furnishing, and equipping of a residence hall and adjacent parking facilities. The Bonds are secured by the full faith and credit of the Authority.

(l) The Bonds.

As of September 2, 1997, the total of long-term debt outstanding adjusted to include the Series Four-O Bonds, and excluding the Series Four A-2 Bonds to be refunded, is $94,617,000.

Annual Estimated and Actual Debt Service by Fiscal Year and Proforma Coverage Statement

The table on page I-21 shows information related to the proforma debt service coverage for outstanding debt of the University, combined with the estimated debt service on the Bonds.

The columns included in the table on page I-21 include the following information:

Column 1 shows fiscal year ends;

Column 2 shows the estimated debt service for the Bonds based on an assumed interest rate of 4.50% plus an estimate of 0.625% of related annual fees for a combined interest rate of 5.125%. The actual interest rate on the Bonds will be reset weekly, will vary, and could exceed the estimated rate. Although the Indenture and Loan Agreement do not require any amortization of principal on the Bonds, column 2 shows amortization of the principal of the Bonds at a level annual debt service;

Column 3 shows the annual debt service of the University for each of the listed Fiscal Years ending June 30 with respect to all existing long-term indebtedness; the Series Four-A2 Bonds to be refunded from a portion of the proceeds of this Issue are excluded.

Column 4 shows the total estimated long term debt service for the University, combining the existing long-term debt service, and the estimated debt service on the Bonds;

Column 5 shows the amount of University revenue that was available for debt service for the Fiscal Year ending June 30, 1996 as further detailed in footnote (c) of the table;

Column 6 shows the estimated amount of dormitory revenue and parking facility revenue expected to be available for debt service on the Series Four-M Bonds and a portion of the Series Four-O Bonds, net of operating and indirect expenses, plus estimated earnings on the Reserve Account for the Series Four-M Bonds. The dormitory revenue and parking facility revenue are estimated based on information provided by the University. There can be no assurance that either the estimated dormitory revenue or the estimated parking facility revenue will be realized;

Column 7 shows proforma debt service coverage for the combined estimated annual debt service provided by the revenue available for debt service in fiscal year ended June 30, 1996, plus estimated net revenue from the dormitory and parking facilities and estimated earnings on the Reserve Account for the Series Four-M Bonds.

Although the University expects to incur approximately $16 million in additional indebtedness in 1997 to finance approximately $14.5 million in project costs for a new building at its Minneapolis Campus, that additional indebtedness is not reflected in the table on page I-21. See "FUTURE FINANCING" in this Official Statement. That indebtedness and any other additional indebtedness will increase the debt service requirements of the University and reduce the proforma debt service coverage ratio shown by the table.

The table on page I-21 is intended merely to show the relationship of historic annual revenues of the University available for the payment of debt service to a proforma statement of combined annual debt service of the University based on an assumed interest rate and amortization schedule with respect to the Bonds. This table is not intended and should not be considered as 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 PROFORMA COVERAGE STATEMENT

This table should be read in conjunction with the explanation and assumptions appearing on Pages I-19 and I-20.

Fiscal Year Ending June 30, (1)	Series Four-O Bonds (a) (2)	Existing Long-Term Debt Service (b) (3)	Total Estimated Long-Term Debt Service (4)	FY 1996 Amt Available for Debt Service (c) (5)	Est. Dorm. & Parking Rev. & Reserve Acct. Earnings (d) (6)	Proforma Coverage Ratio (7)
1998	$ 277,006	$ 7,449,759	$ 7,726,765	$ 12,433,830	$ 88,910	1.62
1999	782,991	8,085,880	8,868,870	12,433,830	1,699,048	1.59
2000	780,691	7,893,505	8,674,195	12,433,830	1,699,048	1.63
2001	782,750	7,842,982	8,625,732	12,433,830	1,699,048	1.64
2002	784,041	7,408,077	8,192,118	12,433,830	1,699,048	1.73
2003	784,563	7,584,342	8,368,905	12,433,830	1,699,048	1.69
2004	784,316	7,544,060	8,328,375	12,433,830	1,699,048	1.70
2005	783,300	6,259,630	7,042,930	12,433,830	1,699,048	2.01
2006	781,516	6,258,739	7,040,255	12,433,830	1,699,048	2.01
2007	783,834	6,235,828	7,019,662	12,433,830	1,699,048	2.01
2008	780,256	6,242,630	7,022,886	12,433,830	1,699,048	2.01
2009	780,781	6,339,087	7,119,868	12,433,830	1,699,048	1.98
2010	785,153	5,221,302	6,006,455	12,433,830	1,699,048	2.35
2011	783,372	5,129,677	5,913,049	12,433,830	1,699,048	2.39
2012	780,566	5,132,592	5,913,157	12,433,830	1,699,048	2.39
2013	781,606	5,139,044	5,920,650	12,433,830	1,699,048	2.39
2014	781,366	5,129,482	5,910,847	12,433,830	1,699,048	2.39
2015	784,716	5,129,117	5,913,833	12,433,830	1,699,048	2.39
2016	781,656	4,849,205	5,630,861	12,433,830	1,699,048	2.51
2017	782,188	4,469,631	5,251,819	12,433,830	1,699,048	2.69
2018	781,181	2,538,723	3,319,904	12,433,830	1,699,048	4.26
2019	783,509	2,540,138	3,323,647	12,433,830	1,699,048	4.25
2020	784,044	2,535,523	3,319,567	12,433,830	1,699,048	4.26
2021	782,784	2,539,596	3,322,380	12,433,830	1,699,048	4.25
2022	784,603	2,517,370	3,301,973	12,433,830	1,699,048	4.28
Totals:	$ 19,062,788	$ 138,015,917	$ 157,078,705	$ 310,845,750	$ 40,866,073	

(a) Estimated. (See pages I-19 and I-20.)

(b) Not including the Series Four-A2 Bonds. (See pages I-19 and I-20.)

(c) Based on Fiscal Year 1996 Audited Financial Statements of the University:

	Increase in Unrestricted Net Assets:	$ 18,890,840
Plus:	Depreciation	6,463,969
	Debt Service Interest (accrued)	3,332,301
	Nonrecurring loss on fixed assets	5,023,959
Less:	Nonrecurring Gifts of property & equipment	(502,132)
	Investment return in excess of spending policy	(9,383,274)
	Federal Grants for Science Building	(4,548,405)
	Net realized gains on other investments	(6,843,428)
Amount available for debt service:		$ 12,433,830

(d) Estimated. Net of operating expenses and indirect expenses.

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PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON LLP

2200 NORWEST CENTER, 90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
TELEPHONE 612-336-3000
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$10,800,000
Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Four-O
(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) Variable Rate Demand Revenue Bonds, Series Four-O (University of St. Thomas), in the aggregate principal amount of $10,800,000 (the "Bonds"), dated September 25, 1997, and maturing on October 1, 2021.

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 refunding of certain bonds and improvement of existing facilities and acquisition, construction and installation of new facilities, all owned or to be owned and operated by the 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 Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee") each dated as of September 1, 1997, 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 also relied upon the opinions of Schiff Hardin & Waite and of _____________ as counsel to Allied Irish Banks, p.l.c., New York Branch (the "Bank"), as to the Letter of Credit having been duly executed and delivered and being a valid and binding obligation of the Bank.

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 payable from the proceeds of periodic draws under the Letter of Credit issued by the Bank and are further 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 and by the pledge of funds and rights to payments held by the Trustee, as assignee, under the Loan Agreement.

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

Dated at Minneapolis, Minnesota, ______________, 1997.

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DEFINITION OF CERTAIN TERMS

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

Alternate Letter of Credit: An irrevocable letter of credit delivered to the Trustee in accordance with the Indenture and the Loan Agreement to replace the Letter of Credit then in existence.

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 person at the time designated to act on behalf of the University by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the University by the Chairman or Secretary of 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 8.05 thereof.

Bank: Allied Irish Banks, p.l.c., an Irish banking corporation acting through its New York Branch, as the issuer of the Original Letter of Credit, its successors in such capacity and their assigns until the full payment and satisfaction of the Letter of Credit Obligations under the original Reimbursement Agreement; upon the issuance of any Alternate Letter of Credit, "Bank" means the issuer of such Alternate Letter of Credit, its successors in such capacity and their assigns until full payment and satisfaction of the Letter of Credit Obligations under the applicable Reimbursement Agreement.

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 the Bonds.

Bond Purchase Agreement: The Bond Purchase Agreement, dated September 23, 1997, among the Authority, the Underwriter, and the University.

Bond Purchase Fund: The trust fund created in the Indenture, including the General Account and the Letter of Credit Account into which the Authority, the University or the Trustee shall deposit certain moneys for the payment of the Purchase Price of Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on September 16, 1997, authorizing the Series Four-O Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Four-O (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 Prior Bonds or the Bonds.

Business Day: (i) When Bonds bear interest at a Variable Rate, any day other than a day on which banking institutions located in the City of New York or in the city or cities in which the principal corporate trust offices of the Trustee or of the Tender Agent, or the principal office of the Remarketing Agent or of the Bank through which the Letter of Credit is issued are located are required or authorized by law to remain closed and other than a day on which the New York Stock Exchange is closed, and (ii) when Bonds bear interest at a Fixed Rate, any day other than a day upon which banks located in the city or cities in which the principal corporate trust offices of the Trustee are located are not required or authorized by law to remain closed.

Computation Date: The date on which the Fixed Rate is to be determined in the case of conversion to Fixed Rate, which shall be not less than 15 days prior to the Conversion Date.

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.

Conversion Date: The date as of which the interest rate on the Bonds converts from a Variable Rate to a Fixed Rate as such date is established pursuant to the Indenture.

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, Loan Agreement, or the Reimbursement Agreement and summarized in this Official Statement in the sections entitled "THE INDENTURE - Events of Default," "THE LOAN AGREEMENT - Events of Default," and "THE ORIGINAL LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT."

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.

Fixed Rate or Fixed Rates: The Fixed Rates established in accordance with the Indenture at the Conversion Date for the Bonds.

General Account: When used with respect to the Bond and Interest Sinking Fund Account, Redemption Account, or the Bond Purchase Fund, the account by that name established within such account or fund.

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

Government Obligations: (a) direct general obligations of, or obligations the prompt payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America, (b) repurchase agreements or similar financial transactions with parties rated "A" or better by the Rating Agency, the payment of principal of and interest on which are fully secured by obligations of the type described in clause (a) or (c) of this definition, which collateral (i) is held by the Trustee during the term of the instrument which such collateral secures, (ii) is not subject to liens or claims of any third parties and (iii) has a market value (determined monthly) equal to at least 102% of the amount so invested, (c) bonds, notes or other debt obligations rated in the highest rating category by the Rating Agency issued by a State or a political subdivision or municipal corporation thereof which are payable in whole from an escrow or similar fund or account containing only cash and/or obligations of the type described in clause (a) above, and (d) certificates or other evidence of ownership of principal to be paid or interest to accrue on a pool of securities of the type described in clause (a) above, which securities are rated in the highest rating category by the Rating Agency and are held in the custody of a bank or trust company acceptable to the Trustee in a special account separate from the general assets of such custodian.

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

Indenture: The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, as Trustee, dated as of September 1, 1997, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Initial Rate: The rate applicable to the Bonds from the Issue Date to and including September 30, 1997.

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

Interest Accrual Period or Interest Period: (i) With respect to a Weekly Period, a period commencing with the first Business Day of each calendar month during such Weekly Period (or the first day of such Weekly Period, if such day is not the first Business Day of a month) to and including the earlier of the day preceding the first Business Day of the next calendar month and the last day of such Weekly Period and (ii) with respect to the Fixed Rate Period, a period commencing with the first day of a Fixed Rate Period to and including the last day preceding the first Fixed Rate Interest Payment Date, and thereafter a period commencing with each Interest Payment Date to and including the last day preceding the next Interest Payment Date; provided that the Interest Accrual Period with respect to a Mandatory Tender Date which is a Variable Rate Interest Payment Date described in clause (ii) of the definition of Variable Rate Interest Payment Date shall commence on the first day of the immediately preceding Interest Accrual Period and shall end on the day preceding such Variable Rate Interest Payment Date and the next Interest Accrual Period shall commence on such Variable Rate Interest Payment Date.

Interest Payment Date: On and prior to the Conversion Date, each Variable Rate Interest Payment Date and after the Conversion Date, each Fixed Rate Interest Payment Date.

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

Issue: The Bonds.

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

Letter of Credit: The Original Letter of Credit and any extension or renewal thereof or, upon delivery to the Trustee of any Alternate Letter of Credit, "Letter of Credit" means such Alternate Letter of Credit.

Letter of Credit Account: When used with respect to the Bond and Interest Sinking Fund Account, the Redemption Account, or the Bond Purchase Fund, the account by that name established within such account or fund.

Letter of Credit Obligations: All fees relating to the Letter of Credit, any and all obligations of the University to reimburse the Bank for any drawings under the Letter of Credit and all other obligations of the University to the Bank arising under or in relation to the Reimbursement Agreement.

Loan Agreement: The Loan Agreement between the Authority and the University relating to the Bonds, dated as of September 1, 1997, 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.

Mandatory Tender Date: The meaning assigned thereto in "THE BONDS - Mandatory Tender," herein.

Maturity: When used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

Maximum Rate: The maximum rate, 15% per annum, borne by the Bonds before the Conversion Date.

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 pursuant to the Indenture, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority plus investment earnings thereon.

Optional Tender Date: The meaning assigned thereto in "THE BONDS—Optional Tender," herein.

Original Letter of Credit: The irrevocable letter of credit delivered by the Bank to the Trustee on the Issue Date of the Bonds in accordance with the Loan Agreement.

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.

Pledge Agreement: The Pledge and Security Agreement, dated as of September 1, 1997, among the University, the Trustee, and the Bank; and, if an Alternate Letter of Credit is issued, "Pledge Agreement" means a similar agreement, if any, among the issuer of such Alternate Letter of Credit, the University, and the Trustee.

Pledged Bonds: (i) Bonds registered in the name of the University, held by the Trustee and pledged to the Bank pursuant to the Pledge Agreement, or (ii) with respect to any Bond registered in the name of Depository Trust Company, New York, the principal portion thereof the beneficial owner of which is the University subject to a security interest and pledge granted in favor of the Bank pursuant to the Pledge Agreement.

Project: The Project consists of the construction, furnishing, and equipping of a 345-bed residence, an approximately 345-stall parking ramp beneath the residence hall, 63 surface parking stalls adjacent to the residence hall, a commons building connecting Brady Hall and Dowling Hall for administrative and office space and recreational facilities and related improvements to connecting areas of Brady and Dowling Halls, a skyway connection between the commons building and the new residence hall and related site improvements, all to be owned and operated by the University and located on the main campus of the University in St. Paul, Minnesota.

Project Buildings: The facilities acquired, improved, or constructed with proceeds of the Bonds, including investment earnings, and any other building acquired, constructed, or improved with proceeds of the Prior Bonds, including investment earnings.

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 Prior Bonds or the Bonds, including investment earnings, and installed and located in or as part of the Project Buildings.

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

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

Proposed Conversion Date: The date on which the interest on the Bonds is to be converted to a Fixed Rate, as specified in the notice given by the University of its election to convert the interest rate on the Bonds to a Fixed Rate.

Purchase Price: When used with respect to the purchase of a Bond pursuant to the Indenture or the remarketing of a Bond on a Tender Date pursuant to the Indenture, an amount equal to the principal amount of such Bond to be so purchased or remarketed plus interest accrued and unpaid to, but not including, the applicable Tender Date; provided that, if such Tender Date is an Interest Payment Date for which moneys are available for the payment of such interest, accrued interest will not constitute a part of the Purchase Price but will be paid to the Holder in the ordinary manner.

Rating Agency: Moody's Investors Service, if the Bonds are then rated by Moody's and any other rating agency, if the Bonds are then rated by such other rating agency.

Rating Category: One of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such Rating Category by a numerical or other modifier.

Record Date: (i) with respect to each Variable Rate Interest Payment Date for Bonds, the Business Day next preceding such Variable Rate Interest Payment Date, and (ii) the 15th day of the calendar month next preceding such Fixed Rate Interest Payment Date, regardless of whether such day is a Business Day.

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 make up deficiencies in the Bond and Interest Sinking Fund Account, Bond Purchase Fund and Reserve Account, in that order; 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.

Reimbursement Agreement: The Letter of Credit and Reimbursement Agreement, dated September 1, 1997, between the University and the Bank, including any amendments thereto; and, if an Alternate Letter of Credit is issued, "Reimbursement Agreement" means a similar agreement, if any, between the issuer of such Alternate Letter of Credit and the University.

Remarketing Agent: Dain Bosworth Incorporated, or any successor or successors appointed and serving in such capacity pursuant to the Indenture.

Remarketing Agreement: The Remarketing Agreement dated September 1, 1997 between the University and the Remarketing Agent, including any amendments thereto; and any other written agreement among the Authority and/or the University and any Remarketing Agent describing the responsibilities of the Remarketing Agent.

Reserve Account: The Reserve Account established under the Indenture.

Series Four-A Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-A2 (University of St. Thomas), dated March 21, 1996 in the original principal amount of $6,600,000.

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

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

Stated Maturity: When used with respect to any Bond or any installment of interest thereon, the date specified in such Bond and in the Indenture as the fixed date on which principal of such Bond or such installment of interest is due and payable.

Tender Agent: The Tender Agent appointed in accordance with the Indenture (initially the Trustee), and any successor Tender Agent appointed thereunder.

Tender Date: Each Optional Tender Date and each Mandatory Tender Date.

Termination Date: The date on which the Letter of Credit terminates or expires for any reason or the immediately preceding Business Day if such date is not a Business Day.

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

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

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

University Bond: Any Bond (i) registered in the name of, or the Beneficial Owner of which is, or which the Trustee actually knows is owned or held by, the University or the Authority or the Trustee or an agent of the Trustee for the account of the University or the Authority or (ii) with respect to which the University or the Authority has notified the Trustee, or which the Trustee actually knows, were purchased by another person for the account of the University or the Authority or by a person directly or indirectly controlling or controlled by or under direct or indirect common control with the University or the Authority, including, but not limited to, Pledged Bonds.

Variable Rate: The variable interest rate established in accordance with the Indenture, with respect to any Bond.

Variable Rate Interest Payment Date: (i) The first Business Day of each calendar month commencing October 1,1997 and the Conversion Date, (ii) each Mandatory Tender Date described in the Indenture with respect to the Bonds subject thereto, and (iii) each Purchase Date described in the Indenture with respect to Pledged Bonds.

Variable Rate Period: The period from and including the Issue Date to and including the earlier of (i) the day next preceding the Conversion Date or (ii) the date of the last Maturity of any Bonds.

Weekly Interest Rate: With respect to a Bond, a variable interest rate on such Bond established in accordance with the Indenture.

Weekly Period: With respect to the Bonds during the Variable Rate Period, each period during which the Bonds shall bear interest at a Weekly Interest Rate.

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

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, 1998 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 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 Bonds, to the extent such payments and costs exceed the proceeds of the 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 on the Bonds when due. To provide for such payments the University covenants to pay for the account of the Authority in the following amounts:

(a) Into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on the next succeeding Interest Payment Date and the amount payable as principal on the Bonds on the next succeeding 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 for amounts transferred under Sections 5.07, 8.02, 8.03 and 8.05 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and, during the Variable Rate Period, the moneys drawn under the Letter of Credit; and

(b) prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account subject during the Variable Rate Period to a credit for any moneys drawn under the Letter of Credit; and

(c) on and after the Conversion Date, into the Reserve Account forthwith any amounts then required to be deposited therein by Section 8.02 of the Indenture; and

(d) to the Trustee the amounts to be disbursed to the Tender Agent to pay the Purchase Price of Bonds upon optional or mandatory tender; provided however that there shall be credited against such obligations the moneys drawn down under the Letter of Credit.

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

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

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 the acquisition and construction of the Prior Bonds Project or the Project or with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided the University may in good faith contest any liens filed or established against the Project Facilities and may permit the items so contested to remain undischarged and unsatisfied during the period of such contest unless the Authority or Trustee shall notify the University that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities will be subject to loss or forfeiture, in which event the University shall promptly pay all such items.

Taxes and Other Governmental Charges

The University will pay all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the University, or the Project Facilities or any improvements, equipment or related property installed or bought by the University therein or thereon, or the Bonds, the Loan Agreement, the 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 Facilities, with a deductible amount of up to $250,000.

(b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $5,000,000 with a deductible amount of up to $250,000 and against liability for property damage in the minimum amount for each occurrence of $100,000.

(c) Workers' compensation insurance (including self-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 comprehensive general public liability insurance, 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 Bonds in whole or in part as more fully provided in the Loan Agreement.

If the Bonds are redeemed, the available Net Proceeds or (if less) the pro rata portion of any Project Building shall be used for redemption or purchase of outstanding Bonds. "Pro rata portion" means the following percentages of the principal amount of outstanding Bonds: all or parts of the residence hall or the ramp 32%; all or parts of the commons building 6%; and all or parts of the science and engineering center financed with the Series Four-A Bonds 62%.

Condemnation

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

If the Bonds are to be redeemed, the available Net Proceeds (or if less, the pro rata portion) in respect to any Project Buildings and site thereof which the University elects not to repair, rebuild or restore shall be used for redemption or purchase of outstanding Bonds. For purposes of this provision, "pro rata portion" shall be defined as set forth above under "Damage or Destruction".

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

Indemnification

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

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

Existence and Accreditation of University 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 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 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 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 and other than tax exempt bonds issued after August 5, 1997 as part of an issue 95% or more of the net proceeds of which are to be used to finance capital expenditures incurred after such date), 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 adversely affect the tax-exempt status of the Bonds, such as by exceeding limitations on the 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 and other than tax exempt bonds issued after August 5, 1997 as part of an issue 95% or more of the net proceeds of which are to be used to finance capital expenditures incurred after such date), within the meaning of Section 145 of the Internal Revenue Code.

Institution to be Nonsectarian

Except for the School of Divinity, which is separable from the general undergraduate and graduate programs 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 After the Conversion Date

In the event a Determination of Taxability is made on or after the Conversion Date that interest payable on the Bonds is includible in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability on or after the Conversion Date, the Bonds shall be subject to optional redemption, as a whole or in part, on the next date for which due notice can be given or any date thereafter and the redemption price therefor shall be equal to par plus accrued interest.

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 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 University agrees to indemnify the Authority from losses arising from certain representations made by the University regarding the absence of hazardous waste on the Project Facilities.

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

Events of Default

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

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

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

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

(d) If the University fails to pay when due the amount of any Purchase Price required to be paid under the Loan Agreement; or

(e) If the University fails 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; or

(f) 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

(g) 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

(h) 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) Subject to the Bank's right of consent, 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) Subject to the Bank's right of consent, 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 (provided that proceeds of a Letter of Credit drawing may not be applied to the payment of advances and expenses hereunder), second to payment of the Bonds as provided in Section 10.04 of the Indenture and third to pay all Letter of Credit Obligations and any excess to the University.

Amendments

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

THE INDENTURE

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

Granting Clauses

Pursuant to the Indenture, the Authority grants to the Trustee, as security for the Holders of the Bonds, and the Bank, which security interest is subordinate in every respect to the interest of the Holders, 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

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 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). The Trustee has no lien upon or right to receive payment of any fees, expenses or other amounts from the Bond Purchase Fund or amounts drawn or deemed to have been drawn under the Letter of Credit or the proceeds of remarketing the Bonds.

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

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

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

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

(d) If any "event of default" on the part of the University, as that term is defined in the Loan Agreement shall occur and be continuing (other than an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit pursuant to clause (f) of the Events of Default); or

(e) If there is a default in the due and punctual payment of the Purchase Price of Bonds required to be purchased pursuant to Section 4.01 or Section 4.02 of the Indenture (relating to optional and mandatory tender of Bonds) when payment of such amount has become due and payable.

(f) Prior to the Conversion Date, if the Trustee receives a written notice from the Bank that it will not reinstate the interest portion of the Letter of Credit following an interest drawing; or

(g) Prior to the Conversion Date, if the Trustee receives written notice from the Bank of an event of default under the Reimbursement Agreement and directing the Trustee to accelerate the Bonds (other than an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit pursuant to clause (f) of the Events of Default); or

(h) Prior to the Conversion Date, if the University fails to perform its obligations under Section 4.10 of the Loan Agreement (relating to the Letter of Credit); or

(i) Prior to the Conversion Date, the Bank dishonors a draft or certificate for payment under the Letter of Credit which complies with the terms of the Letter of Credit.

Remedies

(a) Upon an Event of Default under paragraph (a), (b), (e), (f) or (i) of the foregoing section, the Trustee shall declare the principal of all Bonds secured by the Indenture then outstanding and the interest accrued thereon immediately due and payable and such principal and interest shall thereupon become and be immediately due and payable subject, however, to the right of the Holders of a majority in aggregate principal amount of Bonds then outstanding, to annul such declaration at anytime as provided in paragraph (c) of this section.

(b) Upon and during the continuance of an Event of Default under paragraph (c), (d), (g) or (h) of the foregoing section, and subject to limitations on the Bank's rights set forth in the Indenture, the Trustee (i) with the Bank's consent may, and (ii) (A) with the Bank's consent and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding or (B) upon request of the Bank shall, by notice in writing delivered to the Authority, declare the principal of all Bonds secured by the Indenture then outstanding and the interest accrued thereon immediately due and payable, subject, however, to the right of (i) the Holders of a majority in aggregate principal amount of Bonds then outstanding with the Bank's consent or (ii) the Bank, by written notice to the Authority and to the Trustee, to annul such declaration at anytime as provided in paragraph (c) of this section.

(c) If the Trustee is instructed by the Holders or Bank in accordance with the Indenture to annul such declaration of acceleration, the Trustee shall annul such declaration if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest, the reasonable expenses and charges of the Trustee, and all other indebtedness secured by the Indenture (except the principal of any Bonds which have not then attained their Stated Maturity and interest accrued on such Bonds since the last Interest Payment Date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto and the Letter of Credit is reinstated to the full principal and interest amount described in the Loan Agreement.

(d) Prior to the Conversion Date, upon any declaration of an acceleration under the Indenture, the Trustee shall give notice to Holders in the same manner as a notice of redemption under Article III of the Indenture, stating a date no later than five (5) days after the date of acceleration (the "Accelerated Payment Date"), as the date upon which such Bonds shall be payable and interest on the Bonds shall cease to accrue as of the Accelerated Payment Date. Upon any declaration of acceleration under the Indenture, the Trustee shall immediately draw on the Letter of Credit as provided in the Indenture.

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 and subject to limitations on the Bank's rights described below, the Trustee (a) with the Bank's consent may, and (b)(i) with the Bank's consent and upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds or (ii) upon the request of the Bank, shall proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, 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 or the Bank as aforesaid, unless such Bondholders or the Bank shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Limitations on the Bank's Right to Consent

Notwithstanding any other provision of the Indenture or the Loan Agreement, no consent of or notice to the Bank shall be required nor shall the Bank have any right to receive notice of, consent to, direct or control any actions, restrictions, rights, remedies, waivers or accelerations pursuant to any provision of the Indenture or the Loan Agreement after the Letter of Credit has expired (unless the Letter of Credit Obligations have not been fully paid or satisfied) or during any time:

(a) the Bank does not honor draws properly presented under the terms of the Letter of Credit,

(b) the Letter of Credit ceases to be valid and binding on the Bank or is declared to be null and void, or the validity or enforceability of any material provision of the Letter of Credit is denied by the Bank or any governmental agency or authority, or the Bank is denying further liability or obligation under the Letter of Credit, contrary to the terms of the Letter of Credit,

(c) a petition is pending against the Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, receivership proceeding or liquidation law of any jurisdiction, whether now or hereafter in effect, and has not been dismissed within thirty (30) days after the filing, or

(d) the Bank has filed a petition, which is pending, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, receivership proceeding or liquidation law, of any jurisdiction, whether now or hereafter in effect, or has consented to the filing of any petition against it under such law.

Notwithstanding the occurrence of any of the events described in paragraphs (b), (c) and (d), in the event that principal of and interest on all Bonds shall have been paid in full and any amounts shall be owing the Bank under the Reimbursement Agreement, the provisions of this Section shall be inoperative.

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 Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the 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 Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the University, if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

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

Nothing in the preceding paragraph or in any other provision of the Indenture shall limit or impair the right of the Bank to take action and institute proceedings, in the name of an individual Bondholder or otherwise, as the Bank shall deem appropriate (i) to contest any claim or assertion by any person (including any claim or assertion by the University or by any receiver, custodian, trustee or liquidator for the University) that any payment of interest on the Bonds constituted a voidable preference under the United States Bankruptcy Code, as amended, or any similar state insolvency law or (ii) to request or petition any court of competent jurisdiction to make a determination that any payment of interest on the Bonds did not constitute a voidable preference under the United States Bankruptcy Code, as amended, or any similar state insolvency law.

The Trustee (a) with the consent of the Bank and upon the written request of the Holders of a majority in principal amount of the Bonds at the time outstanding or (b) upon the written request of the Bank, shall waive any default under the Indenture and its consequences, except a default in the payment of the principal of the Bonds at the date of maturity specified therein or the Purchase Price; provided, however, that a default in the payment of interest on the Bonds shall not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the

Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same and the Letter of Credit is reinstated to the full principal and interest amount according to its terms. In case of any such waiver, the Authority, the Trustee and the Holders of the Bonds shall be restored to their former positions and rights respectively. No waiver of any default or Event of Default, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

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

Defeasance

If the Authority and the University shall:

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

(b) on or after the Conversion Date, provide for the payment of principal, premium, if any, and interest on the 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 such Bonds outstanding, or

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

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

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

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

Supplemental Indentures

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

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

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

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

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

(e) to modify the Indenture as authorized by Holders;

(f) to modify or supplement provisions relating to procedures for drawing on the Letter of Credit in connection with the issuance of an Alternate Letter of Credit; and

(g) to make other changes with the Bank's consent except those changes requiring unanimous approval by Holders of all the outstanding Bonds as described in the next paragraph.

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds directly or indirectly affected (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or the Loan Agreement as set forth in the Indenture.

Any supplemental indenture affecting the rights or obligations of the Remarketing Agent or the Tender Agent shall not be effective without written consent of the party affected thereby.

Amendments to the Loan Agreement

The Authority and 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 Bonds, or (d) in connection with any other change approved by the Bank except those amendments, changes or modifications which require unanimous consent of the holders of all outstanding Bonds.

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

Any amendment to or other modification of the Loan Agreement or waiver of any provision thereof may not be entered into or given without the prior written consent of the Bank. Any amendment to or other modification of the Loan Agreement which affects any of the rights or obligations of the Tender Agent shall not be effective without the written consent of the Tender Agent.

Registration

The Bonds shall be fully registered as to principal and interest at the principal corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. If the Bonds are no longer in book entry form, Bonds may be exchanged only 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 payment procedures while in book entry form.

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APPENDIX V

UNIVERSITY OF ST. THOMAS
SAINT PAUL, MINNESOTA

REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996

Report of Independent Accountants

To the Board of Trustees
University of St. Thomas:

We have audited the accompanying statement of financial position of the University of St. Thomas (the University) as of June 30, 1996, and the related statements of activities and cash flows for the year then ended. We previously audited and reported upon the June 30, 1995 statement of financial position which is included 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, 1996, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the University of St. Thomas adopted the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations" and Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" in 1996, retroactively restating beginning net assets for the year ended June 30, 1996.

Coopers & Lybrand L.L.P.

Saint Paul, Minnesota
September 16, 1996

University of St. Thomas
Statement of Financial Position
As of June 30, 1996 and 1995

	1996	(Restated) 1995
Assets		
Cash and cash equivalents	$2,982,807	$3,414,496
Accounts receivable, net	12,489,425	9,865,648
Inventories, net	1,214,818	1,397,138
Prepaid expenses and other assets	4,788,002	3,985,314
Contributions receivable, net	32,694,963	9,805,054
Loans to students, net	4,134,048	4,061,042
Investments	186,600,988	158,417,016
Land, buildings, and equipment, net	130,966,694	124,153,117
Total assets	**$375,871,745**	**$315,098,825**
Liabilities and net assets		
Liabilities		
Accounts payable and accrued liabilities	$14,683,969	$12,494,977
Unearned tuition income	4,212,460	3,898,210
Unearned subscription income	4,220,505	4,270,243
Refundable advance	900,000	1,000,000
Other liabilities	1,412,699	1,558,729
Assets held in custody for others	7,642,860	6,962,691
Annuity obligations	4,577,990	4,183,213
Bonds payable	72,712,000	62,159,000
Advances from federal government for student loans	3,628,004	3,569,546
Total Liabilities	**113,990,487**	**100,096,609**
Net assets		
Unrestricted:		
Operations	10,720,349	10,285,817
Long-term investment	97,928,029	87,609,441
Invested in plant	77,635,307	69,497,587
Total unrestricted	**186,283,685**	**167,392,845**
Temporarily restricted	**17,526,490**	**7,761,782**
Permanently restricted	**58,071,083**	**39,847,589**
Total net assets	**261,881,258**	**215,002,216**
Total liabilities and net assets	**$375,871,745**	**$315,098,825**

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

University of St. Thomas
Statement of Activities
For the year ended June 30 1996

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues				
Tuition and fees	$74,498,940			$74,498,940
Less: University funded student aid	(11,647,318)			(11,647,318)
Net tuition and fees	62,851,622			62,851,622
Sales and services of educational enterprises	17,504,846			17,504,846
Private gifts and grants	7,327,953	$10,074,656		17,402,609
Sales and services of auxiliary enterprises	14,724,516			14,724,516
Federal grants and contracts	5,966,481			5,966,481
Other revenue (sales, seminars, rental, other)	4,422,107			4,422,107
Ordinary investment income (non-endowment)	3,570,291	928		3,571,219
Endowment investment earnings used	3,135,496			3,135,496
State grants and contracts	985,265			985,265
Net assets released from restrictions	1,043,468	(1,043,468)		
Total operating revenues	121,532,045	9,032,116		130,564,161
Operating expenditures				
Instruction and other services				
Instruction	42,267,036			42,267,036
Educational enterprises	16,279,237			16,279,237
Auxiliary enterprises	15,527,139			15,527,139
Student activities and services	10,189,490			10,189,490
Academic support	4,181,430			4,181,430
Libraries	4,047,731			4,047,731
Student financial aid (externally funded)	3,205,443			3,205,443
Public service	2,696,585			2,696,585
Research	566,214			566,214
Total instruction and other services	98,960,305			98,960,305
Management and general				
General administration and support services	8,111,367			8,111,367
Other institutional expenditures	4,185,256			4,185,256
Development	2,597,020			2,597,020
Total management and general	14,893,643			14,893,643
Total operating expenditures	113,853,948			113,853,948
Net operating income	**7,678,097**	**9,032,116**		**16,710,213**
Non-operating activities				
Permanently restricted gifts			$16,648,260	16,648,260
Reinvested endowment earnings	9,383,274	803,382	1,575,234	11,761,890
Net gain (loss) on other investments	6,843,428	(60,790)		6,782,638
Nonrecurring loss on fixed assets and other	(5,023,959)			(5,023,959)
Net assets released from restrictions	10,000	(10,000)		
Net non-operating income	**11,212,743**	**732,592**	**18,223,494**	**30,168,829**
Net increase in net assets	**18,890,840**	**9,764,708**	**18,223,494**	**46,879,042**
Net assets, beginning of year (restated)	167,392,845	7,761,782	39,847,589	215,002,216
Net assets, end of year	**$186,283,685**	**$17,526,490**	**$58,071,083**	**$261,881,258**

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

University of St. Thomas
Statement of Cash Flows
For the year ended June 30, 1996

Cash flows from operating activities	
Increase in net assets	$46,879,042
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	6,463,969
Write-down of fixed assets to net realizable value	4,842,916
Increase in allowance for uncollectible pledges	2,360,000
Loss on disposal of fixed assets	181,043
Net realized and unrealized investment gains	(20,039,925)
Contributions restricted for long-term investment	(4,039,966)
Investment income restricted for long-term investment	(1,575,234)
Federal grant for construction of Science and Engineering Center	(1,087,279)
Gifts of property and equipment	(502,132)
Change in operating assets and liabilities	
(Increase) decrease in operating assets	
Accounts receivable, net	(2,623,777)
Contributions receivable	(25,249,909)
Other operating assets	(693,374)
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	2,188,992
Other operating liabilities	1,151,885
Net cash provided by operating activities	**8,256,251**
Cash flows from investing activities	
Purchases of investments	(101,711,177)
Proceeds from sales and maturities of investments	93,567,131
Expenditures for land, buildings, and equipment	(17,808,373)
Proceeds from sale of fixed assets	9,000
Net cash used in investing activities	**(25,943,419)**
Cash flows from financing activities	
Proceeds from contributions restricted for:	
Investment in endowment	2,313,090
Investment in land, buildings, and equipment	1,726,876
Debt incurred	18,825,000
Payments to retire debt	(8,272,000)
Federal grant for construction of Science and Engineering Center	1,087,279
Investment income restricted for long-term investment	1,575,234
Net cash provided by financing activities	**17,255,479**
Net increase (decrease) in cash and cash equivalents	(431,689)
Cash and cash equivalents at beginning of year	3,414,496
Cash and cash equivalents at end of year	**$2,982,807**

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

1. Summary of Significant Accounting Policies

Organization

The primary purpose of the University of St. Thomas (University) is student education. The University also operates The Catholic Publishing Center and has an affiliation agreement with the St. Paul Seminary.

Basis of Presentation

The accompanying statements of the University have been prepared on an accrual basis of accounting.

In fiscal year 1996, the University adopted Financial Accounting Standards Board Statements (FAS), No. 116, "Accounting for Contributions Received and Contributions Made" and FAS No. 117, "Financial Statements of Not-for-Profit Organizations" and applied the standards on a retroactive basis. FAS No. 116 requires the recognition of unconditional donor promises (pledges) to give as receivables and revenues within the appropriate net asset category. FAS No. 117 requires classification of net assets (previously fund balances) and related revenues and expenses into the following three categories, based upon the existence or absence of donor-imposed restrictions:

Unrestricted net assets are free of donor-imposed restrictions.

Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, and gains and losses that are not recorded in permanently or temporarily restricted net assets. Expenses are generally reported as decreases in unrestricted net assets.

Temporarily restricted net assets are donor restricted but the restriction will expire.

Temporarily restricted net assets generally include gifts, pledges, and investment income, which can be expended, but for which donor-imposed restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be expended, or time restrictions imposed by donors or implied by the nature of the gift (capital projects, pledges to be paid in the future, life income funds).

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as "Net assets released from restrictions". However, if a restriction is fulfilled in the same fiscal year in which a contribution is received or restricted investment income is earned, the University reports the support (and related expense) as unrestricted.

Permanently restricted net assets have restrictions that do not expire.

Permanently restricted net assets generally represent the original value of gifts, trusts and pledges which are permanently restricted by the donor. Generally the corpus (original gift) is invested in perpetuity and only the investment income is made available for program operations in accordance with the donor stipulations. In some instances, a portion of the investment income is added to the corpus and is reinvested in perpetuity as stipulated by the donor.

1. Summary of Significant Accounting Policies - continued

The following is a reconciliation of total fund balances at June 30, 1995, as previously reported and audited, to the restated total net asset balances for the same period:

Total Fund Balances, as previously reported at June 30, 1995	$213,632,093
Additions:	
Contributions receivable not previously included in assets	9,805,054
Deductions:	
Student loans provided by and ultimately refundable to the U.S. Government and therefore reclassified to liabilities	(3,569,546)
Actuarial present value of the estimated income stream payable to life income beneficiaries recognized as a liability	(3,815,659)
Advance from Federal government reclassified as a refundable advance	(1,000,000)
Other adjustments	(49,726)
Total Net Assets, restated at June 30, 1995	$215,002,216

Cash and Cash Equivalents (Cash)
All highly liquid cash investments with a maturity of three months or less when purchased by the University are considered to be cash equivalents.

Cash that is held for long-term investment is included in the Statement of Financial Position as investments. For example, cash held by endowment investment managers until suitable investment opportunities are identified, and cash held for the purchase of buildings and equipment, are reported as investments. As of June 30, 1996, cash held for long-term investment totaled $13,181,211.

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 at 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. These costs are amortized over a one year period on a straight-line basis from the date incurred as the related subscription revenues are earned.

In addition, deferred debt financing costs, which are amortized on a straight-line basis over a ten-year period, are included in this category.

Investments
Investments are stated at market 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. 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

Land, Buildings, and Equipment

Land, building, and equipment acquisitions are stated at cost if purchased, or fair value if gifted, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful life of the related asset.

Unearned Tuition Income

Tuition for summer school sessions is recognized as revenue in the fiscal year in which the classes are completed.

Unearned Subscription Income

Subscription revenue is 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.

Annuity Obligations

Some contributions received, such as interests in charitable gift annuity contracts and charitable trusts, impose obligations on the University to make payments to the donor or others. Annuity obligations arising from such split-interest gifts are recognized as a liability and are measured at the present value of the actuarially determined obligation.

Contributions

Contributions received, including unconditional donor promises, are recognized as revenue when the University receives the donor's commitment. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances for uncollectible pledges. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as "Net assets released from restrictions". However, if a restriction is fulfilled in the same fiscal year in which the contribution is received, the University reports the support as unrestricted. Conditional promises are recorded when donor stipulations are substantially met.

The University reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated asset must be used.

Grants and contracts

Revenue from government and private grants and contracts are recognized as they are earned in accordance with the agreements. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are recorded as receivables.

1. Summary of Significant Accounting Policies - continued

Endowment Spending Policy

The University follows an endowment spending policy which authorizes spending of a percentage of the three year average market value of most endowment funds. This percentage is established annually for each endowment by the University's President.

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. If endowment ordinary income received is not sufficient to support the spending policy distribution, the balance is provided from capital gains. If income is in excess of the spending policy distribution, the balance is reinvested in the endowment.

In 1996, the total investment return of endowment investments was $14,897,386 of which $11,761,890 was retained to preserve the real value of the original gifts. The average aggregate spending rate approximated 5%.

Non-Operating Activities

Non-operating activities reflect transactions of a long-term investment nature including:

- o permanently restricted private gifts and grants which are invested in perpetuity,
- o endowment investment earnings reinvested,
- o non-endowment investment gains and losses, and
- o nonrecurring significant fixed asset gains and losses.

Fair Value Disclosures

The market values of receivables, accounts payable and accrued liabilities, and unearned income approximate their carrying values.

The fair value of long-term debt was determined using the present value of the future cash flows of debt service payments (see note 6). The discount rate used was based on the current rate on similar debt issues.

The determination of the fair value of loan fund receivables, which are federally sponsored student loans with U.S. Government mandated interest rates and repayment terms and subject to significant restrictions, could not be made without incurring excessive costs.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas which require the use of management's estimates relate to the determination of the reserve for uncollectible contributions receivable, and the calculation of the annuity obligations.

2. Accounts Receivable

Accounts receivable consists of the following at June 30:

	1996	1995
Student accounts	$6,004,325	$6,572,366
Catholic Digest subscriptions	1,334,233	1,354,756
Less: allowance for doubtful accounts	(724,986)	(643,348)
	6,613,572	7,283,774
Government grant for Science and Engineering Center	3,461,371	
Other	2,414,482	2,581,874
Total	$12,489,425	$9,865,648

3. Contributions Receivable

Unconditional promises are recognized at the estimated present value of the future cash flows net of allowances, in the following time frame:

	1996	1995
In one year or less	$17,387,995	$4,730,673
Between one year and five years	15,111,391	7,016,359
More than five years	10,125,977	319,222
Total face value of pledges outstanding	42,625,363	12,066,254
Discount (to present value)	(6,520,400)	(1,211,200)
Allowance for uncollectible pledges	(3,410,000)	(1,050,000)
Contributions receivable	$32,694,963	$9,805,054

4. Investments

The following table summarizes the value of investments at June 30, 1996 and 1995:

	1996 Market Value	% of Total	1995 Market Value	% of Total
Cash and cash equivalents	$13,181,211	7.1%	$12,550,719	7.9%
Corporate stocks	114,997,685	61.6%	95,401,107	60.2%
Corporate bonds	8,482,411	4.5%	11,484,833	7.2%
Government securities	44,777,121	24.0%	36,839,391	23.3%
Mortgage backed securities	3,940,946	2.1%	2,030,816	1.3%
Other	1,221,614	0.7%	110,150	0.1%
Total market value	$186,600,988	100.0%	$158,417,016	100.0%
Total cost	$163,593,254		$139,730,270	

4. Investments - continued

The components of investments and investment earnings are summarized below:

Investments at beginning of year		$158,417,016
Endowment earnings		
Ordinary investment income (interest & dividends)	1,640,099	
Net realized and unrealized gains	13,257,287	
Total endowment investment earnings	14,897,386	
Less: withdrawn for operations (spending policy)	3,135,496	
Net endowment earnings reinvested		11,761,890
Other investment earnings		
Ordinary investment income	3,571,219	
Net realized and unrealized gains	6,782,638	
Total other investment earnings		10,353,857
Gifts		3,287,865
Other additions (withdrawals), net		2,780,360
Net change in investments		28,183,972
Investments at end of year		$186,600,988

Investment earnings, as reflected in the Statement of Activities, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating				
Other ordinary investment income (non-endowment)	$3,570,291	$928		$3,571,219
Endowment investment earnings used (the spending policy distribution)	3,135,496			3,135,496
Operating investment earnings	6,705,787	928		6,706,715
Non-operating				
Reinvested endowment earnings (in excess of spending policy)	9,383,274	803,382	$1,575,234	11,761,890
Net gain (loss) on other investments	6,843,428	(60,790)		6,782,638
Non-operating investment earnings	16,226,702	742,592	1,575,234	18,544,528
Total investment earnings	$22,932,489	$743,520	$1,575,234	$25,251,243

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 value of the loaned securities be placed with a third party trustee in the name of the University. At June 30, 1996, securities on loan totaled $18,739,535. The value of cash collateral held at this date was $19,138,473.

5. Land, Buildings, and Equipment

Land, buildings, and equipment and related accumulated depreciation at June 30 consist of the following:

	Estimated Useful Life (Years)	1996	1995
Land		$17,431,922	$13,301,992
Land improvements	15	3,901,931	3,361,652
Buildings	20 - 60	116,785,216	120,395,592
Equipment	5 - 15	36,412,883	33,848,723
Library Books	15	9,884,246	9,079,541
Art objects	0 - 15	1,084,623	966,565
Cost of Land, buildings, and equipment		185,500,821	180,954,065
Less: Accumulated depreciation		(64,981,360)	(58,686,645)
Land, buildings, and equipment, net of depreciation		120,519,461	122,267,420
Add: Construction-in-progress		10,447,233	1,885,697
Land, buildings, and equipment as reported		$130,966,694	$124,153,117

6. Bonds Payable

Bonds payable consists of the following at June 30:

	1996
MHEFA Refunding Mortgage Revenue Bonds, Series Three-R2 Payable through 2008, interest at 4% to 5.6%, collateralized by Minneapolis campus land, building, equipment and related revenues	$20,815,000
MHEFA Refunding Revenue Bonds, Series Three-R1 Payable through 2008, interest at 4% to 5.6%, uncollateralized, proceeds used for Murray Herrick, dormitory, and other additions	19,740,000
MHEFA Revenue Bonds, Series Four-A1 Payable through 2021, interest at 3.9% to 5.625%, uncollateralized, proceeds used for Science and Engineering Center	11,645,000
MHEFA Revenue Bonds, Series Three-I Payable through 2003, interest at 5.5% to 6.2%, collateralized by telecommunications system, boilers and plant headquarters building addition	8,350,000
MHEFA Variable Rate Demand Revenue Bonds, Series Four-A2 Payable 2021, variable interest rate (not to exceed 15%), uncollateralized, proceeds used for Science and Engineering Center	6,600,000
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	3,560,000

6. Bonds Payable - continued

	1996
Academic Building Bonds, 1969	677,000
Payable through 2009, interest at 3%, collateralized by O'Shaughnessy Educational Center building	
Dormitory Bonds, 1967	645,000
Payable through 2017, interest at 3%, collateralized by Brady Hall building and related net revenues	
Contract for Deed	580,000
Payable 2000, no stated interest rate (purchase of property adjacent to Minneapolis campus)	
Dormitory Bonds, 1957	100,000
Payable through 1997, interest at 2-7/8%, collateralized by Ireland and Dowling dormitory buildings and related net revenues	
Total face value of long-term debt	$72,712,000
Approximate market value of long-term debt	$73,600,000

Interest payments for fiscal year 1996 were $3,146,189.

The annual maturities for bonds payable at June 30, 1996, are as follows:

1997	$2,995,000
1998	3,176,000
1999	3,342,000
2000	3,313,000
2001	4,010,000
2002 and thereafter	55,876,000
	$72,712,000

7. Bank Lines of Credit

The University has two lines of credit which total $5,000,000 with interest generally at LIBOR plus 1%. The lines of credit are collateralized by certain investments. The University can borrow funds under the agreements for a period up to one year. At June 30, 1996 the University had no borrowings under the agreements.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes:

	1996	1995
Instructional activities	$2,251,032	$1,106,474
Buildings and equipment	11,956,612	2,886,064
Student financial aid	628,554	469,156
Other	1,224,045	1,999,065
	16,060,243	6,460,759
Annuity trust agreements	1,466,247	1,301,023
	$17,526,490	$7,761,782

8. Temporarily Restricted Net Assets - continued

Net assets were released from donor restrictions by incurring expenses which satisfied the restricted purpose or by the occurrence of other events specified by donors in the following manner:

	1996
Purpose restrictions accomplished:	
Instructional activities	$78,616
Buildings and equipment	648,641
Student financial aid	40,366
Other	259,130
Time restrictions expired:	
Death of annuity beneficiary	26,715
Total restrictions released	$1,053,468

9. Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to:

	1996	1995
Investment in perpetuity, the income from which is expendable to support:		
Student financial aid	$12,360,870	$10,133,331
Instructional activities	37,841,053	27,364,847
Other activities as restricted by the donor	5,695,551	563,125
Any activities of the University (unrestricted)	693,515	693,515
Annuity trust agreements that will ultimately be used to establish endowment funds for student financial aid and other purposes	1,480,094	1,092,771
	$58,071,083	$39,847,589

10. Retirement Benefits

Retirement benefits are provided for substantially all full-time 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 options. Contributions charged to unrestricted operations for these benefits were $3,206,468 for 1996.

Additional retirement benefits are provided for substantially all nonexempt (hourly) 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 for these benefits amounted to $199,092 for 1996.

11. 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.

Certain advertising and list rental income and income generated from meeting facilities are subject to unrelated business income tax. Related to these activities, the University has net operating loss carryforwards of approximately $6,100,000 at June 30, 1996 which expire in fiscal years 1997 through 2009. Valuation allowances have been established for the entire tax benefit associated with the loss carryforwards and consequently there is no impact on the attached financial statements.

12. Commitments and Contingencies

In the normal course of operations, the University is subject to various claims and lawsuits. Additionally, amounts received and expended under various federal and state programs are subject to audit by government agencies. 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.

During 1995, the University entered into agreements with various parties in connection with the construction of the Science and Engineering Center. The estimated cost of the facility (excluding equipment) is $31.8 million, of which approximately $15 million will be funded by a grant from the U.S. government.

On July 15, 1996, the University sold the Hazeltine Gates building in Chaska. An estimated loss of $4,842,916 from the sale of the building has been recorded as of June 30, 1996. The write-down is reported in the Statement of Financial Position as a reduction to "Land, Buildings, and Equipment" and within the Statement of Activities as "Nonrecurring loss on fixed assets and other."

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-time (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 Revenue Note has not been recorded as an asset due to the contingent nature of the payments on the note by the Agency.

13. Related Party Transaction

A member of the University's Board of Trustees is the chief executive officer of the company that is the primary general contractor for the construction of the Science and Engineering Center.

Also, pledges from certain Board of Trustee members are included in the financial statements.

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ALLIED IRISH BANKS, p.l.c.

Allied Irish Banks, p.l.c. ("AIB") is issuing the Original Letter of Credit through its New York Branch, a full branch banking facility which is licensed by the State of New York Banking Department and insured by the Federal Deposit Insurance Corporation.

AIB, originally named Allied Irish Banks Limited, was incorporated in the Republic of Ireland in September 1966 in connection with the amalgamation of three long-established banks (the "Constituent Banks") with assets aggregating IR£255 million; The Munster and Leinster Bank Limited (established 1885), Provincial Bank of Ireland Limited (established 1825) and the Royal Bank of Ireland Limited (established 1836). The shares of the Constituent Banks were acquired by and were transferred to AIB as a holding company. In 1972, AIB became the sole banking entity in place of the three Constituent Banks.

In December 1983, AIB acquired 43% of the outstanding shares of First Maryland Bancorp ("FMB"). FMB is engaged in general commercial and retail banking and trust business throughout the State of Maryland. On March 21, 1989 AIB completed the acquisition of the remaining shares in FMB. At December 31, 1996, FMB had total assets of US$10.8 billion and stockholders equity of US$1.2 billion.

On July 18, 1991, AIB acquired TSB Bank of Northern Ireland, plc (a bank with 56 branches in Northern Ireland) for IR£133.8 million (US$240.48 million*). The net assets of TSB Bank Northern Ireland, plc were IR£82.2 million translated at an exchange rate of IR£1 = STG£ 0.9040, the exchange rate prevailing at the date of acquisition.

On December 31, 1991, FMB completed its acquisition of the York Bank and Trust Company ("York Bank"), a State-chartered commercial bank based in York, Pennsylvania with assets of US$1.4 billion and in 1996 completed its acquisition of First Washington Bancorp which had total assets of $810m.

On December 29, 1995 AIB acquired an interest of 79.7% in the John Govett Group. The transaction makes AIB Ireland's largest fund manager with more than IR£13.9 billion of funds under management worldwide.

On July 8, 1997, FMB completed its acquisition of Dauphin Deposit Corporation ("Dauphin Deposit"), a Pennsylvania bank holding company. At December 31, 1996 Dauphin Deposit had total assets in US$5.9 billion and total deposits of US$4.0 billion.

AIB is the largest banking corporation organized under the laws of Ireland. At December 31st, 1996 AIB Group's total assets were IR£26.10 billion (US$43.88 billion**). AIB Group provides a diverse and comprehensive range of banking, financial and related services principally in Ireland, Britain and the United States. AIB Group is currently organized into three divisions: AIB Bank (comprising Ireland and Britain), USA and Capital Markets. AIB Bank, with assets of IR£12.3 billion (US$20.68 billion**) at December 31, 1996 provides banking and related services to retail and corporate customers through 446 branches and offices in Ireland, Britain, Channel Islands and the Isle of Man. The USA Division, with assets of IR£8.6 billion (US$11.10 billion**) at December 31, 1996 consists of AIB's wholly-owned subsidiary, FMB, and AIB New York Branch. The Capital Markets Division, with assets of IR£7.20 billion (US$12.10 billion**) at December 31, 1996, has responsibility for treasury operations worldwide, banking services for major corporate and state-owned entities in Ireland, international banking and investment banking services.

AIB's authorized capital is IR£250 million (US$420.28 million**) of which IR£168.2 million (US$282.76 million**) has been issued and fully subscribed. Pre-tax profits for the year ended December 31st, 1996 amounted to IR£421 million (US$707.74 million**). Profit after tax was IR£280.2 million (US$471.04 million**). Pre-tax profits for the six months ended June 30, 1997 amounted to IR£242.2 million (US$407.16 million**) - a 20 percent rise on the same period last year. Profit after tax rose by 23 percent on 1996 half-year levels to IR£164.6 million (US$276.71 million**) and return on equity was 22.3 percent.

* *Exchange Rate IR£1 = US$1.8000*
** *Exchange Rate IR£1 = US$1.6811*

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