OFFICIAL STATEMENT DATED JULY 30, 2004

NEW ISSUE **Rating: Moody's: A2**

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 net 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.")

$30,000,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Five-Y
(University of St. Thomas)

(DTC Book Entry Only)

Dated Date: August 1, 2004 **Interest Due: April 1 and October 1, commencing April 1, 2005**

The Bonds to mature annually on October 1 as follows:

Year	Principal	Rate	Yield	CUSIP: 60416H	Year	Principal	Rate	Yield	CUSIP: 60416H
2005	$340,000	3.000%	1.850%	DD 3	2010	$595,000	3.750%	3.560%	DJ 0
2006	$520,000	3.000%	2.300%	DE 1	2011	$615,000	4.000%	3.750%	DK 7
2007	$535,000	3.000%	2.690%	DF 8	2012	$640,000	4.000%	3.910%	DL 5
2008	$550,000	3.500%	3.050%	DG 6	2013	$665,000	4.125%	4.070%	DM 3
2009	$570,000	3.750%	3.310%	DH 4	2014	$690,000	4.250%	4.150%	DN 1

$4,005,000	5.25% Term Bonds due October 1, 2019	Price 105.703%	CUSIP 60416H DP 6
$5,150,000	5.00% Term Bonds due October 1, 2024	Price 99.868%	CUSIP 60416H DQ 4
$15,125,000	5.25% Term Bonds due October 1, 2034	Price 99.543%	CUSIP 60416H DR 2

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), at the direction of the University of St. Thomas (the "University"), Minnesota, the Bonds are subject to redemption in whole or in part prior to maturity, as described herein. See "THE BONDS – Prior Redemption – Optional Redemption." The Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and the Indenture, or in the event of a Determination of Taxability, as described herein. See "THE BONDS – Prior Redemption – Extraordinary Optional Redemption." The Bonds maturing on October 1, 2019, 2024 and 2034 are subject to mandatory redemption in installments. See "THE BONDS – Prior Redemption – Mandatory Redemption."

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

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

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters named below subject to the opinion as to validity and tax exemption of the Bonds by Best & Flanagan LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Moore, Costello & Hart, P.L.L.P., Saint Paul and Minneapolis, Minnesota and for the Underwriters by Faegre & Benson LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriters through the facilities of DTC on or about August 19, 2004.

PIPER JAFFRAY & CO. **DOUGHERTY & COMPANY LLC**

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.

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

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

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 with respect to the Bonds, other than as 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. Certain information contained in this Official Statement may have been obtained from sources other than records of the Authority or the University and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE UNIVERSITY SINCE THE DATE HEREOF.

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Gary D. Benson, Chair	Vice President, Kraus-Anderson Construction Company, Midwest Division, New Brighton, Minnesota
Raymond VinZant, Jr., Vice Chair	Policy Representative, Office of U.S. Senator Norman Coleman, Saint Paul, Minnesota
David D. Rowland, Secretary	Senior Vice President, St. Paul Travelers Companies, Inc., Edina, Minnesota
Carol A. Blomberg	Retired, former Market Administration Manager, Norwest Bank Minnesota, N. A., Nashwauk, Minnesota
Dr. Kathryn Balstad Brewer	Researcher and Consultant, New Brighton, Minnesota
Mary Ives	Real Estate Business Owner, Grand Rapids, Minnesota
Dr. David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota
Timothy M. Medd (Ex Officio)	Audit Manager, Minnesota Higher Education Services Office, Saint Paul, Minnesota
Christopher A. Nelson	Managing Director, Northland Insurance Company, Eagan, Minnesota
Michael D. Ranum	Chief Financial and Administrative Officer, Hazelden Foundation, Circle Pines, Minnesota

Marianne T. Remedios, Executive Director

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

$30,000,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES FIVE-Y
(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, a Minnesota nonprofit corporation (the "University"), owner and operator of an institution of higher education located in Saint Paul and Minneapolis, Minnesota, in connection with the issuance of the Authority's $30,000,000 Revenue Bonds, Series Five-Y (University of St. Thomas) (the "Bonds," the "Series Five-Y Bonds" or the "Issue").

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

The Bonds are also issued pursuant to the Trust Indenture (the "Indenture") to be dated as of August 1, 2004 between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") to be dated as of August 1, 2004 between the University and the Authority relating to the Bonds, the Authority is loaning the Bond proceeds to the University and the University will covenant as its general obligation to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The Bond proceeds, along with available University funds, will be used to:

1. construct, furnish and equip an apartment-style residence hall and a related parking facility on the University's Saint Paul campus;
2. fund a debt service reserve; and
3. pay certain issuance costs.

See "USE OF PROCEEDS" herein for a more detailed description of the Project.

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

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

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

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

RISK FACTORS

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

Risk of Insufficient Collateral

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

Adequacy of Revenues

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

Competition

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

Reliance on Tuition

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

Financial Aid

Approximately 90% of the University's undergraduate students currently receive some form of financial aid covering at least a portion of tuition and fees and living expenses. See Appendix I, "THE UNIVERSITY -- Financial Aid" herein. No assurance can be given that federal and state financial aid will continue to be funded at current levels or that the University will continue to fund its internal or institutional student aid at current levels. Curtailment of such aid could cause a decline in enrollment, which could in turn have an adverse effect on the University's revenues.

Damage or Destruction

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

Nature of *Pro Forma* Debt Service Coverage

Certain historical operating revenue for the University and computed *pro forma* debt service coverage is provided in Appendix I under the caption "Estimated Annual Debt Service for Fiscal Years 2005 and 2006 and *Pro Forma* 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 Bond and other debt service requirements.

Limited Obligation

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

No Limitation on Indebtedness or Liens

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

Also, neither the Loan Agreement nor such other loan documents restricts the University from granting a mortgage or security interest in any of the University's property to secure other existing indebtedness or future indebtedness of the University. If the University grants a mortgage or security interest in any of its property to secure other indebtedness, the holders of such secured indebtedness would have a claim on that property that is senior to the unsecured claim of the Bondholders. The University has granted a mortgage on its School of Law building located on its Minneapolis, Minnesota campus in favor of Allied Irish Banks, plc, New York Branch ("AIB") in connection with the $25,845,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-L (University of St. Thomas), dated April 25, 2002 (the "Series Five-L Bonds"). See "THE UNIVERSITY – Long-Term Debt." The Series Five-L Bonds in part financed the University's School of Law building. This mortgage secures indebtedness which may be owed to AIB and does not secure the repayment of the Series Five-L Bonds. The University has also granted other mortgages to secure certain debt. See "THE UNIVERSITY – Long-Term Debt."

Bankruptcy

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

Construction Risks

Groundbreaking for the Project occurred on May 20, 2004. The University expects to complete the Project by September 1, 2005.

Construction of the Project is subject to ordinary risks associated with new construction, such as risks of cost overruns, noncompletion and delays due to a variety of factors, including, among other things, site difficulties, necessary design changes or final detailing, labor shortage or strife, delays in and shortages of materials, weather conditions, fire and casualty. Any delays in construction may adversely impact the University's ability to complete the Project by the expected completion date, which may result in, among other things, cost overruns and the inability to rent units in the Project during the 2005-06 academic year.

See also "USE OF PROCEEDS" herein.

Derivative Products

The University has entered into an interest rate swap agreement in the past. See footnote 6 to the University's financial statements, Appendix VI hereto. The University may enter into other interest rate swap or similar arrangements in the future. Under certain market conditions, termination of an interest rate swap agreement prior to its expiration may require the University to pay a termination fee to the counterparty to the agreement and such payment could be material to the University.

Other Possible Risk Factors

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

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

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

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

CONTINUING DISCLOSURE

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

THE BONDS

General

The Bonds will be dated August 1, 2004 and will mature annually each October 1, commencing October 1, 2005, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing April 1, 2005.

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) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, 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 and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. 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 Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee, the University or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or redeemed, through its Direct Participant, to the nominee holding the Bonds, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct Participant's interest in the Bonds, on DTC's records, to the nominee holding the Bonds. The requirement for physical delivery of Bonds in connection with a purchase or redemption will be deemed satisfied when the ownership rights in the Bonds are transferred by the Direct Participants on DTC's records and followed by a book-entry credit of purchased or redeemed Bonds to the nominee holding the Bonds.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or 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 information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. The Authority, the University and the Underwriters do not take any responsibility for the accuracy thereof.

Prior Redemption

Mandatory Redemption

Portions of the Bonds maturing on October 1 in the years 2019, 2024 and 2034 (the "Term Bonds") shall be called for redemption on October 1 in the years set forth immediately below at a price equal to par plus accrued interest to the date fixed for redemption, without premium, from moneys in the Bond and Interest Sinking Fund Account.

Term Bond Due:

October 1, 2019		October 1, 2024	
Year	Amount	Year	Amount
2015	$720,000	2020	$ 930,000
2016	$760,000	2021	$ 980,000
2017	$800,000	2022	$1,025,000
2018	$840,000	2023	$1,080,000
2019†	$885,000	2024†	$1,135,000

Term Bond Due October 1, 2034:

Year	Amount	Year	Amount
2025	$1,190,000	2030	$1,535,000
2026	$1,250,000	2031	$1,615,000
2027	$1,315,000	2032	$1,700,000
2028	$1,385,000	2033	$1,790,000
2029	$1,460,000	2034†	$1,885,000

* Principal amount per maturity subject to change
† Stated Maturity

Optional Redemption

At the University's request, the Authority may elect to prepay on October 1, 2014 and on any day thereafter Bonds maturing on or after October 1, 2015. Redemption may be in whole or in part and if in part in such order of maturity as the University directs and selected by random means within a maturity. All prepayments shall be at a price equal to par plus accrued interest, without premium.

Extraordinary Optional Redemption

The Bonds will also be subject to optional redemption at a price equal to par plus accrued interest, without premium, in integral multiples of $5,000, as a whole or in part, in certain cases of damage to or destruction or condemnation of the Project Facilities, and upon a Determination of Taxability as provided in the Loan Agreement (see “THE BONDS -- Determination of Taxability” and “SUMMARY OF DOCUMENTS -- The Loan Agreement”).

Partial Redemption

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

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

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than 30 days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be secured by the Indenture.

Determination of Taxability

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

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

USE OF PROCEEDS

Proceeds of the Bonds will be loaned to the University and will, along with available University funds, be used to:

1. construct, furnish and equip an apartment-style residence hall and a related parking facility on the University's Saint Paul campus;
2. fund a debt service reserve; and
3. pay certain issuance costs.

The approximately 285,000 square foot apartment-style student housing facility (the "Project"), to be located on the University's Saint Paul campus, will contain approximately 422 beds in 120 units. Groundbreaking for the Project occurred on May 20, 2004 and construction is expected to be completed by September 1, 2005. Opus Corporation of Minnetonka, Minnesota is the general contractor and architect of record of the Project. Total costs of the Project, including construction, furnishings, and equipment but excluding financing costs and reserves, are estimated to be $28,500,000.

The University has entered into a guaranteed maximum price contract with Opus Corporation. Items which are not included in the guaranteed maximum price contract are extra costs resulting from a change in the Project by the University and the purchase of certain higher cost items.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of the Bonds	$30,000,000
Reoffering premium	218,000
University contributions	2,229,450
Total Sources:	$32,447,450
Uses of Funds	
Project Construction Costs	$28,500,000
Capitalized interest	1,471,350
Deposit to the Reserve Fund	1,986,100
Costs of Issuance	490,000
Total Uses:	$32,447,450

In the event Bond issuance costs including Underwriters' discount exceed 2% of the Bond proceeds, such excess shall be paid by the University from other than Bond proceeds.

SOURCE OF PAYMENT FOR THE BONDS

General

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

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

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

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

The Bonds 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 certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Reserve Account, a Bond and Interest Sinking Fund Account, and a Redemption Account. The net proceeds of the original issue and sale of the Bonds are to be deposited into the Construction Account, except that the amount of the Reserve Requirement shall be deposited into the Reserve Account and accrued interest, if any, will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the University as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve 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 the Bonds when due.

Construction Account

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except those required to be deposited into the Bond and Interest Sinking Fund Account and the Reserve Account. Upon receipt of specified documentation, the Trustee will reimburse, or pay for the account of the University, costs incurred in connection with the Project and costs of issuing the Bonds. 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 Redemption Account or the Bond and Interest Sinking Fund Account under certain conditions. In no event may proceeds of the Bonds be applied to the costs of issuance thereof (including underwriting discount) in an amount in excess of two percent of the proceeds of the Bonds. The University will agree in the Loan Agreement to provide, out of its own funds, for payment of all Project Costs that exceed the amount available in the Construction Account.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the University. Deposits into the Bond and Interest Sinking Fund Account shall be made at least five (5) Business Days prior to each Interest Payment Date in amounts equal to interest and, if applicable, principal due on such interest payment date.

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

Reserve Account

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

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the University shall immediately restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the University for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than March 1, 2005 and each September 1 and March 1 thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the lesser of the Reserve Requirement or the amount permitted for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not more than 30 days.

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

Redemption Account

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

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account, the Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, 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; constant dollar value money market funds that invest solely in direct United States government obligations and certain United States government agency indebtedness and which are rated in the highest rating category by a national rating agency; 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 highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

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.**

CONCURRENT AND FUTURE FINANCING

As of the date of this Official Statement the Authority, on behalf of the University, by means of a separate Official Statement, anticipates offering for sale $20,000,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-Z (University of St. Thomas) for the purpose of financing the construction of an academic building on the University's Minneapolis campus.

The University regularly improves, expands and changes its physical plant and incurs long-term financing as needed for these purposes. The University is in the process of expanding its Saint Paul campus boundary and adding buildings to the Saint Paul campus. The University anticipates that it will incur long-term debt in the future to finance all or a portion of this undertaking. Other than the Series Five-Y and Series Five-Z Bonds, the University does not anticipate financing any projects with debt within the next six months. See "RISK FACTORS – No Limitation on Indebtedness or Liens."

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.

Marianne T. Remedios has been the Executive Director of the Authority since May 1, 2000. Prior to her appointment, she was an associate and partner at Faegre & Benson LLP.

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $800 million. The Authority has had 141 issues (including refunded and retired issues) totaling over $1 billion, of which approximately $586 million is outstanding as of July 15, 2004. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions presently 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 operations of the Authority are financed solely from fees paid by the participating institutions; it has no taxing power.

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

FINANCIAL ADVISOR

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

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. and Dougherty & Company LLC (the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a purchase price of $29,918,306.90 (representing the aggregate principal amount of the Bonds less an underwriters' discount of $300,000 plus reoffering premium of $218,306.90) plus accrued interest.

The Underwriters intend to offer the Bonds to the public initially at the offering prices 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 law.

Michael Dougherty, a member of the University's Board of Trustees, is the founder and Chairman of Dougherty Financial Group, a holding company which includes Dougherty & Company LLC.

RATING

As noted on the cover hereof, Moody's Investors Service ("Moody's"), 99 Church Street, New York, New York has assigned the Bonds a rating of "A2." The rating reflects only the opinion of Moody's. Any explanation of the significance of the rating may be obtained only from Moody's.

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

LITIGATION

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

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Best & Flanagan LLP, 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., Saint Paul and Minneapolis, Minnesota, and for the Underwriters by Faegre & Benson LLP, Minneapolis, Minnesota.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the 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 income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

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

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

The Code imposes 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 are 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.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Best & Flanagan 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.

Bond Premium

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder’s tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

Original Issue Discount

The initial public offering price of the Term Bonds maturing on October 1 in the years 2024 and 2034 are less than the amount payable on such Bonds at maturity (the Bonds of such maturities are referred to herein as "Discount Bonds"). The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

THE UNIVERSITY

The University of St. Thomas (the "University"), 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. 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.

The main campus of the University is located in the west Summit Avenue area of Saint Paul, Minnesota, between the downtown districts of Saint Paul and Minneapolis. The University began its downtown Minneapolis presence in 1987. The University's Minneapolis campus is now comprised of three academic buildings, including the University's School of Law building, with a fourth academic building planned. The University also owns and operates the Daniel C. Gainey Conference Center near Owatonna, Minnesota and the Bernardi Campus in Rome, Italy. Academic programs are also provided in a number of other locations.

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 Board of Trustees, currently composed of 30 elected members, three ex-officio members and one alumni representative. The maximum number of trustees is 43. The Board elects its own members and each elected member serves a five-year term with no limit on the number of terms, although the norm is two terms (10 years). The alumni representative is the immediate past president of the Alumni Association and serves for a two-year term. 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, with all the rights, privileges, and responsibilities of other trustees. The Archbishop and the Vicar General are also the Chair and the Vice Chair, respectively, by virtue of their positions. The present Board consists of 29 lay persons and 5 clergy/religious.

Following is a list of the members of the Board of Trustees of the University and their business or professional affiliation, as of July 1, 2004:

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 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).

Executive Vice President / Chief Administrative Officer

Dr. Mark Dienhart assumed the position of Executive Vice President / Chief Administrative Officer in September, 2003 after serving as Senior Vice President of Institutional Advancement since April, 2001. He received his B.A. degree from the University of St. Thomas (1975), an M.A. degree in journalism (1978) and an M.A. degree in Mass Communications (1978) from the University of Minnesota and his Ph.D. in Higher Education Administration from the University of Minnesota (1988).

Executive Vice President / Chief Academic Officer

Dr. Thomas Rochon assumed the position of Executive Vice President / Chief Academic Officer in September, 2003. He received from the University of Michigan his B.A. in Political Science (1973), M.A. in Political Science (1976) and Ph.D. in Political Science (1980).

Vice President for Finance and Administration, Chief Financial Officer

Terrence O'Connor has been Vice President for Finance and Administration since July 1, 2000. He received his B.A. degree from DePaul University (1969) and is a Certified Public Accountant.

Chief Investment Officer

Dr. Michael Sullivan assumed the position of Chief Investment Officer in July 2000 after serving as the University's Vice President for Business Affairs from October 1985. He received his B.A. degree from St. John's University (Collegeville, Minnesota) (1974) and has a Ph.D. in Educational Administration from the University of Minnesota (1982).

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, the Daniel C. Gainey Conference Center in or near the City of Owatonna, and the Bernardi campus in Rome, Italy. As of June 30, 2003, the book value of all property and equipment, net of depreciation, was $244,990,534; buildings and contents have an insured value of $409,634,274.

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 28 major buildings, including classroom/office facilities, student residences, a stadium and a field house and parking facilities. Seven residence halls and two University-owned apartment buildings are currently configured for a capacity of 1,963 students.

The University established its Minneapolis campus in downtown Minneapolis in 1992. That campus now spans three city blocks and consists of three buildings with construction on the fourth scheduled to begin in 2004 (financed by the Series Five-Z Bonds). Additionally, the University leases a parking facility which it has an option to purchase at the end of the lease period, has an option to purchase additional land in downtown Minneapolis, and has other developable space on land it owns in downtown Minneapolis.

Libraries

The University has four principal libraries, two on its Saint Paul campus and two on its Minneapolis campus. 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.

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 University is comprised of ten academic divisions and awards the following degrees in those divisions:

- College of Arts and Sciences (bachelor's and master's)
- College of Business (bachelor's and master's)
- Graduate School of Professional Psychology (master's and doctorate)
- Graduate Programs in Software Engineering (master's)
- School of Engineering (bachelor’s and master's)
- St. Paul Seminary School of Divinity (master's and doctorate)
- School of Education (bachelor's, master's, education specialist and doctorate)
- School of Law (juris doctor)
- School of Social Work (bachelor's and master's)
- School of Continuing Studies (bachelor's)

In cooperation with other institutions in the Associated Colleges of the Twin Cities (“ACTC”), the B.A. degree is awarded in 78 major areas and the B.S. degree in 10 major areas.

The University offers undergraduate licensure and career related programs in Air Force, Army and Navy ROTC; pre-dentistry; pre-engineering; pre-law; pre-physical therapy; pre-pharmacy; pre-veterinary and pre-medicine; and elementary and secondary teacher education.

The B.S. degree is awarded in Actuarial Science, Biochemistry, Business Administration (Real Estate Studies), Chemistry, Economics, Physical Education Health Promotion, Physical Education Health Promotion – Science Emphasis, and Physics.

The B.S.E.E. degree is awarded in electrical engineering.

The B.S.M.E. degree is awarded in mechanical engineering.

The University currently has 50 graduate programs, including 42 masters programs, two education specialist programs, one juris doctor and five doctoral programs.

The University has many 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 John M. Morrison Center for Entrepreneurship.

Faculty and Staff

The faculty-student ratio at the University is approximately 1 to 14. There is no religious or denominational prerequisite or 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 2003, the University employed 419 full-time and 366 part-time faculty. Total employees number approximately 1,877. The total payroll for the Fiscal Year ended June 30, 2003 was $85,969,925, not including contributed services of 10 religious employees.

The following table lists the average salary of the lay members of the full-time University faculty for the 2003/2004 academic year.

Title	Average Salary
Professor	$78,387
Associate Professor	64,236
Assistant Professor	54,860
Instructor	46,213

The following table lists the degrees and professional designations held by the full-time faculty members for the 2003/2004 academic year.

	Number
Doctorate	364
Master of Arts, Juris Doctorate, Certified Public Accountant	45
Bachelor of Arts	2
Not Reported	8
Total	419

Freshman Applications, Acceptances and Enrollments

	1999/00	2000/01	2001/02	2002/03	2003/04
Applications	2,853	3,204	3,257	3,094	2,980
Acceptances	2,467	2,636	2,639	2,706	2,583
Percent Accepted	86%	82%	81%	87%	87%
Fall Enrolled	1,046	1,072	1,071	1,097	1,039
Percent Enrolled to Accepted	42%	41%	41%	41%	40%
Mean ACT Scores	24.7	25.0	25.0	24.9	24.8

The University's applications in process for the 2004/05 school year as of June 21, 2004 are as follows:

Total Applications	4,217
Accepted	3,435
Confirmed	1,161

The University has undertaken strategies for school year 2004-05 to increase the number applications it receives. These strategies include new outreach initiatives and waiver of an application fee.

Transfer Student Enrollment – Fall Semester – Undergraduate Day Program

1999/00	2000/01	2001/02	2002/03	2003/04
295	264	273	265	246

Enrollments

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

	1999/00	2000/01	2001/02	2002/03	2003/04
Headcount					
Undergraduate	5,399	5,469	5,416	5,429	5,236
Graduate and Professional	5,556	5,966	6,154	5,937	5,843
Total	10,955	11,435	11,570	11,366	11,079
FTEs					
Undergraduate	5,004	5,078	5,061	5,081	4,914
Graduate and Professional	2,843	3,180	3,332	3,334	3,333
Total	7,847	8,258	8,393	8,415	8,247

The table below reflects students attending classes at the University's respective campuses. Students who attend classes at more that one campus are counted as a student at each campus.

Campus	1999/00	2000/01	2001/02	2002/03	2003/04
Saint Paul	7,780	7,069	7,105	7,010	6,975
Minneapolis	2,173	3,176	3,123	3,254	3,373
Other	1,878	1,775	1,985	1,897	1,889
Total	11,831	12,020	12,213	12,161	12,237

Student Body

There is no religious or denominational prerequisite or any participating religious requirement for students of the University other than in the School of Divinity. The fall term enrollment at the University for the 2003/2004 academic year is 11,079; with a full-time equivalent ("FTE") enrollment of 8,247. Approximately 81% of the 2003/2004 undergraduate freshman class were from the State of Minnesota. Women comprise approximately 51% of the total graduate and undergraduate student body.

Housing

Students may live either off campus or in one of the residence halls on the Saint Paul campus. Substantially all students living on the Saint Paul campus also must board on campus. As of fall 2003 the University had nine student residences on the Saint Paul campus with a capacity of 1,963 and all were fully occupied. Approximately 93% of the fall 2003 entering first year students lived on campus and 40% of the undergraduate day student population for the academic year 2003/2004 resided on the Saint Paul campus.

The Project will add approximately 422 beds to the University's residences, a 21.5% increase from current capacity.

Tuition

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

	2000/01	2001/02	2002/03	2003/04	2004/05
Undergraduate (full-time) per academic year	$17,088	$18,096	$19,468	$ 20,608	$ 21,440
Graduate education and religious education per credit	$ 405	$ 417	$ 432	$ 449	$ 476
Graduate School of Business, per credit	$ 463	$ 491	$ 520	$ 551	$ 584
School of Law (full-time) per credit	n/a	$ 723	$ 752	$ 782	$ 821

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, 1999 through 2003 as well as the University's estimate for Fiscal Year 2004.

Year	Tuition and Fees
1999	$ 96,923,291
2000	104,630,617
2001	113,640,265
2002	123,645,665
2003	132,973,676
2004 (estimate)	136,000,000

2004/2005 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Comprehensive Charges)

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges
Carleton College	$30,666	$6,309	$36,975
Macalester College	$26,806	$7,350	$34,156
St. Olaf College	$25,150	$5,800	$30,950
Minneapolis College of Art & Design	$23,910	$5,550	$29,460
Gustavus Adolphus College	$22,955	$5,810	$28,765
University of St. Thomas	**$21,828**	**$6,838**	**$28,666**
Hamline University	$22,083	$6,346	$28,429
College of Saint Benedict	$22,148	$6,208	$28,356
Saint John's University	$22,148	$6,027	$28,175
College of St. Catherine	$21,050	$5,808	$26,858
Augsburg College	$20,758	$6,080	$26,838
College of St. Scholastica	$20,760	$5,916	$26,676
Bethel College	$19,990	$6,570	$26,560
Concordia University, St. Paul	$19,928	$6,156	$26,084
Saint Mary's University of Minnesota	$17,905	$5,470	$23,375
Concordia College, Moorhead	$17,770	$4,690	$22,460
Bethany Lutheran College	$14,742	$4,982	$19,724
AVERAGE	$21,800	$5,995	$27,795

These are "standard," fulltime, academic year charges for new entering students. Several colleges have differential tuition for upper-level students or other policies that result in some variation across class levels and students.

NOTE: Comprehensive charges are reduced for many students through financial assistance. Approximately 87 percent of private college students apply for and receive financial assistance, with the amounts and types of aid determined in relation to family resources, calculated need, government formulas and financial aid funding and other factors. Typical assistance provided to students includes Federal and State grants (if applicant qualifies), institutional grants, loans and work-study determined in relation to the student's needs and other factors.

Source: The Minnesota Private College Council

Financial Aid

Approximately 90% of the University's undergraduate students currently receive some form of financial aid through grants, loans and work study funds from federal, state, University or private sources. 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.

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FINANCIAL AID BY TYPE

Year Ended June 30	Number of Students (a)	Univ. of St. Thomas	Restricted Funds (b)	Supple-mental Education Opportunity Grants (c)	Total UST, Restricted, and SEOG	PELL Grants (c)	State of Minnesota Grant Program	State of Minnesota SELF Loan Program	PERKINS Loan Program (c), (d)	STAFFORD Loan Program (c), (e) Subsidized	STAFFORD Loan Program (c), (e) Unsubsidized	Work Study (f)	Total
1999	5,829	$16,333,858	$2,547,895	$471,354	$19,353,107	$1,633,108	$5,035,328	$2,142,945	$ 696,377	$14,239,234	$ 8,162,782	$2,679,360	$53,942,241
2000	6,149	$17,795,304	$2,624,356	$483,525	$20,903,185	$1,508,772	$4,933,189	$2,588,415	$ 753,230	$13,677,268	$ 8,716,989	$2,641,658	$55,722,706
2001	5,929	$18,678,149	$3,065,153	$617,416	$22,360,718	$1,653,684	$4,850,773	$2,753,352	$ 708,200	$14,106,862	$10,243,998	$2,775,578	$59,453,165
2002	6,619	$21,287,626	$4,360,605	$594,367	$26,242,598	$1,797,632	$4,696,184	$2,681,121	$ 853,996	$15,094,171	$12,501,323	$2,979,060	$66,846,085
2003	7,067	$24,458,929	$3,925,189	$618,993	$29,003,111	$1,932,928	$4,632,226	$2,150,242	$1,261,610	$15,336,947	$17,970,049	$3,087,160	$75,374,273

(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% University share.
(e) STAFFORD Loans previously called the Guaranteed Student Loan program
(f) Includes federal, State, and University work-study funds. Excludes summer session work-study days.

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. Employees elect to have their contributions sent to either Teachers Insurance and Annuity Association and College Retirement Equity Fund (TIAA/CREF) or 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 their selected carrier. 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. The cost of these benefits to the University was $6,028,124 for 2002 and $6,472,118 for 2003.

The University also makes available to all faculty and staff a tax deferred voluntary 403(b) arrangement. This arrangement allows faculty and staff to make contributions to their own retirement account on a pre-tax basis. The faculty and staff have nine (9) investment companies (Savings Vehicles) from which to choose.

Union employees covered under Teamster Local 120 agreement and Local 70 agreement have the same pension provisions as faculty and staff at the University. Union electricians have benefits contributions paid by the University to IBEW per the benefit plan prescribed by their union.

Unions

The International Brotherhood of Teamsters Local 120 represents approximately 65 employees who are on the custodial or groundskeeping staff of the University. The terms for Local 120 employees are covered under a three-year agreement with Teamsters Local 120. The agreement runs from February 1, 2002 through January 31, 2005.

The International Union of Operating Engineers Local 70, AFL-CIO, which represents seven engineers, signed an agreement covering the engineers which runs from January 1, 2004 to December 31, 2006.

The Saint Paul Chapter of the National Electrical Contractors Association and the International Brotherhood of Electrical Workers, Local Union No. 110, AFL-CIO agreement covers three electricians at the University. The University provides benefits to Local 110 employees through the arrangement established by the union agreement for the broader union membership.

Independent Accountants

The financial statements as of June 30, 2003 and 2002 and for the years then ended, included in Appendix VI, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein.

Statement of Financial Activity for Fiscal Years 1999 through 2003

The table on the following page summarizes the University's statements of unrestricted activities for the Fiscal Years ended June 30, 1999 through 2003. For more complete information of the University for the Fiscal Years ended June 30, 2003 and 2002, see Appendix VI of this Official Statement.

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UNIVERSITY OF ST. THOMAS
Statement of Unrestricted Activities
For the years ended June 30,

	1999	2000	2001	2002	2003
Operating Revenues					
Tuition & Fees	96,923,291	104,630,617	113,640,265	123,645,665	132,973,676
Less: student aid	(19,353,107)	(20,903,185)	(22,360,718)	(26,242,598)	(29,003,111)
Net tuition and fees	77,570,184	83,727,432	91,279,547	97,403,067	103,970,565
Sales and services of educational enterprises	7,842,267	7,505,473	7,165,929	5,791,782	5,618,312
Sales and services of auxiliary enterprises	20,377,094	22,006,094	23,040,719	23,773,176	23,887,185
Private gifts and grants	12,772,276	12,569,092	7,016,848	5,768,324	5,938,324
Federal grants and contracts	1,477,345	1,837,517	2,034,146	2,463,772	2,176,222
State grants and contracts	2,209,632	1,538,770	2,414,819	2,353,406	1,638,742
Investment earnings used -- endowment	3,978,088	4,414,645	5,251,354	6,238,267	6,704,501
Investment earnings used -- non-endowment	6,136,224	8,440,260	8,545,063	7,902,437	9,538,266
Other Revenue	4,473,458	5,873,180	5,361,962	4,612,515	4,422,202
Net assets released from restriction	4,441,951	3,940,568	5,081,880	5,668,257	4,491,015
Total Operating Revenues	141,278,519	151,853,031	157,192,267	161,975,003	168,385,334
Operating Expenditures					
Instruction and other services					
Instruction	53,937,934	59,300,686	66,754,380	69,787,102	74,475,283
Educational enterprises	7,760,549	8,773,947	9,454,932	7,401,076	7,235,971
Auxiliary enterprises	20,610,635	21,962,800	23,300,498	22,744,311	22,472,902
Student activities and services	12,502,714	13,831,827	14,501,452	14,742,594	15,059,502
Academic support	7,293,749	7,607,076	8,042,962	8,214,554	8,666,321
Libraries	4,797,002	5,716,255	6,188,588	6,525,372	7,492,407
Student financial aid (externally funded)					
Public service	3,032,581	2,993,177	3,254,776	2,016,124	1,836,751
Research	317,472	391,415	469,797	342,767	480,330
Total instruction and other services	110,252,636	120,577,183	131,967,385	131,773,900	137,719,467
Management and general					
General Administration & support	11,616,474	12,970,070	15,218,498	15,842,338	16,571,410
Other institutional expenditures	6,502,121	6,419,134	6,772,288	7,375,739	8,160,695
Development	2,667,199	3,396,908	3,984,279	3,493,905	3,285,828
Total Management and General	20,785,794	22,786,112	25,975,065	26,711,982	28,017,933
Total Operating Expenditures	131,038,430	143,363,295	157,942,450	158,485,882	165,737,400
Net Operating Income (loss)	**10,240,089**	**8,489,736**	**(750,183)**	**3,489,121**	**2,647,934**
Non-Operating Activities					
Investment earnings reinvested (withdrawn) -- endowment	1,196,909	6,410,013	(610,525)	(13,321,340)	(1,783,646)
Investment earnings (withdrawn) reinvested -- non-endowment	(1,067,864)	198,336	(4,041,727)	(10,251,638)	(5,754,707)
Net gain(loss) on other investments					
(Loss) gain on disposal of property and equipment				(572,125)	(42,914)
Change in donor-imposed restriction			3,978,000		
Net Non-Operating Income (loss)	**129,045**	**6,608,349**	**(674,252)**	**(24,145,103)**	**(7,581,267)**
Net increase (decrease) in net assets from continuing operations	**10,369,134**	**15,098,085**	**(1,424,435)**	**(20,655,982)**	**(4,933,333)**
Discontinued operation					
Income/(loss) from operations of discontinued Catholic Publishing Center	200,359	819,314	(20,775)	(369,596)	
Gain on disposal of Catholic Publishing Center				6,744,178	
Net increase (decrease) in net assets from discontinued operation	**200,359**	**819,314**	**(20,775)**	**6,374,582**	
Net (decrease) increase in net assets	**10,569,493**	**15,917,399**	**(1,445,210)**	**(14,281,400)**	**(4,933,333)**
Net assets, beginning of year	247,216,555	257,786,048	276,642,756	275,197,546	260,916,146
Restatement to include William C. Norris Institute assets merged into University		2,939,309			
Net assets, end of year	**257,786,048**	**276,642,756**	**275,197,546**	**260,916,146**	**255,982,813**

Source: Audited financial statements of the University.

Management Discussion Regarding Fiscal Year 2004

The audited financial statements of the University for the fiscal year ended June 30, 2004 are not yet available. They will not be available until the fall of 2004.

For the fiscal year ended June 30, 2004, the University estimates that Unrestricted Net Assets will show an increase of approximately $4.95 million. This compares to a decline in Unrestricted Net Assets for the fiscal year ended June 30, 2003 of $4.9 million.

The improved financial performance is the result of increased investment earnings and cost control measures implemented by the University.

For the nine months ended March 31, 2004, investment earnings totaled approximately $40 million. Preliminary results for the quarter ended June 30, 2004 show that investment results for the quarter were flat. The University anticipates that these investment earnings, net of spending per University Endowment Spending Policy, will result in a net addition to Unrestricted Net Assets of $15 million for the fiscal year ended June 30, 2004. For the prior fiscal year, investment earnings were approximately $7.6 million. See “Investments – Endowment and Quasi-Endowment” in this Appendix I.

The largest single component of total University revenue is undergraduate tuition. For the fiscal year ended June 30, 2004, undergraduate net tuition credit hours declined by approximately 2.5% compared to the prior fiscal year. During the fiscal year, the University implemented cost control measures that the University expects will offset the decline in undergraduate tuition revenue resulting from the decrease in undergraduate net tuition credit hours.

Contributions Receivable

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

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

The University'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.

	2003	2002
In one year or less	$16,268,680	$18,102,308
Between one year and five years	49,599,057	51,425,713
More than five years	70,644,204	24,900,928
Total face value of pledges outstanding	136,511,941	94,428,947
Discount (to present value)	(34,688,119)	(16,536,546)
Allowance for uncollectible pledges	(6,360,000)	(4,870,000)
Contributions receivable	$95,463,822	$73,022,401

Capital Campaign

On September 20, 1996, the University publicly announced its Ever Press Forward capital campaign with a goal of $120 million. The campaign closed on December 31, 2001 with gifts and commitments exceeding $260 million.

The University's previous capital campaign was completed 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, 1999 through 2003 include (i) endowment funds which are subject to the restrictions of gift instruments requiring the principal to be maintained in perpetuity and only the income to be utilized either for donor specified purposes or for general University purposes; and (ii) funds functioning as endowment ("Quasi-Endowment") which represent expendable funds received which, by decision of the Board of Trustees of the University, have been retained and invested for the future benefit of the University, which can be utilized, if and when the need arises, for current operating and capital expenditure purposes at the discretion of the Board of Trustees. The following tables state the net assets for endowment and similar funds as of June 30, for each of the Fiscal Years 1999 through 2003.

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Net assets as of June 30, 1999:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Endowment and Similar Funds				
Endowment	$ 65,423,756	$4,174,110	$88,188,099	$157,785,965
Quasi-Endowment	70,969,217	0	0	70,969,217
Life Income	0	0*	1,966,123	1,966,123**
Total	$136,392,973	$4,174,110	$90,154,222	$230,721,305

Net assets as of June 30, 2000:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Endowment and Similar Funds				
Endowment	$ 71,486,344	$4,765,891	$110,884,424	$187,136,659
Quasi-Endowment	69,574,750	0	0	69,574,750
Life Income	0	0*	2,210,172	2,210,172**
Total	$141,061,094	$4,765,891	$113,094,596	$258,921,581

Net assets as of June 30, 2001:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Endowment and Similar Funds				
Endowment	$ 68,687,539	$4,836,664	$113,674,428	$187,198,631
Quasi-Endowment	65,308,719	0	0	65,308,719
Life Income	0	0*	1,922,193	1,922,193**
Total	$133,996,258	$4,836,664	$115,596,621	$254,429,543

Net assets as of June 30, 2002:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Endowment and Similar Funds				
Endowment	$ 54,501,656	$3,417,898	$125,377,955	$183,297,509
Quasi-Endowment	57,934,272	0	0	57,934,272
Life Income	0	0*	1,962,687	1,962,687
Total	$112,435,928	$3,417,898	$127,340,642	$243,194,468

Net assets as of June 30, 2003:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Endowment and Similar Funds				
Endowment	$ 51,940,440	$3,269,911	$149,653,540	$204,863,891
Quasi-Endowment	51,947,970	0	0	51,947,970
Life Income	0	0*	1,997,359	1,997,359
Total	$103,888,410	$3,269,911	$151,650,899	$258,809,220

* *Life income funds of a temporarily restricted nature are not part of endowment funds.*
** *Net of annuity obligations and present value liabilities.*

Investments – Total

The following table shows the University's total investments for the quarter ending March 31 for the past five years:

March 31:	Investments
2000	$ 315,795,000
2001	$ 295,366,000
2002	$ 315,155,000
2003	$ 275,580,000
2004	$ 344,411,000

Investments – Endowment and Quasi-Endowment

Following is a five-year history of the University's Net Assets held as endowment funds and Unrestricted Net Assets held as long-term investments (quasi-endowment funds) at market value:

Fiscal Year Ending June 30	Endowment	Long-Term Investment (Quasi-Endowment)	Total
1999	$157,785,965	$70,969,217	$228,755,182
2000	$187,136,659	$69,574,750	$256,711,409
2001	$187,198,631	$65,308,719	$252,507,350
2002	$183,297,509	$57,934,272	$241,231,781
2003	$204,863,891	$51,947,970	$256,811,861

The fund balances described above reflect a portion of the University's Total Net Assets and are the funds that are subject to the University's Endowment Spending Policy. The University's Endowment Spending Policy has followed the total return concept for its endowment funds and long-term investment funds. Under this concept, endowment income and long-term investment income to be distributed and spent for operational purposes is established as a percentage of the three-year average of year-end value. This percentage is determined annually by the Board of Trustees and has approximated 5% of true endowment funds for the years ended June 30, 2002 and 2003.

Line of Credit

U.S. Bank, National Association, provides a $10,000,000 revolving line of credit to the University for short-term borrowing. The University typically draws on the line of credit annually over an eight-week period from mid-July to mid-September, repaying any draws on the line of credit at the end of that period. The line of credit expires on December 15, 2005, unless renewed.

Long-Term Debt

The University has the following long-term debt outstanding as of July 1, 2004:

(a) $1,050,000 Dormitory Bonds of 1967, dated April 1, 1967, at 3%; remaining principal is $445,000 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 a general obligation of the University, secured by (i) a first mortgage lien on Brady Hall and (ii) net revenues from the operation of the building.

(b) $1,346,000 Academic Building Bonds of 1969, dated June 1, 1969, at 3%; remaining principal is $324,000 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 a general obligation of the University, secured by a first mortgage lien on O'Shaughnessy Educational Center. The University received gifts from I.A. O'Shaughnessy that are functioning as a term endowment to provide principal and interest.

(c) $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 $10,500,000 due October 1, 2004 through 2021. The proceeds financed a portion of the acquisition, construction and equipping of the O'Shaughnessy and Owens Science Halls. The bonds are an unsecured general obligation of the University.

(d) $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 $18,370,000 due April 1, 2005 through 2022. The proceeds, together with proceeds from the Series Four-O Bonds, financed the construction, furnishing, and equipping of Morrison Hall and adjacent parking facilities on the Saint Paul campus. The bonds are a general obligation of the University, secured by a debt service reserve fund.

(e) $10,800,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Four-O, dated September 25, 1997, principal outstanding is $10,800,000. Holders may tender bonds on seven days' notice; interest is re-set weekly. The principal amount of the bonds is due on October 1, 2021. The proceeds refunded the Authority's Series Four-A2 Bonds and, together with proceeds from the Series Four-M Bonds, financed the construction, furnishing and equipping of Morrison Hall and adjacent parking facilities on the University's Saint Paul Campus. The bonds are a general obligation of the University, secured by a Letter of Credit from Allied Irish Bank. The University may elect to redeem Series Four-O Bonds prior to maturity.

(f) $15,435,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-P, dated December 1, 1997 at various rates of interest; principal outstanding is $13,495,000 due April 1, 2005 through 2023. The proceeds financed the acquisition, construction and equipping of Opus Hall on the University's Minneapolis campus. The bonds are a general obligation of the University, secured by a debt service reserve fund.

(g) $10,000,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-C, dated October 28, 1999, principal outstanding is $10,000,000. Holders may tender bonds on seven days' notice; interest is re-set weekly. The principal amount of the bonds is due on April 1, 2025. The proceeds financed the renovation, equipping, and furnishing of Albertus Magnus Hall located on the campus of the University in Saint Paul, Minnesota. The bonds are a general obligation of the University, secured by a Letter of Credit from Allied Irish Bank. The University may elect to redeem Series Five-C Bonds prior to maturity.

(h) $25,845,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-L, dated April 25, 2002, principal outstanding is $24,255,000. Holders may tender bonds on seven days' notice; interest is re-set weekly. The final maturity is April 1, 2027. The proceeds financed (1) the construction, equipping, and furnishing of the University's School of Law building on the University's Minneapolis campus, and (2) the refunding of the outstanding principal balance of the Authority's Series Three-C Bonds. The bonds are a general obligation of the University, secured by a Letter of Credit from Allied Irish Bank. The University may elect to redeem Series Five-L Bonds prior to maturity.

(i) $23,575,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-T, dated December 1, 2003 at various rates of interest; principal outstanding is $23,575,000 due October 1, 2004 through 2014. The proceeds financed the refunding of the outstanding principal of the University's Series Three-R1 Bonds and Series Three-R2 Bonds. The bonds are a general obligation of the University, secured by a debt service reserve fund.

As of July 1, 2004, the total of long-term debt outstanding is $111,764,000. The University's long-term debt will increase by the principal amount of the Bonds upon issuance and by the principal amount of the University's Series Five-Z Bonds upon their issuance.

Estimated Annual Debt Service for Fiscal Years 2005 and 2006 and *Pro Forma* Coverage Statement

The following table shows for Fiscal Years 2005 and 2006 information related to the *pro forma* debt service coverage for outstanding University debt, combined with the estimated debt service on the Bonds and the Series Five-Z Bonds for those Fiscal Years.

The columns included in the table include the following information:

Column 1 shows fiscal year ends.

Column 2 shows the actual debt service for the Bonds during Fiscal Years 2005 and 2006 as determined on the Bond sale date of July 22, 2004. The True Interest Cost ("TIC") on the Bonds is 5.114%.

Column 3 shows the estimated debt service for the Series Five-Z Bonds during Fiscal Years 2005 and 2006, which are expected to be issued at variable interest rates. The debt service on the Series Five-Z Bonds has been estimated at 3.50% by using the average of variable rates for similar issues for approximately the past 15 years. The actual interest rate on the Series Five-Z Bonds will be reset weekly, will vary, and could exceed the estimated rate. Column 3 also assumes a level semiannual principal paydown for the Series Five-Z Bonds, although Series Five-Z principal could be repaid with a different amortization schedule. This column does not include fees associated with variable rate bonds.

Column 4 shows the University's estimated annual debt service for Fiscal Years 2005 and 2006 with respect to all University long-term indebtedness outstanding as of June 1, 2004. Portions of the University's outstanding debt consist of variable rate debt, and the rate on such debt is estimated as described in the paragraph immediately above.

Column 5 shows the University's estimated combined long-term debt, adding the actual debt service on the Bonds to the estimated debt service on the Series Five-Z Bonds and the University's outstanding long-term debt for Fiscal Years 2005 and 2006.

Column 6 shows the amount of University revenue that was available for debt service for Fiscal Year 2003 as further detailed in footnote (e) to the table.

Column 7 shows *pro forma* debt service coverage for the combined estimated annual debt service provided by the amount available for debt service for Fiscal Year 2003.

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

The table is intended merely to show the relationship of amounts available for the University's debt service for Fiscal Year 2003 to a statement of the University's combined estimated annual debt service for Fiscal Years 2005 and 2006 based on a combination of actual debt service requirements and estimated assumed interest rates and amortization schedules with respect thereto. It is not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the University. There is no assurance that the future amounts available for debt service, debt service and debt service coverage of the University or the respective relationships thereof will correspond to the *pro forma* amount available for debt service, *pro forma* debt service coverage, combined estimated long-term debt service or the respective relationships thereof shown by or reflected in the following table.

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Estimated Annual Debt Service for Fiscal Years 2005 and 2006 and *Pro Forma* Coverage Statement

Fiscal Year Ending June 30, (1)	Debt Service on the Bonds (a) (2)	Estimated Debt Service on Series Five-Z Bonds (b) (3)	Estimated Outstanding Long-term Debt Service (c) (4)	Estimated Combined Long-term Debt Service (d) (5)	FY 2003 Amount Available for Debt Service (e) (6)	*Pro Forma* Coverage (times) (f) (7)
2005	$ 982,379	$ 450,167	$ 9,333,674	$ 10,766,220	$ 13,722,905	1.27
2006	1,808,469	1,225,784	9,176,820	12,211,073	13,722,905	1.12
	$ 2,790,848	$ 1,675,950	$ 18,510,495	$ 22,977,293		

(a) Debt service on the Bonds was determined on the Bond sale date of July 22, 2004. The TIC on the Bonds is 5.114%.

(b) The Series Five-Z Bonds are variable rate bonds. Debt service is based on a level semiannual principal paydown and an estimated interest rate of 3.50% obtained by using the average of variable rates for similar issues for approximately the past 15 years.

(c) Portions of the University's outstanding debt consist of variable rate debt. The rate on such debt is estimated as described in footnote (b) immediately above.

(d) The sum of Columns (2), (3) and (4).

(e) Calculation of amount available for debt service for Fiscal Year ended June 30, 2003, based on the University's Fiscal Year 2003 audited financial statements:

Unrestricted Net Operating Income	$ 2,647,934
Plus:	
Depreciation and amortization	8,835,300
Debt service interest	4,643,063
Other additions	-0-
Less:	
Unrealized gains on investments	(92,484)
Net assets released from restriction for land, building and equipment	(2,310,908)
Other reductions	-0-
Amount available for debt service	$ 13,722,905

(f) Column (6) divided by Column (5).

PROPOSED FORM OF LEGAL OPINION

BEST & FLANAGAN LLP
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August __, 2004

$30,000,000 Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Five-Y (University of St. Thomas)

We have acted as Bond Counsel in connection with the issuance of the Bonds described above. We have examined the law and certified copies of the proceedings and other certificates of public officials furnished to us in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority"), of its $30,000,000 Revenue Bonds, Series Five-Y (University of St. Thomas) (the "Bonds"). We have examined the law and such other certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations of the Authority and the University of St. Thomas, a Minnesota nonprofit corporation (the "Corporation"), contained in the Loan Agreement dated as of August 1, 2004 (the "Loan Agreement") between the Corporation and the Authority, the Indenture of Trust dated as of August 1, 2004 (the "Indenture") between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota (the "Trustee"), the Bond Purchase Agreement among the Authority, the Corporation and Piper Jaffray & Co., the Opinion of Moore, Costello & Hart, P.L.L.P., St. Paul, Minnesota, of even date herewith, as counsel to the Corporation, the certified proceedings and other certifications of public officials furnished to us, and certifications by officials of the Corporation without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), it is our opinion that:

(a) The Authority is an agency of the State of Minnesota duly organized and existing under the laws of the State of Minnesota, with authority under Minnesota Statutes, Sections 136A.25 to 136A.42, as amended (the "Act"), to issue the Bonds, to loan the proceeds thereof to the Corporation pursuant to the Loan Agreement and to execute and deliver the Indenture to secure the Bonds;

(b) the Loan Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and create valid and binding special obligations of the Authority, enforceable upon the Authority in accordance with their terms;

(c) the proceedings show lawful authority for the issuance of the Bonds under the Indenture and under the provisions of the Constitution and laws of the State of Minnesota now in force, including the Act;

(d) the Bonds have been duly and validly executed and delivered by the Authority and are valid and binding special obligations of the Authority, enforceable in accordance with their terms, secured by and entitled to the benefits provided by the Indenture; the Bonds are payable solely from the revenues and other sums irrevocably pledged to the payment of the Bonds and interest thereon under the Indenture;

(e) the Bonds are not a general obligation or indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority or charge against its general credit or taxing powers, but are payable solely from the revenues in accordance with the provisions of the Indenture; and

(f) as of their date of issuance, the Bonds are not arbitrage bonds; and interest on the Bonds is excluded from gross income for United States income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"); and is excluded to the same extent in computing taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, for the purpose of computing the federal alternative minimum tax imposed on corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in the first sentence of this paragraph is subject to the conditions that the Authority, the Trustee and the Corporation comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be so included in federal gross income or Minnesota taxable net income retroactive to the date of issuance of the Bonds. The Authority, the Trustee and the Corporation have covenanted to comply with such requirements. We express no opinion regarding other federal or state tax consequences arising with respect to ownership of the Bonds, including the receipt or accrual of interest thereon.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Dated at Minneapolis, Minnesota this _____ day of August, 2004.

BEST & FLANAGAN LLP

ANNUAL REPORT INFORMATION

The Annual Report Date will be the first day of April following each fiscal year end, commencing with the fiscal year ended June 30, 2004. The Annual Report will contain:

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

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

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

        - Faculty and Staff
        - Student Body
        - Tuition
        - Financial Aid
        - Investments – Total
        - Investments – Endowment and Quasi-Endowment

    b. Information as to gifts, bequests and grant support for the most recent complete fiscal year.

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

    d. An update of footnote (e) on the Estimated Annual Debt Service for Fiscal Years 2005 and 2006 and *Pro Forma* Coverage Statement provided in the Official Statement.

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DEFINITION OF CERTAIN TERMS

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

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

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

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

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

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

Board of Trustees: The Board of Trustees of the Corporation, including any Executive Committee or other 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 date of the original issuance, sale and delivery of any series of Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on July 21, 2004, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-Y (University of St. Thomas) and any Additional Bonds.

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

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

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

Corporation: The University of St. Thomas, a Minnesota nonprofit corporation, as owner and operator of the Institution, its successors and assigns.

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

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

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

Financial Journal: <u>The Bond Buyer</u>, 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 Corporation's fiscal year, initially the 12-month period commencing on July 1 in each year.

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

Holder, Bondholder, or Owner: The person in whose name a Bond shall be 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 Wells Fargo Bank, National Association, Minneapolis, Minnesota, as Trustee, dated as of August 1, 2004, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

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

Interest Payment Date: April 1 and October 1 of each year, commencing April 1, 2005 and any other date on which the principal and interest on the Bonds shall be payable.

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

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

Loan Agreement: The Loan Agreement between the Authority and the Corporation relating to the Bonds, dated as of August 1, 2004, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the Corporation to the Trustee pursuant to Section 4.01(a), (b), (c) and (f) of the Loan Agreement.

Net Proceeds: When used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the Corporation as owner or lessee 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.

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

Project: The Project consists of the construction, equipping and furnishing of a residential hall and related parking facility to be located on the Corporation's Saint Paul campus.

Project Buildings: The residence hall and related parking facility, each of which is to be constructed, furnished and equipped with the proceeds of the Bonds, including investment earnings.

Project Costs: Costs properly payable from the Construction Account in relation to the Project.

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds, including investment earnings.

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

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

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

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

Reserve Account: The Reserve Account established under the Indenture, into which at Bond Closing will be placed Bond proceeds in the amount of the Reserve Requirement. Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient thereof and may be used in the discretion of the Trustee to pay rebate due to the United States under

Section 148 of the Internal Revenue Code if the Corporation or the Authority fails to provide for payment of any rebate.

Reserve Requirement: (a) if no Additional Bonds are outstanding, shall mean the least of (i) the maximum amount of principal of and interest on the Series Five-Y Bonds that accrues and is payable in any remaining Bond Year or (ii) 10% of the proceeds (par value less original issue discount, if any) received from the issuance and sale of the Series Five-Y Bonds or (iii) 125% of the average annual debt service of the Series Five-Y Bonds, or (b) if Additional Bonds are outstanding, shall mean the sum of (x) the amount set forth in subsection (a) plus (y) the least of (i) the maximum amount of principal of and interest on Additional Bonds that accrues and is payable in any Bond Year or (ii) 10% of the proceeds (par value less any original issue discount) received from the issuance and sale of the Additional Bonds or (iii) 125% of the average annual debt service of the Additional Bonds.

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

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

Underwriters: Collectively, Piper Jaffray & Co. and Dougherty & Company LLC as original purchasers of the Bonds.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The Corporation agrees that it will proceed with all reasonable dispatch to (a) improve and construct the Project Buildings substantially in accordance with the construction documents now on file in the office of the Corporation as such construction documents are from time to time amended by the Corporation and (b) acquire and install all items of Project Equipment and all Building Equipment which, in the opinion of the Corporation, is necessary for the full use and enjoyment of the Project Facilities. The Corporation 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 Corporation, 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 who is bond counsel to the Authority shall be furnished to the Corporation, the Authority and the Trustee to such effects. The acquisition, construction and installation of the Project shall be in accordance with all applicable zoning, planning and building regulations of governmental authorities having jurisdiction of the Project. The construction of the Project Buildings and acquisition and installation of the Project Equipment and Building Equipment may be performed in the manner determined by the Corporation and by any means available to the Corporation with or without advertisement for bids. The Corporation will cause said construction, acquisition and installation of the Project to be substantially completed by no later than August 19, 2007 and all amounts in the Construction Account to be expended by no later than August 19, 2007, delays subject to "force majeure", as that term is used in Loan Agreement, only excepted.

Loan Repayments

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

(a) At least five (5) Business Days prior to each April 1 and October 1, commencing April 1, 2005, the Corporation shall deposit into the Bond and Interest Sinking Fund Account, a sum which will be equal to the amount payable as interest on the Series Five-Y Bonds on such interest payment date, and, at least five (5) Business Days prior to each October 1, commencing on October 1, 2005, a sum equal to the amount payable as principal of the Series Five-Y Bonds on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account (including amounts transferred from the Construction Account pursuant to the Indenture), and (ii) any credits permitted by the Indenture; and

(b) On or prior to a date established for the optional redemption or mandatory redemption and prepayment of any Series Five-Y Bonds pursuant to the Loan Agreement, the Corporation shall deposit into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Five-Y Bonds called for redemption from the Redemption Account; and

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

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

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

(f) The Corporation shall deposit at least five (5) Business Days prior to each October 1, commencing October 1, 2015, into the Bond and Interest Sinking Fund Account, a sum which will be equal to the amount, if any, as shall be necessary and sufficient to redeem on such October 1, at par plus accrued interest, the amount of the Series Five-Y Term Bonds specified in the Indenture.

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

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

Use of Project Facilities

So long as the Bonds are outstanding and the Corporation owns the Project facilities, the Corporation will own, use and operate the Project Facilities at all times as educational facilities, eligible to be and defined as a “project” under the Act, and not as facilities for sectarian instruction or as a place of religious worship nor primarily in connection with any part of a program of a school or department of divinity for any religious denomination. The Corporation agrees that it will not use or permit to be used the Project Facilities in such manner or to such an extent as would cause interest on the Bonds to be includable in gross income of the recipient for federal income tax purposes or loss of the Corporation’s status as an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Maintenance of Project Facilities

The Corporation agrees that so long as the Bonds are outstanding, the Corporation will keep the Project Facilities in good repair and good operating condition at its own cost. The Corporation will make such repairs, modifications and replacements as are necessary in the judgment of the Corporation that the Project will remain a “project” under the Act and the interest on the Bonds will be exempt from federal income taxation and may make such repairs, modifications and replacements subject to the same conditions. The Corporation represents that it has no present intention to sell or otherwise dispose of the Project Facilities except to the extent Project Facilities become obsolete or worn out. The Corporation may sell, transfer, lease or sublease or enter into agreements in the ordinary course of business for the use of all or any part of the Project Facilities so long as (i) the tax exempt status of the Bonds will not be affected thereby, (ii) no such transaction or agreement shall be inconsistent with the provisions of the Loan Agreement, the Indenture, or the Act, (iii) the Corporation shall remain fully obligated under the Loan Agreement, as if such transaction or agreement had not been made, and (iv) in the case of any such sale or transfer or in the case of any lease to or occupancy by persons who are not students, employees or faculty of the Corporation, an opinion of Bond Counsel is provided to the Trustee to the effect that tax exemption of the interest on the Bonds is not adversely affected. The Corporation may demolish any of the Project Facilities that in the Corporation's judgment are worn out, obsolete, or require replacement.

Operating Expenses and Liens

The Corporation will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities; provided, that the Corporation may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the Corporation that, in the opinion of Independent Counsel, by nonpayment of any such items the Project Facilities or any part thereof will be subject to loss or forfeiture, in which event the Corporation shall promptly pay and cause to be satisfied and discharged all such unpaid items.

Taxes and Other Governmental Charges

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

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

Insurance

The Corporation 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 under a policy or policies covering such risks as are ordinarily insured against by similar institutions, 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 not more than $250,000.

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

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

Upon the written request of the Corporation, the Trustee (i) may permit modifications to such insurance requirements and deductible amounts, including permission for the Corporation to be self-insured in whole or in part for any comprehensive general public liability 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 Corporation and satisfactory to the Trustee.

The Corporation is required to provide to the Trustee, on or before October 1 of each year, a Certificate of Insurance Compliance in the form attached to the Loan Agreement. Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the Corporation 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 Corporation will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $1,000,000, the Corporation shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

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 Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, there shall be no abatement in the Loan Repayments, and to the extent that the Net Proceeds of the award is not greater than $1,000,000, the Corporation will promptly replace, rebuild or restore the property so taken 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 Net Proceeds of the award exceeds $1,000,000, the Corporation shall either replace, 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.

Removal or Release of Project Equipment and Building Equipment

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

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

(b) the Corporation may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the Corporation pays a sum equal to the then value of such Project Equipment as determined by an independent engineer selected by the Corporation, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of any item of equipment so removed was less than $100,000, such release without substitution and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an independent engineer upon such showing by the Corporation as may be satisfactory to the Trustee; and

(c) the Corporation may remove any Building Equipment without substitution therefor provided that such removal will not materially impair the character or revenue producing significance or value of the Project Facilities, and the Corporation shall furnish the Trustee a Certificate of an Authorized Institution Representative to that effect.

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 $100,000 the Corporation will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal, or release, as the case may be, of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

Indemnification

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

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

Existence and Accreditation of Corporation

The Corporation agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets or all or substantially all the assets of the 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 Corporation, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the Corporation in the Loan Agreement and shall be either a state college 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 Corporation shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

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

The Corporation 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 Corporation and all organizations under common management or control with the Corporation (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000. Under the Loan Agreement, in no event will the Corporation 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 Corporation or such other resulting entity, and all organizations under common management or control with the Corporation or such resulting entity (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code.

Institution to be Nonsectarian

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

Federal Income Tax Status

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

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest payable on the Bonds is includable in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, in whole or in part, on the next date for which due notice can be given or any date thereafter and the redemption price therefor shall be equal to par plus accrued interest (including additional interest from the Date of Taxability).

Other Covenants

The Corporation further agrees to comply with all applicable laws and regulations against unlawful discrimination (except with respect to the School of Divinity), and not to discriminate on account of religion, 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 Authority or the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; and to observe all applicable State laws and regulations, including those of the Authority, the Department of Education and the Minnesota Higher Education Services Office. The Corporation agrees to indemnify the Authority from losses arising from certain representations made by the Corporation regarding the absence of hazardous waste on the Project Facilities.

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

Events of Default

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

(a) If the Corporation shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account and Redemption Account on a Bond principal or interest payment date are insufficient to pay when due principal 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 Corporation that such payment has not been made; or

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

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

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

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

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

(g) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Corporation or the

Corporation or of the whole or any substantial part of the property of the Corporation, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control.

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

Remedies on Default

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

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

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

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

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

Amendments

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

THE INDENTURE

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

Granting Clauses

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

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

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

Additional Bonds

In addition to the Bonds, the Indenture permits the issuance of one or more series of Additional Bonds by the Authority, acting at the request of the Corporation, equally and ratably secured on a parity with the Bonds to provide funds for the following purposes: (i) completing the Project, (ii) refunding of all or any series or portion of series of then outstanding Bonds, (iii) improving or altering, repairing or replacing the Project Facilities, or (iv) other project or projects as authorized by the Act.

The issuance of Additional Bonds requires, among other things, evidence satisfactory to the Authority of the Corporation's ability to meet debt service on the Additional Bonds.

Furthermore, to the extent required by the Authority, the Corporation shall make additional deposits to the Reserve Account and execute supplements to the Loan Agreement and the Indenture. Additional Bonds may not be issued unless in the opinion of bond counsel the exclusion of interest on the outstanding Bonds from gross income of the holders for federal income tax purposes shall not be jeopardized.

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 Corporation (giving the Corporation the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

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

Remedies

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

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

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

Concerning the Trustee

The Trustee has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the Corporation to the same extent as if it were not Trustee.

There shall at all times be a trustee under the Indenture which shall be a national association or a corporation organized and doing business under the laws of the United States or the State of Minnesota, authorized under such laws to exercise corporate trust powers, having an office and place of business in the State of Minnesota, having a combined capital, surplus and undivided profits of at least Ten Million Dollars ($10,000,000), and subject to supervision or examination by Federal or State authority.

Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor.

The Trustee may resign and be discharged from the trusts created by the Indenture by giving to the Authority thirty days’ notice in writing, and to the Bondholders notice by publication, of such resignation specifying a date when such resignation shall take effect. Such resignation shall take effect on the day specified in such notice unless previously a successor trustee shall have been appointed by the Bondholders as hereinafter provided, in which event such resignation shall take effect immediately on the appointment of such successor trustee.

Any Trustee may be removed at any time by the holders of a majority in principal amount of the Bonds outstanding or by the Authority at the request of the Corporation.

In case at any time the Trustee shall resign or shall be removed or otherwise shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory officer shall take charge or control of the Trustee or of its property or affairs, a successor Trustee may be appointed by the Holders of a majority in principal amount of the said Bonds hereby secured and then outstanding, but until a new Trustee shall be appointed by the Bondholders, the Authority shall, subject to the provisions hereof, appoint a Trustee to fill such vacancy.

If no appointment of a successor Trustee shall be made pursuant to the Indenture within six months after a vacancy shall have occurred in the office of Trustee, the Holder of any Bond hereby secured or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor trustee.

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the Corporation shall:

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

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

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

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

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

Supplemental Indentures

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

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

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

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

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

(e) to create a series of and authorize Additional Bonds; and

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

In addition and subject to the provisions set forth below, the Holders of not less than 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 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 (except as provided in Section 2.09 of the Indenture), or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or the Loan Agreement as set forth in the Indenture.

Amendments to the Loan Agreement

The Authority and the Corporation with the consent of the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or Indenture, (b) for the purpose of curing any ambiguity, inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, (d) in connection with implementing the issuance of Additional Bonds in accordance with Section 2.09 of the Indenture, or (e) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

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

Registration

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

THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions of the Continuing Disclosure Agreement. This summary does not purport to be complete and reference is made to the full text of the Continuing Disclosure Agreement for a complete recital of its terms.

The Corporation has undertaken the responsibility for continuing disclosure to bondholders as described below, and the Authority shall have no liability to the holders of the Bonds or any other person with respect to continuing disclosure.

The Corporation has covenanted for the benefit of holders of the Bonds to provide certain financial information and operating data by not later than the first day of April following the end of the Corporation's fiscal year commencing with fiscal year ending June 30, 2004, and to provide notices of the occurrence of certain enumerated events, if material.

The Continuing Disclosure Agreement will be executed and delivered by the Corporation, the Disclosure Agent and the Authority, for the benefit of the holders of the Bonds in order to enable the Underwriters to reasonably determine an "undertaking" has been entered into sufficient to assure compliance with the ongoing disclosure requirements of SEC Rule 15c2-12(b)(5).

Definitions

"Annual Report" means, with respect to the Reporting Party, a document or set of documents which contains (or includes by reference as provided herein) financial and operating data with respect to the Reporting Party described in Exhibit "A" of the Continuing Disclosure Agreement.

"Annual Report Date" means, with respect to each Annual Report, the date so designated in Exhibit "A" thereto.

"Disclosure Representative" means, with respect to the Reporting Party, the person identified in Section 10 of the Continuing Disclosure Agreement hereof as the recipient of notices to be sent hereunder or such other person as the Reporting Party shall designate by written notice to the Trustee.

"Listed Events" shall mean any of the events listed below.

"National Repository" shall mean, as of the date of determination, any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriters" shall mean Piper Jaffray & Co. and Dougherty & Company LLC.

"Reporting Party" shall mean, subject to release as provided in "Termination" below, the Corporation; together with any successors or assigns as provided in Section 4 of the Continuing Disclosure Agreement.

"Repository" shall mean each National Repository and each State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934, as in effect on the date hereof.

"State Repository" shall mean any public or private repository or entity designated by the State of Minnesota as a state repository for the purpose of the Rule. As of the date of the Continuing Disclosure Agreement, there is no State Repository.

Provisions of Annual Report

On or before the Annual Report Date, the Corporation shall cause the Annual Report to be delivered to the Authority, the Trustee and each Repository. To the extent included in an Annual Report, the financial statements shall be audited and prepared in accordance with generally accepted accounting principles. Each Annual Report may incorporate any information on file with each Repository or the Commission, instead of setting forth the information in the annual report. Concurrently with the delivery of the Annual Report to the Trustee, there shall be delivered written evidence from or on behalf of the Reporting Party stating whether or not the Annual Report has been provided to each Repository.

If the Trustee has not received an Annual Report by March 1 of each year, commencing with March 1, 2005, together with the certification by the Reporting Party described above, the Trustee shall promptly notify the Disclosure Representative of the failure to receive the Annual Report and the certification.

Reporting of Listed Events

The Trustee shall promptly notify the Reporting Party of any of the following occurrences (each, a “Listed Event”) of which it has actual knowledge; and no later than three Business Days after receiving actual notice of the occurrence of a Listed Event, the Reporting Party shall notify the Trustee in writing of the Listed Event:

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

No later than five Business Days after either (i) the Reporting Party has received notice from the Trustee of a Listed Event or (ii) the Reporting Party is required to give notice of a Listed Event to the Trustee, the Reporting Party shall give notice of the occurrence of the Listed Event, if material, to each Repository and, if required, to the MSRB.

The Trustee shall promptly give notice to each Repository or MSRB of a failure of the Reporting Party to provide the Annual Report on or before the Annual Report Date.

Termination of Reporting Obligation

The Reporting Party’s obligations under the Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment

Notwithstanding any other provision of the Continuing Disclosure Agreement, the Reporting Party and the Trustee may amend any provision of the Continuing Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Reporting Party so long as, in the judgment of the Trustee, its burdens or liabilities are not increased thereby), subject to the following conditions:

(a) the amendment is in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Reporting Party or type of business conducted;

(b) the Continuing Disclosure Agreement, after giving effect to the amendments, would have complied with the requirements of the Rule as of the date of the Official Statement, after taking into account any subsequent amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the Trustee either determines, in its discretion, that the amendment does not materially impair the interest of the Holders of the Bonds or obtains the consent of Holders of at least 51% in aggregate principal amount of the Bonds then outstanding.

In addition, any Annual Report containing amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information.

Additional Information

Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the Reporting Party from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement.

Default

In the event of a failure of the Reporting Party to provide a timely Annual Report or to report the occurrence of a Listed Event, the Trustee or any Holder of Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Reporting Party to provide the reports. In the event of a failure of the Reporting Party to comply with provisions (with regard to the Annual Report and Reporting of Listed Events) or a challenge to the adequacy of any report, the Trustee may (and, at the request the Holders of at least 51% of the aggregate principal amount of Bonds then outstanding, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Reporting Party to comply with its obligations under the Continuing Disclosure Agreement.

Beneficiaries

This Agreement shall inure solely to the benefit of the parties hereto, the Participating Underwriters and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

2002-2003 FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Suite 1300
650 Third Avenue South
Minneapolis MN 55402
Telephone (612) 596 6000
Facsimile (612) 373 7160

Report of Independent Auditors

To the Board of Trustees of the
University of St. Thomas

In our opinion, the accompanying statement of financial position and the related statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of the University of St. Thomas at June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University of St. Thomas's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University of St. Thomas's 2002 financial statements, and in our report dated August 30, 2002, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

September 12, 2003

University of St. Thomas
Statement of Financial Position
As of June 30, 2003 and 2002

	2003	2002
Assets		
Cash and cash equivalents	$1,136,647	$4,145,993
Accounts receivable, net	8,041,103	8,969,455
Inventories	1,512,871	1,322,466
Prepaid expenses and other assets	4,582,357	2,454,689
Contributions receivable, net	95,463,822	73,022,401
Loans to students, net	4,558,538	4,335,854
Investments	268,820,746	297,253,395
Land, buildings, and equipment, net	244,990,534	222,864,497
Total assets	**$629,106,618**	**$614,368,750**
Liabilities and net assets		
Liabilities		
Accounts payable and accrued liabilities	$10,625,012	$12,330,104
Unearned tuition income	5,941,722	6,333,136
Refundable advance	200,000	300,000
Other liabilities	2,797,945	1,902,464
Assets held in custody for others	10,808,959	10,382,667
Annuity obligations	5,178,857	6,695,373
Bonds payable	118,713,000	123,050,000
Advances from federal government for student loans	3,938,024	3,869,260
Total liabilities	**158,203,519**	**164,863,004**
Net assets		
Unrestricted:		
Operations	16,073,783	15,247,477
Long-term investment	103,888,410	112,435,928
Invested in plant	136,020,620	133,232,741
Total unrestricted	**255,982,813**	**260,916,146**
Temporarily restricted	**63,269,387**	**61,248,958**
Permanently restricted	**151,650,899**	**127,340,642**
Total net assets	**470,903,099**	**449,505,746**
Total liabilities and net assets	**$629,106,618**	**$614,368,750**

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

University of St. Thomas
Statement of Activities
For the year ended June 30, 2003
(with comparative totals for 2002)

	2003				2002
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues					
Tuition and fees	$132,973,676			$132,973,676	$123,645,665
Less: student aid	(29,003,111)			(29,003,111)	(26,242,598)
Net tuition and fees	103,970,565			103,970,565	97,403,067
Sales and services of educational enterprises	5,618,312			5,618,312	5,791,782
Sales and services of auxiliary enterprises	23,887,185			23,887,185	23,773,176
Private gifts and grants	5,938,324	$6,560,213		12,498,537	14,887,646
Federal grants and contracts	2,176,222			2,176,222	2,463,772
State grants and contracts	1,638,742			1,638,742	2,353,406
Investment earnings used - endowment	6,704,501			6,704,501	6,238,267
Investment earnings used - non-endowment	9,538,266	114,738		9,653,004	7,960,532
Other revenue	4,422,202			4,422,202	4,636,344
Net assets released from restrictions	4,491,015	(4,491,015)			
Total operating revenues	168,385,334	2,183,936		170,569,270	165,507,992
Operating expenditures					
Instruction and other services					
Instruction	74,475,283			74,475,283	69,787,102
Educational enterprises	7,235,971			7,235,971	7,401,076
Auxiliary enterprises	22,472,902			22,472,902	22,744,311
Student activities and services	15,059,502			15,059,502	14,742,594
Academic support	8,666,321			8,666,321	8,214,554
Libraries	7,492,407			7,492,407	6,525,372
Public service	1,836,751			1,836,751	2,016,124
Research	480,330			480,330	342,767
Total instruction and other services	137,719,467			137,719,467	131,773,900
Management and general					
General administration and support services	16,571,410			16,571,410	15,842,338
Other institutional expenditures	8,160,695			8,160,695	7,375,739
Development	3,285,828			3,285,828	3,493,905
Total management and general	28,017,933			28,017,933	26,711,982
Total operating expenditures	165,737,400			165,737,400	158,485,882
Net operating income	**2,647,934**	**2,183,936**		**4,831,870**	7,022,110
Non-operating activities					
Permanently restricted gifts			$25,335,202	25,335,202	12,156,852
Investment earnings withdrawn - endowment	(1,783,646)	(163,507)	(1,024,945)	(2,972,098)	(14,859,703)
Investment earnings withdrawn - non-endowment	(5,754,707)			(5,754,707)	(10,251,638)
Loss on disposal of property and equipment	(42,914)			(42,914)	(427,021)
Net non-operating (loss) income	**(7,581,267)**	**(163,507)**	**24,310,257**	**16,565,483**	(13,381,510)
Net (decrease) increase in net assets from continuing operations	**(4,933,333)**	**2,020,429**	**24,310,257**	**21,397,353**	(6,359,400)
Discontinued operation					
Loss from operations of discontinued Catholic Publishing Center					(369,596)
Gain on disposal of Catholic Publishing Center					6,744,178
Net increase in net assets from discontinued operation					6,374,582
Net (decrease) increase in net assets	**(4,933,333)**	**2,020,429**	**24,310,257**	**21,397,353**	15,182
Net assets, beginning of year	260,916,146	61,248,958	127,340,642	449,505,746	449,490,564
Net assets, end of year	**$255,982,813**	**$63,269,387**	**$151,650,899**	**$470,903,099**	$449,505,746

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

University of St. Thomas
Statement of Cash Flows
For the years ended June 30, 2003 and 2002

	2003	2002
Cash flows from operating activities		
Increase in net assets	$21,397,353	$15,182
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	8,835,300	9,100,606
Net realized and unrealized investment (gains) losses	(92,484)	17,915,928
Gifts of property and equipment	(309,339)	(268,171)
Contributions restricted for long-term investment	(3,429,303)	(8,451,876)
Interest and dividend income restricted for long-term investment	(124,362)	(274,450)
Noncash contributions of marketable securities	(2,554,032)	(6,496,374)
Increase in allowance for uncollectible pledges	1,490,000	310,000
Loss on disposal of land, buildings, and equipment	42,914	427,021
Change in operating assets and liabilities		
Decrease (increase) in operating assets		
Accounts receivable, net	928,352	1,550,468
Contributions receivable	(23,931,421)	(2,129,257)
Other operating assets	(2,540,757)	1,254,891
(Decrease) increase in operating liabilities		
Accounts payable and accrued expenses	(1,705,092)	(2,618,983)
Other operating liabilities	(617,393)	(6,308,589)
Net cash (used) provided by operating activities	**(2,610,264)**	**4,026,396**
Cash flows from investing activities		
Purchases of investments	(137,592,706)	(206,029,248)
Proceeds from sales and maturities of investments	168,671,870	190,186,434
Expenditures for land, buildings, and equipment	(30,707,998)	(14,378,367)
Proceeds from sale of land, buildings, and equipment	13,087	2,395,293
Net cash provided (used) in investing activities	**384,253**	**(27,825,888)**
Cash flows from financing activities		
Proceeds from contributions restricted for endowment, and for land, buildings, and equipment	3,429,303	8,451,876
Proceeds from the issuance of bonds payable	1,000,000	25,845,000
Payments on bonds payable	(5,337,000)	(7,661,000)
Interest and dividend income restricted for long-term investment	124,362	274,450
Net cash (used) provided by financing activities	**(783,335)**	**26,910,326**
Net (decrease) increase in cash and cash equivalents	(3,009,346)	3,110,834
Cash and cash equivalents at beginning of year	4,145,993	1,035,159
Cash and cash equivalents at end of year	**$1,136,647**	**$4,145,993**

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

1. Summary of Significant Accounting Policies

Organization

The University of St. Thomas is a Catholic, coeducational, comprehensive university that offers a broad range of undergraduate and graduate degree programs at the main campus in St. Paul and at its campus in Minneapolis. The University also 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.

Net assets and related revenues and expenses are classified 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 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 (such as capital projects, pledges to be paid in the future, or 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

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. Cash held for long-term investment totaled $18,951,564 and $38,615,799 at June 30, 2003 and 2002, respectively.

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 bookstores.

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.

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.

Assets Held In Custody For Others
Assets held in custody for others represents primarily investments that are held and administered by the University, but are owned by other non-profit organizations. These investments are included within investments in the Statement of Financial Position.

1. Summary of Significant Accounting Policies - continued

Annuity Obligations

Some contributions received, such as interests in charitable gift annuity contracts and charitable trusts, have donor imposed obligations to make payments to the donor or other beneficiaries. Annuity obligations arising from such gifts are established at the time of the contribution using life expectancy actuarial tables and are revalued annually. Actuarial gains and losses resulting from the annual revaluation of annuity obligations are reflected as temporarily or permanently restricted, consistent with the method used to initially record the contributions.

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. 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 liability.

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 president of the University. The average aggregate spending rate approximated 5% in 2003 and 2002.

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 investment income received is not sufficient to support the spending policy distribution, funds may be withdrawn from investment return earned in prior years. If income is in excess of the spending policy distribution, the balance is reinvested in the endowment.

1. Summary of Significant Accounting Policies - continued

Non-Operating Activities

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

- permanently restricted private gifts and grants which are invested in perpetuity,
- endowment investment earnings reinvested, and withdrawals above the spending policy,
- board designated non-endowment investment earnings reinvested, and withdrawals above the spending policy,
- other non-endowment investment gains or losses,
- reclassification of prior gifts among net asset categories due to changes in donor-imposed restrictions,
- nonrecurring fixed asset gains and losses.

Fair Value Disclosures

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

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

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values will occur in the near term and that such changes could materially affect the financial statements.

Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2002, from which the summarized information was derived.

2. Accounts Receivable

Accounts receivable consists of the following at June 30:

	2003	2002
Student accounts	$6,275,658	$6,526,410
Less: allowance for doubtful accounts	(485,274)	(408,109)
	5,790,384	6,118,301
Other	2,250,719	2,851,154
Total	$8,041,103	$8,969,455

3. Contributions Receivable

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

	2003	2002
In one year or less	$16,268,680	$18,102,306
Between one year and five years	49,599,057	51,425,713
More than five years	70,644,204	24,900,928
Total face value of pledges outstanding	136,511,941	94,428,947
Discount (to present value)	(34,688,119)	(16,536,546)
Allowance for uncollectible pledges	(6,360,000)	(4,870,000)
Contributions receivable	$95,463,822	$73,022,401

4. Investments

The following table summarizes the value of investments at June 30, 2003 and 2002:

	2003 Market Value	% of Total	2002 Market Value	% of Total
Cash and cash equivalents	18,951,564	7.0%	38,615,799	13.0%
Equities-domestic	118,890,569	44.2%	122,205,591	41.1%
Equities-international	40,572,644	15.1%	37,615,657	12.7%
Fixed income securities-domestic	64,579,071	24.0%	72,568,173	24.4%
Fixed income securities-international	1,005,838	0.4%	5,424,216	1.8%
Real estate	14,081,011	5.2%	13,923,930	4.7%
Other	10,740,049	4.1%	6,900,029	2.3%
Total market value	$268,820,746	100.0%	$297,253,395	100.0%
Total cost	$251,915,728		$293,655,123	

4. Investments - continued

The components of investments and investment earnings are summarized below:

		2003		2002
Investments at beginning of year		$297,253,395		$292,830,135
Endowment earnings				
Investment income	$4,472,694		$4,049,905	
Net realized and unrealized losses	(740,291)		(12,671,341)	
Total endowment investment earnings (loss)	3,732,403		(8,621,436)	
Less: withdrawn for operations	6,704,501		6,238,267	
Net endowment earnings withdrawn		(2,972,098)		(14,859,703)
Non-endowment earnings				
Board designated				
Investment income	1,518,518		1,308,267	
Net realized and unrealized gains (losses)	969,337		(3,405,436)	
Total investment earnings (loss)	2,487,855		(2,097,169)	
Less: withdrawn for operations	8,106,000		6,315,318	
Net earnings withdrawn	(5,618,145)		(8,412,487)	
Other non-endowment earnings				
Investment income	1,547,004		1,645,214	
Net realized and unrealized losses	(136,562)		(1,839,151)	
Total investment earnings (loss)	1,410,442		(193,937)	
Less: withdrawn for operations	1,547,004		1,645,214	
Net earnings withdrawn	(136,562)		(1,839,151)	
Net non-endowment earnings withdrawn		(5,754,707)		(10,251,638)
Gifts		5,327,909		10,138,381
Additions (withdrawals) to construction escrow accounts		(18,775,688)		19,977,524
Other withdrawals, net		(6,258,065)		(581,304)
Net change in investments		(28,432,649)		4,423,260
Investments at end of year		$268,820,746		$297,253,395

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating				
Investment earnings used - endowment	$6,704,501			$6,704,501
Investment earnings used - non-endowment	9,538,266	$114,738		9,653,004
Operating investment earnings	16,242,767	114,738		16,357,505
Non-operating				
Investment earnings withdrawn - endowment	(1,783,646)	(163,507)	($1,024,945)	(2,972,098)
Investment earnings withdrawn - non-endowment	(5,754,707)			(5,754,707)
Non-operating investment earnings withdrawn	(7,538,353)	(163,507)	(1,024,945)	(8,726,805)
Total investment gain (loss)	$8,704,414	($48,769)	($1,024,945)	$7,630,700

4. Investments - continued

Investment management fees, which are included within "Other institutional expenditures" in the Statement of Activities, totaled $1,322,320 and $1,591,646 for the years ended June 30, 2003 and 2002, respectively.

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, 2003, securities on loan totaled $28,554,216, and the value of cash collateral held at that date was $29,366,845.

5. Land, Buildings, and Equipment

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

	Estimated Useful Life (Years)	2003	2002
Land		$36,120,116	$35,054,434
Land improvements	15 - 20	4,641,840	4,582,515
Buildings	20 - 60	210,145,536	207,959,621
Equipment	5 - 15	44,880,965	45,577,742
Library books	15	18,921,379	17,066,457
Art objects	0 - 15	2,289,907	2,283,575
Cost of land, buildings, and equipment		316,999,743	312,524,344
Less: Accumulated depreciation		(103,215,530)	(96,107,332)
Land, buildings, and equipment, net of depreciation		213,784,213	216,417,012
Add: Construction-in-progress		31,206,321	6,447,485
Land, buildings, and equipment as reported		$244,990,534	$222,864,497

6. Bonds Payable

Bonds payable consists of the following at June 30:

	2003	2002
MHEFA Variable Rate Demand Revenue Bonds, Series Five-L Payable through 2027, variable interest rate (not to exceed 15%), collateralized by an irrevocable letter of credit, proceeds used for School of Law building and Terrence Murphy Hall	$25,035,000	$25,845,000
MHEFA Revenue Bonds, Series Four-M Payable through 2022, interest at 4.8% to 5.4%, uncollateralized, proceeds used for Morrison Hall	18,985,000	$19,570,000
MHEFA Refunding Mortgage Revenue Bonds, Series Three-R2 Payable through 2014, interest at 5.2% to 5.6%, collateralized by Minneapolis campus land, building, equipment and related revenues	14,020,000	14,830,000
MHEFA Revenue Bonds, Series Four-P Payable through 2023, interest at 4.6% to 5.4%, uncollateralized, proceeds used for Opus Hall	13,900,000	14,290,000

6. Bonds Payable - continued

	2003	2002
MHEFA Refunding Revenue Bonds, Series Three-R1 Payable through 2015, interest at 5.2% to 5.6%, uncollateralized, proceeds used for Murray Herrick, dormitory, and other additions	12,060,000	13,180,000
MHEFA Revenue Bonds, Series Four-A1 Payable through 2021, interest at 4.7% to 5.6%, uncollateralized, proceeds used for Science and Engineering Center	10,840,000	11,165,000
MHEFA Variable Rate Demand Revenue Bonds, Series Four-O Payable through 2021, variable interest rate (not to exceed 15%), collateralized by an irrevocable letter of credit, proceeds used for Science and Engineering Center and Morrison Hall	10,800,000	10,800,000
MHEFA Variable Rate Demand Revenue Bonds, Series Five-C Payable through 2025, variable interest rate (not to exceed 15%), collateralized by an irrevocable letter of credit, proceeds used for renovation of the John Roach Center for the Liberal Arts	10,000,000	10,000,000
MHEFA Revenue Bonds, Series Three-I Payable through 2003, interest at 6.2%, uncollateralized, proceeds used for telecommunications system, boilers and plant headquarters building addition	1,250,000	2,450,000
Dormitory Bonds, 1967 Payable through 2017, interest at 3.0%, collateralized by Brady Hall building and related net revenues	475,000	500,000
Academic Building Bonds, 1969 Payable through 2009, interest at 3.0%, collateralized by O'Shaughnessy Educational Center building	373,000	420,000
Note payable Payable through 2012, interest at 5.0%, uncollateralized	975,000	
Total face value of long-term debt	$118,713,000	$123,050,000
Approximate market value of long-term debt	$121,046,000	$124,900,000

Cash paid for interest was $4,643,063 and $4,999,750 for the years ended June 30, 2003 and 2002, respectively. Interest expense was $4,648,536 and $4,821,058 for the years ended June 30, 2003, and 2002, respectively

The annual maturities for bonds payable at June 30, 2003, are as follows:

2004	$5,576,500
2005	4,532,500
2006	4,744,500
2007	5,490,500
2008	6,122,500
Thereafter	92,246,500
	$118,713,000

The University has a line of credit of $10,000,000 with interest generally at LIBOR plus .75% which expires on December 15, 2003. At June 30, 2003, the University had no borrowings under the agreement.

6. Bonds Payable - continued

In April 2003, the University entered into a forward interest rate swap agreement having a notional amount of $20,800,000. This swap will be utilized to hedge a portion of the University's variable interest rate exposure on debt issues Series Four-O and Series Five-C. Under the swap agreement, the counter party will pay the University a variable interest rate equal to 67% of the three-month London Interbank Offered Rate (LIBOR) and the University will pay the counter party a fixed rate of 3.085% for a term of 12 years.

The University follows Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities", and subsequent amendments. The interest rate agreement is recorded at market value, and is recorded as a liability of $864,113 as of June 30, 2003.

7. Student Aid

Student aid, as reported in the Statement of Activities as a reduction of tuition and fees, was funded from the following revenue sources:

	2003	2002
Institutional revenue sources	$24,458,929	$21,287,626
Gifts, grants, and endowment earnings	4,544,182	4,954,972
Total student aid	$29,003,111	$26,242,598

8. Temporarily Restricted Net Assets

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

	2003	2002
Instructional activities	$9,208,835	$7,323,886
Buildings and equipment	8,822,767	11,198,126
Student financial aid	990,677	1,057,029
Schools of Law and Entrepreneurship	37,091,818	35,197,337
Other	4,580,307	3,739,279
	60,694,404	58,515,657
Annuity trust agreements	2,574,983	2,733,301
Total temporarily restricted net assets	$63,269,387	$61,248,958

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:

	2003	2002
Purpose restrictions accomplished:		
Instructional activities	$1,831,488	$1,868,994
Buildings and equipment	2,310,908	1,289,402
Student financial aid	33,350	10,000
Other	315,269	2,498,703
Time restrictions expired:		
Death of annuity beneficiary		1,158
Total restrictions released	$4,491,015	$5,668,257

9. Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to:

	2003	2002
Investment in perpetuity, the income from which is expendable to support:		
Student financial aid	$30,559,713	$29,626,426
Instruction and other related activities	116,976,056	93,674,061
Any activities of the University	2,117,771	2,077,467
Annuity trust agreements that will ultimately be used to establish permanent endowment funds	1,997,359	1,962,688
Total permanently restricted net assets	$151,650,899	$127,340,642

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 this 403(b) retirement plan, the University makes contributions of a defined percentage of 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 $6,472,118 and $6,028,124 for the years ended June 30, 2003 and 2002, respectively.

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 other income are subject to unrelated business income tax. Related to these activities, the University has net operating loss carryforwards of approximately $7,500,000 at June 30, 2003 which expire in fiscal years 2004 through 2016. 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 2003, the University entered into agreements with various parties in connection with the construction of the School of Law building. The estimated total cost of the facility (including furnishings) is $34.6 million.

12. Commitments and Contingencies - continued

In connection with the issuance of certain bonds, the University entered into a redevelopment contract with the Minneapolis Community Development Agency (MCDA). 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 MCDA 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 MCDA.

The University is leasing computer and other equipment which require lease payments as follows:

2004	$3,343,705
2005	2,904,673
2006	1,615,306
2007	736,334
2008	448,475
Thereafter	211,538
	$9,260,031

13. Related Party Transactions

Pledges from certain Board of Trustee members are included in the financial statements.

14. Discontinued operation of the Catholic Publishing Center

In November 2001, the University elected to discontinue the operations of the Catholic Publishing Center, a division of the University, by entering into an asset purchase agreement. As part of the asset purchase, the buyer paid the University a cash settlement as well as assumed substantially all of the liabilities of the Catholic Publishing Center in exchange for substantially all assets.

The Center's net operating results for the fiscal years ended June 30, 2002, and the gain from the disposal of the Center, are reported in the Statement of Activities as discontinued operations.

	2002
Loss from Center operations	
Revenue	$3,249,338
Expenditures	3,618,934
Loss from operations	(369,596)
Gain on disposal of Catholic Publishing Center	6,744,178
Increase in net assets from discontinued Catholic Publishing Center	$6,374,582

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