

NEW ISSUE

Rating: Moody's Aaa / VMIG1

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 and corporations. 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.")

\$20,000,000

**Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Five-Z
(University Of St. Thomas)
(DTC Book Entry Only)**

Dated Date: Date of Issue**Maturity Date: October 1, 2029****CUSIP: 60416H DS 0**

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

The Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority") payable solely from Loan Repayments made by or on behalf of the University of St. Thomas, a Minnesota non-profit corporation (the "University"), and, during the Variable Rate Period, drawings on the Letter of Credit.

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

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

LaSalle Bank National Association

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

The Bonds are subject to redemption prior to maturity as described herein

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 bear interest at an initial rate to be determined by the Remarketing Agent from their date of issue to and including August 25, 2004. Thereafter, until the Conversion Date, the Bonds will bear interest at a Variable Rate that is determined weekly by the Remarketing Agent. Interest on the Bonds shall be payable on each Interest Payment Date for the immediately preceding Interest Accrual Period. Interest shall be computed on the basis of a 365- or 366-day year and actual days elapsed. At the option of the University and upon the conditions set forth in the Indenture, the interest rate on the Bonds may be converted to the Fixed Rate. Prior to the Conversion Date and the establishment of a Fixed Rate, Owners of the Bonds have the right to tender their Bonds for purchase by presentation to Wells Fargo Bank, National Association (the "Trustee" and the "Tender Agent") at certain times upon prior written notice as described herein at a purchase price equal to 100% of the principal amount thereof plus (unless the purchase date is an Interest Payment Date) accrued interest thereon, as more fully described herein. The initial Remarketing Agent is RBC Dain Rauscher Inc.

BONDHOLDERS are REQUIRED TO TENDER AND SELL THEIR BONDS ON A MANDATORY TENDER DATE AT A PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS ACCRUED INTEREST THEREON, or, if the mandatory tender relates to the provision of an alternate letter of credit, may elect not to tender or sell, ALL AS MORE FULLY DESCRIBED HEREIN. A Mandatory Tender Date occurs on the effective date of the substitution of any Alternate Letter of Credit, on specified dates following failure to extend the Letter of Credit and upon failure to provide an Alternate Letter of Credit, or on any Proposed Conversion Date. Any Bond to be purchased which is not timely delivered to the Tender Agent on the Mandatory Tender Date or the Optional Tender Date and as to which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof shall be "deemed tendered" for purposes of the Indenture and shall be deemed no longer outstanding and shall cease to accrue interest on such Tender Date.

The Bonds are being offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the opinion as to validity and tax exemption of the Bonds by 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, for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota, and for LaSalle Bank National Association by Winston & Strawn LLP, Chicago, Illinois. It is expected that the Bonds in definitive form will be available for delivery to the Underwriter through the facilities of DTC on or about August 19, 2004.

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

No dealer, broker, sales representative or other person has been authorized by the Authority, the University, the Underwriter, or the Bank (as defined herein) to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the University or the Underwriter. The information contained herein, except as it relates to the Authority, DTC and the Bank, has been obtained from the University and is not guaranteed as to accuracy or completeness. Except for information concerning the Authority contained in this Official Statement, such information is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Bank 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does 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.

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

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Timothy M. Medd (Ex Officio)	Audit Manager, Minnesota Higher Education Services Office, Saint Paul, Minnesota
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Michael D. Ranum	Chief Financial and Administrative Officer, Hazelden Foundation, Circle Pines, Minnesota

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Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

\$20,000,000

**MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
VARIABLE RATE DEMAND REVENUE BONDS, SERIES FIVE-Z
(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 non-profit corporation and the owner of an institution of higher education with campuses located in Saint Paul and Minneapolis, Minnesota, (the "University") in connection with the issuance of the Authority's \$20,000,000 Variable Rate Demand Revenue Bonds, Series Five-Z (University of St. Thomas) (the "Bonds" or the "Issue").

The Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, by which the Authority was created and 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 being issued pursuant to the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will initially also act as Tender Agent for the Issue.

Pursuant to a Loan Agreement between the University and the Authority relating to the Bonds, the University will covenant as a general obligation of the University to make payments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due and to pay the Purchase Price of the Bonds on any Tender Date. The proceeds of the Bonds will be loaned to the University by the Authority and, along with University funds, will be used to:

1. construct, furnish and equip Schulze Hall, a four-story building on the University's Minneapolis campus to be used by the College of Business and other University programs; and
2. 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, and, prior to the Conversion Date, draws under a Letter of Credit, as further described herein.

At the time of the issuance of the Bonds, an irrevocable, transferable, direct pay letter of credit (the "Original Letter of Credit," which term includes any extensions or renewals thereof or, together with an alternate letter of credit delivered in accordance with the provisions of the Indenture and the Loan Agreement, the "Letter of Credit") will be delivered by LaSalle Bank National Association, (the "Bank"), to the Trustee, which will be authorized to draw an amount equal to the aggregate principal amount of the Bonds plus 46 days of interest to accrue thereon (assuming a maximum interest rate (the "Maximum Rate") on the Bonds during the Variable

Rate Period of 12% per annum). If the Original Letter of Credit is not renewed or replaced prior to its stated expiration date (August 19, 2009), unless terminated earlier pursuant to the terms thereof, the Bonds are required to be tendered or converted to bear interest at a Fixed Rate. The University has agreed in the Loan Agreement to maintain with the Trustee at all times during the Variable Rate Period, as hereinafter defined, a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, calculated at the Maximum Rate, for a period equal to 46 days (or such other period as the rating agency then rating the Bonds may require).

The Original Letter of Credit is to be issued pursuant to a Letter of Credit and Reimbursement Agreement dated as of August 1, 2004 (the "Reimbursement Agreement"), between the University and the Bank. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

For information concerning the Bank, including certain financial information, see Appendix VI hereto.

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

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

EXCEPT AS EXPRESSLY PROVIDED HEREIN, THIS OFFICIAL STATEMENT PROVIDES INFORMATION RELEVANT TO THE BONDS ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT AND, WITH RESPECT TO THE TERM OF THE ORIGINAL LETTER OF CREDIT, INVESTORS ARE CAUTIONED THAT IT BEARS A STATED EXPIRATION DATE OF AUGUST 19, 2009, THOUGH BY ITS TERMS IT MAY BE TERMINATED SOONER OR EXTENDED. SEE "THE ORIGINAL LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" HEREIN.

This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date or with respect to other information herein after the initial offering. This Official Statement must not be used or relied upon by a Holder or purchaser of Bonds in connection with the remarketing of Bonds, the optional tender of Bonds by a Holder, the provision of an Alternate Letter of Credit or conversion of the Bonds to a Fixed Rate.

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 by (a) during the Variable Rate Period, the Letter of Credit; (b) a pledge by the Authority to the Trustee of amounts payable by the University under the Loan

Agreement; and (c) money and investments held by the Trustee under the Indenture (except any money and investments required to be paid to the United States Treasury).

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

The Bonds are not secured by a mortgage or lien on, or a security interest in, any property of the University.

Letter of Credit

The ability of the Bank to honor drawings on the Letter of Credit will depend solely on the Bank’s general credit. There can be no assurance that the Bank will be able to meet its obligations under the Original Letter of Credit. Certain information with respect to the Bank is set forth in Appendix VI. Such information was provided by the Bank and no representation is made as to the adequacy, accuracy or completeness thereof.

The Original Letter of Credit expires August 19, 2009, subject to extension, at the option of the Bank, as provided in the Reimbursement Agreement, but in no event beyond October 1, 2029. No assurances can be given that the University will be able to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit to secure the Bonds at their stated interest rates and original terms until and including the final stated maturity of the Bonds. In the event of a failure to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit, the Bondholders will be required under the Indenture to tender their Bonds to the Trustee for mandatory purchase from the proceeds of a draw under the Letter of Credit, at a purchase price equal to the principal amount thereof. Interest owing on the Bonds as of such date will be paid as on any other Interest Payment Date.

Redemption, Acceleration, or Purchase Prior to Maturity

In considering whether the Bonds might be redeemed prior to maturity, Bondholders should consider the information included in this Official Statement under the heading “THE BONDS – Redemption.” The Bonds may be called for redemption prior to maturity on any Interest Payment Date at the option of the University or in certain instances of damage or destruction or condemnation of the Project Facilities. The University has agreed in the Reimbursement Agreement that it will not permit the aggregate outstanding principal amount of Bonds to exceed certain amounts set forth in the Reimbursement Agreement and that it will make optional redemption of Bonds to the extent necessary to satisfy that requirement. See “THE BONDS – Redemption – Amortization of Bonds.” The Bonds shall be subject to mandatory tender if the University fails to replace the Letter of Credit prior to its Termination Date or the Bank fails to extend the Letter of Credit. In addition, if certain Events of Default occur under the Loan Agreement, the Indenture or the Reimbursement Agreement, the Bank has the right, in its sole discretion, to require that the Bonds be accelerated. The Bonds are subject to mandatory tender for purchase upon the substitution of a Letter of Credit or proposed conversion to Fixed Rates (See “THE BONDS – Mandatory Tender”). The effect on Bondholders of such an

acceleration or purchase would be similar to that of early redemption at par. See “THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT – The Reimbursement Agreement” herein and “THE LOAN AGREEMENT – Events of Default” and “THE INDENTURE – Events of Default” in APPENDIX IV – SUMMARY OF DOCUMENTS. The Reimbursement Agreement requires the University to reimburse the Bank for drawings on the Letter of Credit, with the failure to make timely reimbursement (and certain other events of default) resulting in an acceleration of the Bonds at the option of the Bank. The ability of the University to reimburse the Bank from time to time is dependent upon, among other things, the University’s ability to receive sufficient unrestricted revenues in excess of expenditures. The amount of future unrestricted revenue may be limited by a number of factors, including competition and adverse general economic conditions.

Limited Obligation

No entity or person other than the University is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Indenture, the Reimbursement Agreement or the other obligations of the University. During the Variable Rate Period, the Bonds are payable solely from drawings under the Letter of Credit and from payments made by the University pursuant to the Loan Agreement in amounts sufficient to pay, when due, the principal of and interest on and the purchase price of the Bonds.

Bankruptcy and Receivership

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

CONTINUING DISCLOSURE

The Bonds are exempt from continuing disclosure requirements of Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Consequently, the University has not agreed and is not required to provide annual financial information, notices of certain material events or any other disclosure with regard to the Bonds which might otherwise be required by the Rule. However, certain continuing disclosure information may be available from national repositories pursuant to continuing disclosure agreements relating to other outstanding obligations of the University. The University has never failed to comply with any previous agreements under the Rule to provide annual reports or notices of material events. The University will enter into an undertaking for continuing disclosure following a conversion of the Bonds to a Fixed Rate.

THE BONDS

The sole purpose of this section is to describe terms and provisions of the Bonds before the Conversion Date, while the Bonds bear interest at the Variable Rate, and must not be relied upon following the Conversion Date.

General

The Bonds will be dated the date of initial delivery thereof and will mature October 1, 2029. Interest will be payable on the first Business Day of each month (“Interest Payment Date”) commencing September 1, 2004.

The Bonds are issuable only as fully-registered bonds without coupons (initially in Book Entry Form), in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

The Bonds will bear interest at a Variable Rate established by the Remarketing Agent. From the Issue Date to and including August 25, 2004, the Bonds will bear interest at a rate to be determined by the Remarketing Agent prior to the Issue Date. Thereafter, the Remarketing Agent will determine the interest rate weekly as described below. See “THE BONDS – Setting of Interest Rates.” Interest will be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. The Bonds are subject to optional and mandatory tender and optional and mandatory redemption. See the captions “THE BONDS – Optional and Mandatory Tender” and “THE BONDS – Redemption” herein. The Bonds may be converted to a Fixed Rate as described herein under the caption “THE BONDS – Conversion to a Fixed Rate.”

Setting of Interest Rates

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

The Weekly Interest Rate will be the minimum interest rate which, in the sole judgment of the Remarketing Agent, would enable the Remarketing Agent to sell outstanding Bonds on the first day of the applicable Weekly Period at a price equal to the principal amount thereof (plus accrued interest, if any). If, for any reason, the Remarketing Agent fails to determine the Weekly Interest Rate, or if a Weekly Interest Rate cannot legally be determined, the Weekly Interest Rate for such period will be equal to (a) 105% of the VariFact™ Rate published by The Bond Buyer for such period, or (b) if the VariFact™ Rate is not published, 80% of the bond equivalent yields (calculated in accordance with standard practice in the banking industry) for the 13-week United States Treasury bills sold at the last United States Treasury auction of such bills prior to the date of determination. Interest during a Weekly Period shall be computed on the basis of the actual number of days in a year of 365 or 366 days, as appropriate.

The Remarketing Agent shall give notice to the Trustee, the University, the Tender Agent, and the Bank of the determination of each Weekly Interest Rate. The interest rate determination by the Remarketing Agent shall be conclusive and binding on the Holders, the University, the Authority, the Bank, the Tender Agent and the Trustee.

The interest rate on any Bond before the Conversion Date may not exceed 12% per annum (the “Maximum Rate”).

Optional and Mandatory Tender

Optional Tender

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

An Optional Tender Notice that is delivered to the Tender Agent at its principal office at or before 4:00 P.M., New York City time, on any Business Day shall be deemed delivered on such Business Day, and if such Notice is delivered after 4:00 P.M., New York City time, it shall be deemed to be delivered on the next succeeding Business Day. Optional Tender Notices are irrevocable upon receipt by the Tender Agent. The Optional Tender Notice shall state the principal amount of each Bond to be purchased, its number, the name of the Holder and the date on which such Bond is to be purchased, which date shall be a Business Day not less than seven (7) days after the date the Optional Tender Notice is deemed delivered. During any period in which the Bonds are in Book-Entry Form, no further deliveries are required to effect the Optional Tender. During any period in which the Bonds are not in Book-Entry Form, such Bond must be delivered (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent) to the Tender Agent, at its principal office, by 9:00 A.M., New York City time, on the Optional Tender Date.

Interest on any Bond which the Holder thereof has elected to tender for purchase and which is not delivered on the Optional Tender Date (when delivery is required during any period in which the Bonds are not in Book-Entry Form), but for which there has been deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Optional Tender Date, and shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from moneys held by the Trustee for such payment.

Mandatory Tender

The Bonds are required to be tendered to the Tender Agent for purchase at the Purchase Price on (i) the effective date of the substitution of any Alternate Letter of Credit, (ii) on the last regularly scheduled Interest Payment Date preceding the Termination Date of the Letter of Credit, but in no event less than two (2) Business Days prior to the Termination Date, if the University has failed to deliver to the Trustee at least 35 days prior to such Interest Payment Date an extension of the Letter of Credit or an irrevocable commitment of a bank to issue an Alternate Letter of Credit, (iii) on the Business Day following such Interest Payment Date, but in no event less than two (2) Business Days prior to the Termination Date, if the University has failed to deliver to the Trustee by 10:00 A.M. New York City time on such Interest Payment Date an Alternate Letter of Credit, and (iv) any Proposed Conversion Date.

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

In the case of a mandatory tender relating to the substitution of any Alternate Letter of Credit, the Holders may elect not to tender or sell their Bonds, in whole or in part (in Authorized Denominations), by delivery of a Non-Tender Notice not less than ten (10) days prior to the Mandatory Tender Date to the Tender Agent. Such notice shall be irrevocable and shall state the principal amount subject to tender, the number of the Bond, the name of the Holder, and the principal amount the Holder elects not to tender. The notice shall also state that the Holder acknowledges that the ratings on such Bonds may be modified, reduced, suspended or withdrawn.

During any period in which Bonds are in Book-Entry Form, the Tender Agent shall purchase any Bond subject to mandatory tender for which a Non-Tender Notice has not been received without further action by the Holder. During any period in which the Bonds are not in Book-Entry Form, each Bond which is not to be retained by the Holder must be tendered to the Tender Agent for purchase on behalf of the University at or before 9:00 A.M., New York City time, on the Mandatory Tender Date, by delivering such Bond to the Tender Agent (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent). On the Mandatory Tender Date the Tender Agent will purchase such Bond or cause such Bond to be purchased for the account of the University at the Purchase Price.

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

Tenders Under Book-Entry System

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

If any Holder is entitled to receive notice of a Mandatory Tender Date, the notice shall be given by the Trustee to DTC. No Bond in Book-Entry Form (other than a Bond which is to be converted to a Fixed Rate Bond) will be required to be delivered for an exchange, purchase or transfer in connection with such Mandatory Tender Date, and any transfer of beneficial interest in any Tendered Bonds shall be effected through the Book-Entry System. Unless waived by the Tender Agent, beneficial interest in any Tendered Bonds in Book-Entry Form shall be transferred to the Tender Agent on or before the applicable Mandatory Tender Date.

So long as the book-entry system is in effect, the procedures for tender of Bonds by Beneficial Owners are governed by DTC procedures. See “BOOK ENTRY SYSTEM” herein. The delivery of certificates evidencing the Tendered Bonds shall not be required to effect any optional tender pursuant to the Indenture, and the beneficial ownership interest of the Beneficial Owner in such Bond shall be transferred through the Book-Entry System to the Tender Agent on the Optional Tender Date against credit for the Purchase Price.

Remarketing and Purchase

On each Optional Tender Date and on each Mandatory Tender Date, the Tender Agent is required to purchase tendered Bonds with funds either derived from the remarketing of tendered Bonds or funds drawn under the Letter of Credit. Funds supplied by the University will not be used to purchase Bonds unless the Bank dishonors a draft for payment under the Letter of Credit. Subject to the availability of any required offering materials and satisfaction of other conditions precedent, the Remarketing Agent has agreed to use its best efforts to remarket tendered Bonds.

Conversion to a Fixed Rate

The Indenture provides that the University has the one-time right, with the Bank’s consent, to be exercised at any time, to direct the Authority to convert the interest rate on all of the Bonds to a Fixed Rate, effective on any Variable Rate Interest Payment Date. To exercise its option, the University must deliver to the Authority, the Trustee, the Tender Agent and the Remarketing Agent written notice thereof along with the Bank’s written consent at least 35 days prior to the Variable Rate Interest Payment Date on which the Fixed Rate is to become effective (the “Conversion Date”) and an opinion of nationally recognized bond counsel to the effect that the conversion to a Fixed Rate is authorized by the Indenture and will not adversely affect the exemption of interest on any Bonds from federal income taxation. See “Tax Exemption” herein.

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

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

On the Computation Date, the Remarketing Agent shall determine the Fixed Rate, which shall be the annual interest rate, which, in the determination of the Remarketing Agent, if borne by the Bonds until their maturity, would result in the market value of the Bonds on that date being as nearly as practicable 100% of, but not less than, the principal amount thereof. In determining the Fixed Rate, the Remarketing Agent shall have due regard for general financial conditions and such other or special conditions as in the judgment of the Remarketing Agent may have a bearing on the Fixed Rate. After the Conversion Date, the Holders of any affected Bonds shall have no right to tender such Bonds for purchase.

Amortization of Bonds

Although neither the Indenture nor the Loan Agreement requires the University to pay any portion of the principal of the Bonds prior to the maturity date, the Bank has required under the Reimbursement Agreement that the University prepay principal on the Bonds periodically up to and including the final maturity date of October 1, 2029 such that the outstanding principal amount of Bonds shall not exceed the following amounts on the following dates:

4/1/2005	\$ 19,600,000	10/1/2013	\$ 12,800,000	4/1/2022	\$ 6,000,000
10/1/2005	\$ 19,200,000	4/1/2014	\$ 12,400,000	10/1/2022	\$ 5,600,000
4/1/2006	\$ 18,800,000	10/1/2014	\$ 12,000,000	4/1/2023	\$ 5,200,000
10/1/2006	\$ 18,400,000	4/1/2015	\$ 11,600,000	10/1/2023	\$ 4,800,000
4/1/2007	\$ 18,000,000	10/1/2015	\$ 11,200,000	4/1/2024	\$ 4,400,000
10/1/2007	\$ 17,600,000	4/1/2016	\$ 10,800,000	10/1/2024	\$ 4,000,000
4/1/2008	\$ 17,200,000	10/1/2016	\$ 10,400,000	4/1/2025	\$ 3,600,000
10/1/2008	\$ 16,800,000	4/1/2017	\$ 10,000,000	10/1/2025	\$ 3,200,000
4/1/2009	\$ 16,400,000	10/1/2017	\$ 9,600,000	4/1/2026	\$ 2,800,000
10/1/2009	\$ 16,000,000	4/1/2018	\$ 9,200,000	10/1/2026	\$ 2,400,000
4/1/2010	\$ 15,600,000	10/1/2018	\$ 8,800,000	4/1/2027	\$ 2,000,000
10/1/2010	\$ 15,200,000	4/1/2019	\$ 8,400,000	10/1/2027	\$ 1,600,000
4/1/2011	\$ 14,800,000	10/1/2019	\$ 8,000,000	4/1/2028	\$ 1,200,000
10/1/2011	\$ 14,400,000	4/1/2020	\$ 7,600,000	10/1/2028	\$ 800,000
4/1/2012	\$ 14,000,000	10/1/2020	\$ 7,200,000	4/1/2029	\$ 400,000
10/1/2012	\$ 13,600,000	4/1/2021	\$ 6,800,000	10/1/2029	\$ 0
4/1/2013	\$ 13,200,000	10/1/2021	\$ 6,400,000		

The requirement of the Reimbursement Agreement that the outstanding principal amount of Bonds be reduced in accordance with the foregoing schedule prior to maturity may be changed or eliminated at any time by agreement of the Bank and the University, without the consent of the Trustee, the Authority or Bondholders. Any Reimbursement Agreement related to an Alternate Letter of Credit could have similar, different or no requirements with respect to the amortization of the principal amount of the Bonds.

Redemption

Optional Redemption Prior to Conversion to Fixed Rate

The Bonds are subject to optional redemption by the Authority at the direction of the University, with the Bank's prior written consent to the extent the Reimbursement Agreement requires, in whole or in part on any Interest Payment Date, at a redemption price equal to the principal amount of Bonds to be so redeemed, plus accrued interest to the redemption date.

Extraordinary Optional Redemption

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

Partial Redemption

If fewer than all of the Bonds at the time outstanding are to be called for optional redemption, the University shall designate to the Trustee the amount of the Bonds to be redeemed, and the particular Bonds or portions thereof to be redeemed shall be selected randomly, unless otherwise provided in the Indenture, by the Trustee in units of Authorized Denominations. In no event shall such redemption result in less than \$100,000 of Bonds remaining outstanding. The University may direct the Trustee to select randomly from among all the Holders and thereafter select randomly the particular Bonds or portions thereof held by the Holders so selected in order to call for redemption as many Bonds or portions thereof from among the fewest number of Holders. Pledged Bonds shall be selected for redemption prior to any other Bonds except Bonds which have been properly tendered for purchase on optional tender dates occurring on or after the redemption date.

Notwithstanding the foregoing, while the Bonds are in Book Entry Form, DTC shall select Bonds for redemption within particular maturities according to its stated procedures. In no event shall the portion of Bonds to be redeemed and the portion of Bonds not to be redeemed be less than the minimum Authorized Denomination.

Notice of Redemption

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

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) 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 Authority, at the University's direction, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. None of the Authority, the University nor the Underwriter takes any responsibility for the accuracy thereof.

THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

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

The Bank

The Original Letter of Credit will be issued by LaSalle Bank National Association (together with the issuer of any Alternate Letter of Credit, the "Bank"). For information concerning the Bank, see Appendix VI to this Official Statement. The information contained in Appendix VI was furnished by the Bank which is solely responsible for such information.

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

The Original Letter of Credit

At the time of issuance of the Bonds, the University will cause the Bank to issue the Original Letter of Credit to the Trustee in an original stated amount of \$20,302,466 (the "Original Stated Amount"). The Original Letter of Credit will be an irrevocable, unsecured obligation of the Bank, which will have a stated expiration date of August 19, 2009, unless terminated earlier or extended. So long as the Original Letter of Credit is effective (i.e., prior to the Termination Date, as hereinafter defined), the Trustee will be required to draw under the Original Letter of Credit, in accordance with the terms thereof, amounts sufficient to pay (i) accrued interest on the Bonds on an Interest Payment Date (an "Interest Drawing"), (ii) principal of and accrued interest on the Bonds in respect of any optional or mandatory redemption (a "Redemption Drawing"), provided that, in the event the date of redemption coincides with an Interest Payment Date, the Redemption Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iii) the Purchase Price of Bonds tendered pursuant to the terms of the Indenture for purchase on a Tender Date to the extent such Bonds have not been successfully remarketed or for which the Purchase Price has not been received by the Remarketing Agent or the Tender Agent, as appropriate, by 11:00 A.M., New York City time, on the Tender Date (a "Liquidity Drawing"), provided that in the event the Tender Date coincides with an Interest Payment Date, the Liquidity Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iv) principal of and accrued interest in respect of Bonds the payment of which has been accelerated pursuant to the Indenture (an "Acceleration Drawing"), and (v) if the Original Letter of Credit has been extended and is in effect on such date, the principal amount of Bonds outstanding on October 1, 2029 (a "Stated Maturity Drawing"); provided, however, none of the foregoing drawings shall be made under the Original Letter of Credit for payment of the principal or Purchase Price of or interest on Pledged Bonds, University Bonds or Fixed Rate Bonds.

The Available Amount (as hereinafter defined) of the Original Letter of Credit will be reduced automatically by the amount of any drawing thereunder; provided, however, that the amount of any Interest Drawing, less the amount of the reduction in the Available Amount of the Original Letter of Credit attributable to interest as specified in a certificate of the Trustee (because of a reduction in the outstanding principal amount of Bonds) shall be automatically reinstated effective the 7th calendar day from the date of such drawing unless the Trustee receives notice prior to the close of business on the 6th calendar day following the date of any Interest Drawing that the Bank has not been reimbursed in full for any such drawing or any other Event of

Default has occurred and is continuing under the Reimbursement Agreement and as a consequence thereof the Available Amount attributable to such Interest Drawing will not be so reinstated, in which case, the Trustee is required to accelerate the Bonds. After payment by the Bank of a Liquidity Drawing, the Available Amount will be automatically reduced by an amount equal to the Original Purchase Price (as hereinafter defined) of any Bonds (or portions thereof) purchased pursuant to said drawing. Prior to the Conversion Date, in the event of the remarketing of any Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, the Available Amount under the Letter of Credit will be automatically reinstated upon receipt of the Original Purchase Price thereof by the Trustee, on behalf of the Bank, in an amount equal to the Original Purchase Price of any Pledged Bonds or portions thereof so remarketed, except that the Bank, in its sole discretion, may by notice to the Trustee, the University and the Remarketing Agent refuse to permit the remarketing of any Pledged Bonds and reinstatement of the Letter of Credit if there shall have occurred and be continuing an Event of Default or Unmatured Insolvency Default under the Reimbursement Agreement. An "Unmatured Insolvency Default" means an event or condition which, but for the lapse of time or the giving of notice, or both, would constitute an Event of Default under certain bankruptcy and insolvency related Events of Default with respect to the Reimbursement Agreement. Prior to the Conversion Date, in the event of a repayment of any amount relating to a Liquidity Drawing, the Available Amount under the Letter of Credit shall be automatically reinstated in an amount equal to the amount of the repayment, except that the Bank, in its sole discretion may by notice to the University, the Trustee and the Remarketing Agent refuse to so reinstate the Available Amount under the Letter of Credit if there shall have occurred and be continuing an Event of Default or Unmatured Insolvency Default under the Reimbursement Agreement. The Bank will provide confirmation to the Trustee of any such reinstatement.

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

The "Termination Date" of the Original Letter of Credit is defined as the earliest to occur of the close of business of the Bank on: (i) August 19, 2009 (this being the end of the Original Letter of Credit's five year term; the Original Letter of Credit shall, however, be renewable annually on the anniversary of its issuance at the University's request and the Bank's sole discretion) or such later date to which such date has been so extended, (ii) the date which is five (5) days following the Conversion Date, as such date is specified in a certificate of the Trustee; (iii) the date which is five (5) days following the receipt by the Bank of a certificate of the Trustee in the form prescribed in the Original Letter of Credit to the effect that either (a) no Bonds remain outstanding, (b) all drawings required to be made under the Indenture and available under the Original Letter of Credit have been made and honored or (c) an Alternate Letter of Credit has been issued and is in effect in accordance with the Indenture and Loan Agreement; (iv) the date on which an Acceleration Drawing is honored and (v) the date which is twenty (20) days following receipt by the Trustee of a written notice from the Bank notifying the Trustee that an Event of Default has occurred under the Reimbursement Agreement and that the Bank is terminating the Letter of Credit.

Alternate Letter of Credit

The Indenture and the Loan Agreement provide that during the Variable Rate Period the Bonds will be tendered if the University fails to deliver to the Trustee (i) at least thirty-five (35) days

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

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

The Reimbursement Agreement

The Original Letter of Credit will be issued by the Bank pursuant to a Letter of Credit and Reimbursement Agreement, dated as of August 1, 2004 (the "Reimbursement Agreement"), between the Bank and the University, under which the University will agree, among other things, to reimburse the Bank (i) for a drawing under the Letter of Credit to purchase Bonds on the earlier of the date of the remarketing of the Bonds purchased with such a drawing or the 60th day following the date of such a drawing or the date on which the Original Letter of Credit is replaced by an Alternate Letter of Credit in accordance with the terms of the Indenture, for the amount of the drawing under the Original Letter of Credit plus interest thereon at the rate specified in the Reimbursement Agreement and (ii) for any other drawing on the day the drawing is made. Pursuant to the Reimbursement Agreement, the University will also agree to pay certain fees for issuance and maintenance of the Original Letter of Credit. The Reimbursement Agreement, and the terms, conditions and agreements contained therein, are solely for the benefit of the Bank and must not be relied upon by the Holders of Bonds or the Trustee. **The Reimbursement Agreement may be amended by the Bank and the University without the consent of or notice to the Trustee or the Holders of Bonds.**

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

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

- b) any breach, default or event of default shall have occurred under the Related Documents or any other agreement between the University and the Bank and any cure periods available shall have expired without cure of the default or event of default;
- c) failure of the University to pay to the Bank any obligations of the University to the Bank under the Reimbursement Agreement when and as due;
- d) the Reimbursement Agreement or the other Related Documents to which the University is a party cease for any reason (other than release by the Bank) to be valid and binding obligations of the University and in full force and effect, or if the University shall assert that it is not liable under the Reimbursement Agreement or any other Related Documents to which it is a party;
- e) default in the due observance or performance by the University of certain covenants of the Reimbursement Agreement, including covenants related to amendments of Related Documents, mergers, and Additional Indebtedness tests;
- f) default in the due observance or performance by the University of certain covenants related to insurance and any such failure shall remain unremedied thirty (30) days thereafter;
- g) default in the due observance or performance of any other term, covenant or agreement set forth in the Reimbursement Agreement and continuation of such default for thirty (30) days after written notice thereof by the Bank to the University;
- h) the University shall (i) not pay, or admit in writing its inability to pay, its debts generally as they become due or suspend payment of its obligations, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, conservator, liquidator or similar official for it or any substantial part of its property, (iv) institute any voluntary proceeding seeking to have entered against it an order for relief under the Bankruptcy Code of 1978, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshaling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, or (v) take any action in furtherance or any of the foregoing purposes;
- i) a custodian, receiver, trustee, conservator, liquidator or similar official shall be appointed for the University or any substantial part of the property of the University, and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of sixty (60) or more days;
- j) without the application, approval or consent of the University, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors seeking in respect of the University an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, or the like of the University or of all or any substantial part of its assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by the University in good faith, the same shall (i) nevertheless result in the entry of an order for relief or in any such adjudication or appointment or (ii) continue undismissed, or pending and unstayed, for any period of 60 consecutive days;
- k) default by the University shall occur under any evidence of indebtedness of the University for borrowed money in an aggregate outstanding principal amount in excess of \$1,000,000 or under any indenture, agreement or other instrument under which the

same may be issued, and such default entitles the holder thereof to accelerate the maturity of any such indebtedness (whether or not such maturity is in fact accelerated), or any such indebtedness shall (subject to any period of any grace provided for the payment thereof) not be paid when and as due (whether by lapse of time, acceleration or otherwise) (provided that, in the case of indebtedness comprised of guarantees, no event of default shall be deemed to occur unless the University is in default under the guarantees after a demand under the guarantees has been made);

- l) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of \$1,000,000 shall be entered or filed against the University or against any of the property of the University and remain unpaid, unvacated, unbonded or unstayed for a period of thirty (30) days;
- m) the University shall cease, for any reason, to be affiliated with the Catholic Church to the extent it is on the date of the Reimbursement Agreement;
- n) if any Rated Debt (as defined in the Reimbursement Agreement) shall be rated less than "Baa2" by Moody's Investors Service, or if the University shall cease to have any Rated Debt unless (at any time when the University does not have any Rated Debt) the University has a current "issuer rating" of not less than "Baa2" by Moody's; and
- o) a Reportable Event shall have occurred with respect to any employee benefit plan (a "Plan") or a notice of intent to terminate such a Plan shall have been furnished to the affected parties (as provided in Section 4041(c)(1) of ERISA); or the Pension Benefit Guaranty Corporation and its successors shall have instituted proceedings to terminate any Plan, or a trustee shall have been appointed by a United States District Court to administer any Plan, if in any such case such Plan then has an amount of unfunded benefit liabilities (within the meaning of Section 4001(a)(18) of ERISA) aggregating in excess of \$1,000,000 or the University or any ERISA Affiliate (as defined in the Reimbursement Agreement) incurs withdrawal liability to any Multiemployer Plan under subtitle E of Title IV of ERISA aggregating in excess of \$1,000,000.

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

- a) by notice to the University, declare all Letter of Credit Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, provided that upon the occurrence of an event of Default under paragraphs (h), (i), and (j) above, such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);
- b) give notice of the occurrence of an Event of Default to the Trustee, thereby causing the Letter of Credit to terminate twenty (20) days after receipt of such notice by the Trustee;
- c) pursue any rights and remedies it may have under the Related Documents; or
- d) pursue any other action available at law or in equity.

Amounts paid on the Letter of Credit Obligations representing amounts not yet drawn on the Letter of Credit shall, after payment of all other Letter of Credit Obligations, be held by the Bank in a cash collateral account, with interest to accrue thereon to the credit of the University (provided that such interest shall also secure the Letter of Credit Obligations, in addition to such cash collateral) in accordance with rates then paid by the Bank on corporate money market accounts. If (A) at least 90 days has elapsed since the receipt by the Bank of such cash

collateral from the University, (B) the University has remedied the event that gave rise to the Event of Default causing the demand and no other Event of Default or Potential Default (as defined in the Reimbursement Agreement) has occurred, and (C) the Bank has not notified the Trustee of an Event of Default under this Agreement, then, at the written request of the University, the Bank shall return to the University any such cash collateral and accrued interest not applied to payment of the Letter of Credit Obligations.

USE OF PROCEEDS

The Project

Proceeds of the Bonds along with University funds will be used to:

1. construct, furnish and equip Schulze Hall, a four-story building on the University's Minneapolis campus to be used by the College of Business and other University programs; and
2. pay certain issuance costs.

The new building on the University's Minneapolis campus will be known as Schulze Hall and will be approximately 86,000 square feet and will rise four stories above grade. The building will contain classrooms, offices for the College of Business and other University programs and operations, and auditorium space on the first floor. Construction began in June 2004 and is expected to be completed in September 2005. Opus Corporation of Minnetonka, Minnesota is the builder-designer of the Project. Total costs of the Project, including construction, furnishings, and equipment but excluding financing costs and reserves, are estimated to be \$22,440,000.

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

The proceeds of the Bonds together with other moneys are expected to be used as follows:

Sources of Funds

Par amount of the Bonds	\$20,000,000
University contributions	<u>2,830,000</u>
Total Sources	<u><u>\$22,830,000</u></u>

Uses of Funds

Project Construction Costs	\$22,440,000
Issuance Costs (including Underwriter's Discount)	<u>390,000</u>
Total Uses	<u><u>\$22,830,000</u></u>

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

SOURCE OF PAYMENT FOR THE BONDS

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

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the University. The University will agree pursuant to the terms of the Loan Agreement and the Indenture to make such payments out of its operating funds or any other moneys legally available. The University covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the University's general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the University as they become due.

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

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

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

ACCOUNTS

Summary

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

Construction Account

There shall be deposited initially into the Construction Account the net proceeds of the Bonds. Upon receipt of proper 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 applied to any deficiency in the Reserve Account and thereafter shall, under

certain conditions, be delivered to the Bank to pay the University's Letter of Credit Obligations or deposited into the Bond and Interest Sinking Fund Account; otherwise such balance shall be deposited to the Redemption Account. The University will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of the University's available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds (principal less original issue discount).

Bond Purchase Fund

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

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

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

Bond and Interest Sinking Fund Account

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

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

The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the

payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

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

Redemption Account

All deposits to the Redemption Account will be made to the General Account unless specified to be deposited in the Letter of Credit Account by the Indenture, the Loan Agreement or the Letter of Credit. There shall be deposited into (a) the Letter of Credit Account of the Redemption Account, all moneys drawn by the Trustee under the Letter of Credit for optional or mandatory redemption during the Variable Rate Period, and (b) the General Account of the Redemption Account all other amounts required to be deposited therein pursuant to any provision of the Loan Agreement or the Indenture.

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

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

General Bond Reserve Account

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account, the Bond and Interest Sinking Fund Account, the Reserve Account, the Bond Purchase Fund and the Redemption Account shall be invested by the Trustee as the University directs only in investments as authorized by

law from time to time which are generally as follows currently: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, rated at least in the rating category of "AA" or "Aa"; revenue bond obligations of states and local governments insured by municipal bond insurance and rated "AAA" or "Aaa"; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments; 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; 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 8.05 of the Indenture sets forth further restrictions as to type and maturity of investments.

OTHER FINANCINGS

The University has entered into a purchase contract dated July 22, 2004 with respect to the \$30,000,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-Y (University of St. Thomas) (the "Series Five-Y Bonds") to be issued for the purpose of financing the construction of an apartment-style residence facility on the University's Saint Paul campus (the "Series Five-Y Project Facilities"). Issuance of the Series Five-Y Bonds is expected to occur on or about August 19, 2004. The University's Official Statement dated July 30, 2004 describes the Series Five-Y Bonds.

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 other such 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 142 issues (including refunded and retired issues) totaling over \$1 billion, of which approximately \$610 million is outstanding as of August 1, 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 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 RBC Dain Rauscher Inc. as Underwriter. The Underwriter has agreed to purchase the Bonds at a purchase price of \$19,880,000.

The Underwriter intends to offer the Bonds to the public initially at the offering price set forth on the front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter 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 Underwriter and the Authority against certain civil liabilities, including certain potential liabilities under federal securities laws.

RATING

As noted on the cover hereof, Moody's Investors Service ("Moody's") has assigned a long-term rating of "Aaa" and a short-term rating of "VMIG1" to the Bonds, conditioned on the issuance of the Letter of Credit by the Bank. Moody's has also assigned an underlying rating of "A2" based on the stand-alone credit strength of the University. Moody's has based the Aaa long term rating on the Bonds on its analysis of the credit strength of both the University and the Bank using its "Two-Party-Pay" rating approach. This approach examines both the University and the Bank and evaluates the likelihood that both parties will be unable to make payments on the Bonds when due. The short term rating on the Bonds is based solely on the credit strength of the Bank. The ratings reflect only the view of such rating agency. Further information concerning the ratings is available from Moody's.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that either rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the University are unaware of any pending or overtly threatened in writing litigation which would affect the validity of or the tax-exempt nature of the interest on 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., of Saint Paul and Minneapolis, Minnesota, for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota, and for the Bank by Winston & Strawn LLP, Chicago, Illinois.

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 by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and 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.

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.

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 net income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations and is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

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

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

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

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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THE UNIVERSITY

The University of St. Thomas (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 the fourth academic building now under construction. 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:

<u>Trustee</u>	<u>Principal Activity and/or location</u>
Most Rev. Harry J. Flynn, D.D., Chair	Archbishop, Archdiocese of Saint Paul and Minneapolis, Saint Paul, Minnesota
Rev. Kevin McDonough, Vice Chair	Vicar General, Archdiocese of Saint Paul and Minneapolis, Saint Paul, Minnesota
Lee C. Anderson	Chairman and Chief Executive Officer, APi Group, Inc., Saint Paul, Minnesota
The Honorable Kathleen A. Blatz	Chief Justice, Minnesota Supreme Court, Saint Paul, Minnesota

<u>Trustee</u>	<u>Principal Activity and/or location</u>
Michael V. Ciresi	Partner and Chairman of the Executive Board, Robins, Kaplan, Miller & Ciresi, L.L.P., Minneapolis, Minnesota
Burton D. Cohen ^(a)	Chief Executive Officer and Publisher, MSP Communications, Minneapolis, Minnesota
Rev. Dennis J. Dease, Ph.D. ^(a)	President, University of St. Thomas, Saint Paul, Minnesota
Michael Dougherty	Chairman and Chief Executive Officer, Dougherty Financial Group LLC, Minneapolis, Minnesota
John J. “Hap” Fauth	Chairman, The Churchill Companies, Minneapolis, Minnesota
Sr. Maureen A. Fay, O.P., Ph.D.	President of the University of Detroit Mercy, Detroit, Michigan
Eugene U. Frey ^(a)	Chairman, Wabash Management Inc., Minneapolis, Minnesota
Antoine M. Garibaldi, Ph.D.	President, Gannon University, Erie, Pennsylvania
Honorable María R. Gómez	Assistant Commissioner, Minnesota Department of Human Services, Saint Paul, Minnesota
Pierson M. Grieve ^{(a) (c)}	Retired Chairman and Chief Executive Officer, Ecolab, Inc., Minneapolis, Minnesota
Stanley S. Hubbard	President and Chief Executive Officer, Hubbard Broadcasting Inc., Saint Paul, Minnesota
David A. Koch ^(a)	Retired Chairman, Graco, Inc., Plymouth, Minnesota
Laurence E. LeJeune	Chairman of the Board, LeJeune Investments, Minneapolis, Minnesota
Kathleen Brophy Lopiano ^(b)	Operations Director, The St. Paul Companies, Saint Paul, Minnesota
Peter A. Lund	Former President and Chief Executive Officer, CBS, Inc., New York, New York
Reverend Edward A. Malloy, Ph.D. ^(a)	President, University of Notre Dame, Notre Dame, Indiana
Harry G. McNeely, Jr. ^(a)	Chairman Emeritus, Meritex Enterprises and McNeely Foundation, Saint Paul, Minnesota
John M. Morrison ^(a)	Chairman, Central Financial Services, Inc., Golden Valley, Minnesota

<u>Trustee</u>	<u>Principal Activity and/or location</u>
Honorable Diana E. Murphy ^(a)	U.S. Circuit Judge, U.S. Eighth Circuit Court of Appeals, Minneapolis, Minnesota
Stephen P. Nachtsheim	Former Vice President and Director, Intel Capital, Atherton, California
John F. O'Shaughnessy, Jr. ^(a)	Chairman and Chief Executive Officer, General Parts Inc., Bloomington, Minnesota
Gerald A. Rauenhorst	Founding Chairman of the Board, Opus Corporation, Minnetonka, Minnesota
William S. Reiling	Chairman, Sunrise Community Banks, Saint Paul, Minnesota
Guy Schoenecker	President and Chief Quality Officer, BI Performance Services, Edina, Minnesota
Richard M. Schulze ^(a)	Chairman, Best Buy Co., Inc., Richfield, Minnesota
Franklin S. Sunberg ^(a)	Retired President, Portu-Sunberg Marketing, Edina, Minnesota
Robert J. Ulrich	Chairman and Chief Executive Officer, Target Corporation, Minneapolis, Minnesota
Frank B. Wilderson, Ph.D.	President, Wilderson and Associates, Inc., Minneapolis, Minnesota
Ann Winblad	Partner, Hummer Winblad Venture Partners, San Francisco, California
Mark Zesbaugh	Chief Executive Officer, Allianz Life Insurance Company of North America, Minneapolis, Minnesota

^(a) *Member of the Executive Committee.*

^(b) *Alumni representative.*

^(c) *Mr. Grieve is an ex officio member of the Executive Committee.*

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 underway. 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.

<u>Title</u>	<u>Average Salary</u>
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.

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

Freshman Applications, Acceptances and Enrollments

	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>
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

<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>
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.

	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>
<u>Headcount</u>					
Undergraduate	5,399	5,469	5,416	5,429	5,236
Graduate and Professional	<u>5,556</u>	<u>5,966</u>	<u>6,154</u>	<u>5,937</u>	<u>5,843</u>
Total	10,955	11,435	11,570	11,366	11,079
<u>FTEs</u>					
Undergraduate	5,004	5,078	5,061	5,081	4,914
Graduate and Professional	<u>2,843</u>	<u>3,180</u>	<u>3,332</u>	<u>3,334</u>	<u>3,333</u>
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 than one campus are counted as a student at each campus.

<u>Campus</u>	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>
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 Series Five-Y Project Facilities 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:

	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>
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.

<u>Year</u>	<u>Tuition and Fees</u>
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)**

<u>College/University</u>	<u>Tuition and Required Fees</u>	<u>Room and Board</u>	<u>Comprehensive Charges</u>
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)		Work Study (f)	Total
										Subsidized	Unsubsidized		
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 V, 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					
<i>Instruction and other services</i>					
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
<i>Management and general</i>					
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.

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.

	<u>2003</u>	<u>2002</u>
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	<u>70,644,204</u>	<u>24,900,928</u>
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	<u>(6,360,000)</u>	<u>(4,870,000)</u>
Contributions receivable	<u>\$95,463,822</u>	<u>\$73,022,401</u>

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.

	<u>Unrestricted</u>	<u>Net assets as of June 30, 1999:</u>		<u>Total Net Assets</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
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	<u>0</u>	<u>0*</u>	<u>1,966,123</u>	<u>1,966,123**</u>
Total	\$136,392,973	\$4,174,110	\$90,154,222	\$230,721,305

	<u>Unrestricted</u>	<u>Net assets as of June 30, 2000:</u>		<u>Total Net Assets</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
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	<u>0</u>	<u>0*</u>	<u>2,210,172</u>	<u>2,210,172**</u>
Total	\$141,061,094	\$4,765,891	\$113,094,596	\$258,921,581

	<u>Unrestricted</u>	<u>Net assets as of June 30, 2001:</u>		<u>Total Net Assets</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
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	<u>0</u>	<u>0*</u>	<u>1,922,193</u>	<u>1,922,193**</u>
Total	\$133,996,258	\$4,836,664	\$115,596,621	\$254,429,543

	<u>Unrestricted</u>	<u>Net assets as of June 30, 2002:</u>		<u>Total Net Assets</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
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	<u>0</u>	<u>0*</u>	<u>1,962,687</u>	<u>1,962,687</u>
Total	\$112,435,928	\$3,417,898	\$127,340,642	\$243,194,468

	<u>Unrestricted</u>	<u>Net assets as of June 30, 2003:</u>		<u>Total Net Assets</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
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	<u>0</u>	<u>0*</u>	<u>1,997,359</u>	<u>1,997,359</u>
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 – 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:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Endowment</u>	Long-Term Investment (Quasi- <u>Endowment</u>)	<u>Total</u>
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 final maturity is 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 final maturity is 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 \$30,000,000 representing the University's Series Five-Y Bonds upon their issuance. See "OTHER FINANCINGS" in this Official Statement.

PROPOSED FORM OF LEGAL OPINION

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August __, 2004

**\$20,000,000 Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Five-Z (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 \$20,000,000 Variable Rate Demand Revenue Bonds, Series Five-Z (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 RBC Dain Rauscher Inc., 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

DEFINITION OF CERTAIN TERMS

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

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

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the 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 Institution Representative: The President, the Executive Vice President and Chief Administration 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 8.05 thereof.

Bank: LaSalle Bank National Association, as the issuer of the Original Letter of Credit, its successors in such capacity and their assigns until the full payment and satisfaction of the Letter of Credit Obligations under the original Reimbursement Agreement; upon the issuance of any Alternate Letter of Credit, "Bank" means the issuer of such Alternate Letter of Credit, its successors in such capacity and their assigns until full payment and satisfaction of the Letter of Credit Obligations under the applicable Reimbursement Agreement.

Beneficial Owner: With respect to any Authorized Denomination of a Bond in Book-Entry Form, each person who beneficially owns such Bond in such authorized denomination and on whose behalf such authorized denomination of Bond is held by the Depository.

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

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

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

Bond Purchase Agreement: The Bond Purchase Agreement relating to the Bonds among the Authority, the Underwriter, and the Corporation.

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

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

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

Book-Entry Form: All Bonds, if such Bonds are all held (i) in the name of the Depository (or its nominee) with each Stated Maturity evidenced by a single Bond certificate or (ii) with the approval of the Corporation, Authority and Trustee, in any similar manner for which Beneficial Owners do not receive Bond certificates.

Book-Entry System: A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and its participants.

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: (i) When Bonds bear interest at a Variable Rate, any day other than a Saturday, a Sunday, a day on which banking institutions located in the City of Saint Paul, Minnesota, the City of New York, New York, or in the city or cities in which the principal corporate trust offices of the Trustee or of the Tender Agent, or the principal offices of the Remarketing Agent or of the Bank through which the Letter of Credit is issued are located are required or authorized by law to remain closed and other than a day on which the New York Stock Exchange is closed, and (ii) when Bonds bear interest at a Fixed Rate, any day other than a day upon which banks located in the city or cities in which the principal corporate trust offices of the Trustee are located are required or authorized by law to remain closed.

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

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

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

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

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

Date of Taxability: The date as of which interest on the Bonds shall be determined to be includable in gross income pursuant to a Determination of Taxability.

Defaulted Interest: Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date.

Depository or DTC: The Depository Trust Company in New York, New York, its successors or assigns, or any other person who shall be a Holder of all Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, 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, Loan Agreement, or the Reimbursement Agreement and summarized, respectively, in Appendix IV to this Official Statement in the sections entitled “THE INDENTURE - Events of Default,” “THE LOAN AGREEMENT - Events of Default,” and in the body of this Official Statement in the section entitled “THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT.”

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

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

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

Fixed Rate Interest Payment Date: The first April 1 or October 1 occurring at least ninety (90) days after the Conversion Date, and each April 1 or October 1 thereafter prior to the last Maturity of any Bonds.

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

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

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

custody of a bank or trust company acceptable to the Trustee in a special account separate from the general assets of such custodian.

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

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank, N.A., 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.

Initial Rate: The interest rate applicable to the Bonds from the Issue Date to and including August 25, 2004.

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

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

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

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

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

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

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

Letter of Credit Obligations: All fees relating to the Letter of Credit, any and all obligations of the Corporation to reimburse the Bank for any drawings under the Letter of Credit, whether for the amount of such drawing or interest thereon, and all other obligations of the Corporation to the Bank arising under or in relation to the Reimbursement Agreement, all whether now existing or hereafter arising, and howsoever evidenced.

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 (or directly to the Bank while a Letter of Credit is in effect) pursuant to the Loan Agreement.

Mandatory Tender Date: The meaning assigned thereto in “THE BONDS – Optional and Mandatory Tender -- Mandatory Tender,” herein.

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

Maximum Rate: The maximum rate, 12% per annum, that may be borne by the Bonds before the Conversion Date.

Moody's: Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, “Moody's” shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Authority.

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.

Optional Tender Date: The meaning assigned thereto in “THE BONDS – Optional and Mandatory Tender – Optional Tender,” herein.

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

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

Pledge Agreement: The Pledge and Security Agreement, dated as of August 1, 2004, among the Corporation, the Trustee, and the Bank, including any amendments thereto, and any other similar written agreement among the Corporation, the Bank and the Trustee.

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

Project: The Project consists of construction, equipping and furnishing of Schulze Hall, a four-story education building to be used by the College of Business on the Institution's downtown Minneapolis, Minnesota campus.

Project Buildings: The facilities acquired, improved, or constructed with proceeds of the Bonds, including investment earnings.

Project Costs: Costs properly payable from the Construction Account for improvement, acquisition, construction and equipping of the Project and for other purposes as provided in the Indenture.

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.

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

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

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

Rating Agency: Moody's Investors Service, if the Bonds are then rated by Moody's and Standard & Poor's, if the Bonds are then rated by Standard & Poor's.

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

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

Redemption Account: The Redemption Account created under the Indenture for deposit of moneys drawn by the Trustee under the Letter of Credit for redemption of Bonds and deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to make up deficiencies in the Bond and Interest Sinking Fund Account, Bond Purchase Fund and Reserve Account, in that order; and (ii) to redeem or prepay outstanding Bonds or to purchase outstanding Bonds for redemption and cancellation, or to pay any unpaid Letter of Credit Obligations. Moneys in the Redemption Account may be used in the Trustee's discretion 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.

Reimbursement Agreement: The Letter of Credit and Reimbursement Agreement, dated as of August 1, 2004, between the Corporation and the Bank, including any amendments thereto; and, if an Alternate Letter of Credit is issued, "Reimbursement Agreement" means a similar agreement, if any, between the issuer of such Alternate Letter of Credit and the Corporation.

Remarketing Agent: RBC Dain Rauscher Inc. or any successor or successors appointed and serving in such capacity pursuant to the Indenture.

Remarketing Agreement: The Remarketing Agreement dated as of August 1, 2004 between the Corporation and the Remarketing Agent, including any amendments thereto; and any other written agreement among the Authority and/or the Corporation and any Remarketing Agent describing the responsibilities of the Remarketing Agent.

Reserve Account: The Reserve Account established under the Indenture.

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

Standard & Poor's: Standard & Poor's Rating Services, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Authority.

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

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

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

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

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

Trustee, Registrar, Paying Agent: Wells Fargo Bank, N.A., Minneapolis, Minnesota.

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

Variable Rate Interest Payment Date: (i) The first Business Day of each calendar month commencing September 1, 2004, (ii) each Mandatory Tender Date described in the Indenture with respect to the Bonds subject thereto, (iii) each Purchase Date described in the Indenture with respect to Pledged Bonds, and (iv) the Conversion Date.

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

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

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

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The 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, which shall not be unreasonably withheld, 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 and Payment of Purchase Price of Bonds

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 on the Bonds when due, and to pay the Purchase Price of Bonds on each Tender Date. Prior to the Conversion Date, funds drawn under the Letter of Credit and actually received by the Trustee in amounts equal to the interest on and principal of Bonds then due on any Interest Payment Date or principal payment date or by reason of acceleration, or equal to the Redemption Price due on any Redemption Date, or equal to the Purchase Price on any Tender Date, shall be deemed to fulfill the Corporation's repayment or purchase obligation under the Loan Agreement, and the Corporation need not make any duplicative payment to the Trustee.

To provide for such payments the Corporation covenants to pay for the account of the Authority in the following amounts:

(a) From and after the Conversion Date unless the Bonds are secured by a Letter of Credit and the related Reimbursement Agreement or a supplemental indenture provides to the contrary, into the Bond and Interest Sinking Fund Account on or before the fifth Business Day prior to the date payable, the amount payable as interest on the Bonds on the next succeeding Interest Payment Date and the amount payable as principal on the Bonds on the next succeeding principal payment date, subject during the Variable Rate Period and during any other period when interest and principal are paid by draws under a Letter of Credit to a credit for any moneys drawn under the Letter of Credit; and

(b) into the Bond and Interest Sinking Fund Account, as required, the amount of any deficiency in the event the funds on deposit in the Bond and Interest Sinking Fund Account are for any reason insufficient to pay principal, premium (if any) and interest on the Bonds then due (whether at maturity, or by redemption or acceleration of maturity in event of default), subject during the Variable Rate Period and during any other period when interest and principal are paid by draws under a Letter of Credit to a credit for any moneys drawn under the Letter of Credit; and

(c) into the Reserve Account on the Conversion Date, a sum equal to the Reserve Requirement in cash, securities or instruments or an opinion of counsel as specified by the Indenture and during the Fixed Rate Period, such sum, if any, as is necessary to maintain or restore the debt service reserve to the Reserve Requirement; and

(d) into the Redemption Account such amounts, if any, as may become payable under Sections 4.06, 5.08, 5.09 and 6.09 of the Indenture and such further amounts as may be required to provide for the redemption of any Bonds called for redemption from the Redemption Account on or before the date when payable to the Holders of outstanding Bonds, 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 applicable Account or Accounts as provided in the Indenture, and (ii) any credits for amounts transferred under Sections 5.07, 8.02, 8.03 and 8.05 of the Indenture (relating to the transfer of certain investment earnings and certain excess funds); and

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

There is reserved to the 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—Redemption."

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 and 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 as in the judgment of the Corporation are desirable so long as the Project Facilities will remain a "project" under the Act and the interest on the Bonds will be exempt from federal income taxation. 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. Except as otherwise provided by the Loan Agreement, the Corporation shall maintain its title to and possession of the Project Facilities, provided that the Corporation may sell, transfer, convey, 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 sale, transfer, conveyance, lease, sublease 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 lease, sublease or agreement had not been made, and (iv) in the case of such sale, transfer or conveyance, 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; provided further that the Corporation may by resolution of its Board of Trustees demolish any of the Project Facilities that, in the Corporation's judgment, are worn out, obsolete, or require replacement, or are no longer used.

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. Except for Permitted Encumbrances, the Corporation will not permit any liens to be established or to remain against the Project Facilities including any mechanics' liens for labor or materials furnished in connection with the acquisition and construction of the Project, or with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided 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 may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal unless the Authority or 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 or cause to be satisfied or discharged all such 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 during the Variable Rate Period as required by the Reimbursement Agreement, if any, and with respect to any portion of the Project Facilities not subject to the requirements of the Reimbursement Agreement and following the Conversion Date 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.

If the Bonds are redeemed, the available net proceeds, with the consent of the Bank during the Variable Rate Period, shall be used for redemption or purchase of outstanding Bonds.

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.

If the Bonds are redeemed, the available Net Proceeds shall be used for redemption or purchase of outstanding Bonds.

During the Variable Rate Period the consent of the Bank is required for certain of the foregoing elections by the Corporation.

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 and the Bank 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 and Institution

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 After the Conversion Date

In the event a Determination of Taxability is made on or after the Conversion Date that interest payable on the Bonds is 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 on or after the Conversion Date, 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 or cause to be made any Loan Repayment to the Trustee when due, and either (i) on a Bond principal or interest payment date or redemption date (established or required to be established), the available moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account and Redemption Account are insufficient to pay when due principal of and interest on the Bonds, or (ii) such failure shall continue for five (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) hereof (relating to arbitrage calculation and rebate requirements); or

(c) On or after the Conversion Date, 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 the 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 fails to pay or cause to be paid when due the amount of any Purchase Price required to be paid under the Loan Agreement; or

(e) 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

(f) 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

(g) 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 (90) days from the date of the entry thereof; or

(h) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the 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 (90) 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 (e) above are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the 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) Subject to the Bank’s right of consent, the Trustee may declare all or any amount of Loan Repayments thereafter to become due under and payable for the remainder of the term

of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

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

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

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied first to advances and expenses (provided that proceeds of a Letter of Credit drawing may not be applied to the payment of advances and expenses pursuant to the Loan Agreement), second to payment of the Bonds as provided in Section 10.04 of the Indenture and third to the Bank to pay all Letter of Credit Obligations 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 III, contained herein.

Granting Clauses

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

(a) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority's annual fee and rights to indemnity and reimbursement;

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

(c) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the 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 lien, with right of payment prior to payment of interest on or principal of the Bonds, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee). The Trustee has no lien upon or right to receive payment of any fees, expenses or other amounts from the Bond Purchase Fund or amounts drawn or deemed to have been drawn under the Letter of Credit or the proceeds of remarketing the Bonds.

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable arbitrage rebate requirements under Section 148(f) of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under

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

Events of Default

The following are Events of Default under the Indenture:

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

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

(c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the 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 (but not an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit pursuant to clause (f) of the Events of Default, in which case clause (f) shall apply); or

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

(f) Prior to the Conversion Date, if the Trustee receives a written notice from the Bank that, as a consequence of certain events as set forth in the Letter of Credit, the Bank will not reinstate the interest portion of the Letter of Credit following an interest drawing; or

(g) Prior to the Conversion Date, if the Trustee receives written notice from the Bank that an event of default under the Reimbursement Agreement has occurred (but not an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit pursuant to clause (f) of the Events of Default, in which case clause (f) shall apply) and that the Bank is terminating the Letter of Credit; or

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

Remedies

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

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

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

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

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

Upon the happening and continuance of an Event of Default and subject to limitations on the Bank's rights described below, the Trustee (a) with the Bank's consent may, and (b)(i) with the Bank's consent and upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds or (ii) upon the request of the Bank, shall proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce the Loan Agreement and to enforce any such other appropriate legal or equitable remedy as the

Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders or the Bank as aforesaid, unless such Bondholders or the Bank shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Limitations on the Bank's Right to Consent

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

(a) the Bank has wrongfully failed to honor draws properly presented and conforming under the terms of the Letter of Credit,

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

(c) a petition is pending against the Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, receivership proceeding or liquidation law of any jurisdiction, whether now or hereafter in effect, and has not been dismissed within sixty (60) days after the filing, or

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

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

Concerning the Trustee

The Trustee has 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 Rating Agency, the Bank and the Authority thirty days' notice in writing 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 and acceptance 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, with the consent of the Bank (subject to the limitations of the Bank's right to consent provided in the Indenture).

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

Nothing in the preceding paragraph or in any other provision of the Indenture shall limit or impair the right of the Bank to take action and institute proceedings, in the name of an individual Bondholder or otherwise, as the Bank shall deem appropriate (i) to contest any claim or assertion by any person (including any claim or assertion by the Corporation or by any receiver, custodian, trustee or liquidator for the Corporation) that any payment of interest on the Bonds

constituted a voidable preference under the United States Bankruptcy Code, as amended, or any similar state insolvency law or (ii) to request or petition any court of competent jurisdiction to make a determination that any payment of interest on the Bonds did not constitute a voidable preference under the United States Bankruptcy Code, as amended, or any similar state insolvency law.

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

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

Defeasance

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

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

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

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

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

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

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

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

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

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

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

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds then outstanding, with the prior written consent of the

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

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

Amendments to the Loan Agreement

The Authority and Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or Indenture, or (b) for the purpose of curing any ambiguity, inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, or (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds, or (e) in connection with any other change approved by the Bank except those amendments, changes or modifications which require unanimous consent of the holders of all outstanding Bonds.

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

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

Registration

The Bonds shall be fully registered as to principal and interest at the principal corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. If the Bonds are no longer in book entry form, Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and interest rate of any Authorized Denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, upon request by a registered Owner of more than \$1 million principal amount of Bonds, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable payment procedures while in book entry form.

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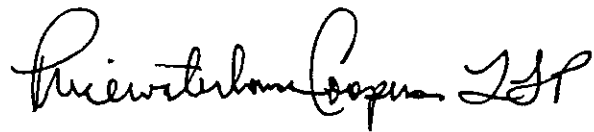
**2002-2003 FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS**

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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.



September 12, 2003

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

Assets	2003	2002
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
Operating revenues				Total
Tuition and fees	\$132,973,676			\$132,973,676
Less: student aid	(29,003,111)			(29,003,111)
Net tuition and fees	103,970,565			97,403,067
Sales and services of educational enterprises	5,618,312			5,791,782
Sales and services of auxiliary enterprises	23,887,185			23,773,176
Private gifts and grants	5,938,324	\$6,560,213		14,887,646
Federal grants and contracts	2,176,222			2,463,772
State grants and contracts	1,638,742			2,353,406
Investment earnings used - endowment	6,704,501			6,238,267
Investment earnings used - non-endowment	9,538,266	114,738		7,960,532
Other revenue	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
Operating expenditures				
<i>Instruction and other services</i>				
Instruction	74,475,283			69,787,102
Educational enterprises	7,235,971			7,401,076
Auxiliary enterprises	22,472,902			22,744,311
Student activities and services	15,059,502			14,742,594
Academic support	8,666,321			8,214,554
Libraries	7,492,407			6,525,372
Public service	1,836,751			2,016,124
Research	480,330			342,767
Total instruction and other services	137,719,467			131,773,900
<i>Management and general</i>				
General administration and support services	16,571,410			15,842,338
Other institutional expenditures	8,160,695			7,375,739
Development	3,285,828			3,493,905
Total management and general	28,017,933			26,711,982
Total operating expenditures	165,737,400			158,485,882
Net operating income	2,647,934	2,183,936		7,022,110
Non-operating activities				
Permanently restricted gifts			\$25,335,202	12,156,852
Investment earnings withdrawn - endowment	(1,783,646)	(163,507)	(1,024,945)	(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	(13,381,510)
Net (decrease) increase in net assets from continuing operations	(4,933,333)	2,020,429	24,310,257	(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	15,182
Net assets, beginning of year	260,916,146	61,248,958	127,340,642	449,490,564
Net assets, end of year	\$255,982,813	\$63,269,387	\$151,650,899	\$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

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Increase in net assets	\$21,397,353	\$15,182
<i>Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:</i>		
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
<i>Change in operating assets and liabilities</i>		
<i>Decrease (increase) in operating assets</i>		
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
<i>(Decrease) increase in operating liabilities</i>		
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.

University of St. Thomas

Notes to 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.

University of St. Thomas
Notes to Financial Statements

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.

University of St. Thomas
Notes to Financial Statements

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.

University of St. Thomas
Notes to Financial Statements

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.

University of St. Thomas
Notes to Financial Statements

2. Accounts Receivable

Accounts receivable consists of the following at June 30:

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

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:

	<u>2003</u>	<u>2002</u>
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	<u>70,644,204</u>	<u>24,900,928</u>
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	<u>(6,360,000)</u>	<u>(4,870,000)</u>
Contributions receivable	<u>\$95,463,822</u>	<u>\$73,022,401</u>

4. Investments

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

	<u>2003</u>	<u>% of</u>	<u>2002</u>	<u>% of</u>
	<u>Market Value</u>	<u>Total</u>	<u>Market Value</u>	<u>Total</u>
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	<u>10,740,049</u>	<u>4.1%</u>	<u>6,900,029</u>	<u>2.3%</u>
Total market value	<u>\$268,820,746</u>	<u>100.0%</u>	<u>\$297,253,395</u>	<u>100.0%</u>
Total cost	<u>\$251,915,728</u>		<u>\$293,655,123</u>	

University of St. Thomas
Notes to Financial Statements

4. Investments - continued

The components of investments and investment earnings are summarized below:

	<u>2003</u>	<u>2002</u>
Investments at beginning of year	\$297,253,395	\$292,830,135
<u>Endowment earnings</u>		
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)
<u>Non-endowment earnings</u>		
<i>Board designated</i>		
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)
<i>Other non-endowment earnings</i>		
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	<u>\$268,820,746</u>	<u>\$297,253,395</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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)	<u>\$8,704,414</u>	<u>(\$48,769)</u>	<u>(\$1,024,945)</u>	<u>\$7,630,700</u>

University of St. Thomas
Notes to Financial Statements

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		<u>\$244,990,534</u>	<u>\$222,864,497</u>

6. Bonds Payable

Bonds payable consists of the following at June 30:

	2003	2002
MHEFA Variable Rate Demand Revenue Bonds, Series Five-L	\$25,035,000	\$25,845,000
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		
MHEFA Revenue Bonds, Series Four-M	18,985,000	\$19,570,000
Payable through 2022, interest at 4.8% to 5.4%, uncollateralized, proceeds used for Morrison Hall		
MHEFA Refunding Mortgage Revenue Bonds, Series Three-R2	14,020,000	14,830,000
Payable through 2014, interest at 5.2% to 5.6%, collateralized by Minneapolis campus land, building, equipment and related revenues		
MHEFA Revenue Bonds, Series Four-P	13,900,000	14,290,000
Payable through 2023, interest at 4.6% to 5.4%, uncollateralized, proceeds used for Opus Hall		

University of St. Thomas
Notes to Financial Statements

6. Bonds Payable - continued

	<u>2003</u>	<u>2002</u>
MHEFA Refunding Revenue Bonds, Series Three-R1	12,060,000	13,180,000
Payable through 2015, interest at 5.2% to 5.6%, uncollateralized, proceeds used for Murray Herrick, dormitory, and other additions		
MHEFA Revenue Bonds, Series Four-A1	10,840,000	11,165,000
Payable through 2021, interest at 4.7% to 5.6%, uncollateralized, proceeds used for Science and Engineering Center		
MHEFA Variable Rate Demand Revenue Bonds, Series Four-O	10,800,000	10,800,000
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		
MHEFA Variable Rate Demand Revenue Bonds, Series Five-C	10,000,000	10,000,000
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		
MHEFA Revenue Bonds, Series Three-I	1,250,000	2,450,000
Payable through 2003, interest at 6.2%, uncollateralized, proceeds used for telecommunications system, boilers and plant headquarters building addition		
Dormitory Bonds, 1967	475,000	500,000
Payable through 2017, interest at 3.0%, collateralized by Brady Hall building and related net revenues		
Academic Building Bonds, 1969	373,000	420,000
Payable through 2009, interest at 3.0%, collateralized by O'Shaughnessy Educational Center building		
Note payable	975,000	
Payable through 2012, interest at 5.0%, uncollateralized		
Total face value of long-term debt	<u>\$118,713,000</u>	<u>\$123,050,000</u>
Approximate market value of long-term debt	<u>\$121,046,000</u>	<u>\$124,900,000</u>

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
	<u>\$118,713,000</u>

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.

University of St. Thomas
Notes to Financial Statements

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	<u>\$29,003,111</u>	<u>\$26,242,598</u>

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
	<u>60,694,404</u>	<u>58,515,657</u>
Annuity trust agreements	2,574,983	2,733,301
Total temporarily restricted net assets	<u>\$63,269,387</u>	<u>\$61,248,958</u>

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
<i>Purpose restrictions accomplished:</i>		
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
<i>Time restrictions expired:</i>		
Death of annuity beneficiary		1,158
Total restrictions released	<u>\$4,491,015</u>	<u>\$5,668,257</u>

University of St. Thomas
Notes to Financial Statements

9. Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to:

	<u>2003</u>	<u>2002</u>
<i>Investment in perpetuity, the income from which is expendable to support:</i>		
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
<i>Annuity trust agreements that will ultimately be used to establish permanent endowment funds</i>	<u>1,997,359</u>	<u>1,962,688</u>
Total permanently restricted net assets	<u>\$151,650,899</u>	<u>\$127,340,642</u>

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.

University of St. Thomas
Notes to Financial Statements

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
	<u>\$9,260,031</u>

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.

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

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LaSALLE BANK NATIONAL ASSOCIATION

LaSalle Bank National Association ("LBNA"), with executive offices in Chicago, Illinois, is a wholly owned subsidiary and a principal asset of LaSalle National Corporation, a Delaware corporation ("LNC"). LNC is a wholly owned subsidiary of ABN AMRO North America, Inc., a Delaware corporation. LBNA is a commercial bank offering a wide range of banking and trust services to its customers in the Chicago metropolitan area, throughout the United States and around the world. As of March 31, 2004, LBNA had total assets of \$65.098 billion, total deposits of \$36.722 billion, total loan and lease finance assets net of unearned income and the reserve for possible credit losses of \$33.488 billion and total equity capital of \$4.875 billion. LBNA had a net income for the three months ended March 31, 2004 of \$140.868 million.

LaSalle Bank National Association's Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices - Office 031, as of the close of business on March 31, 2004, as submitted to the Federal Reserve Bank of Chicago, are incorporated by reference in this Official Statement and shall be deemed to be part hereof.

In addition, all reports filed by LaSalle Bank National Association pursuant to 12 U.S.C. 324 after the date of this Official Statement shall be deemed to be a part hereof from the date of filing of any such report.

LaSalle Bank National Association will provide, without charge, to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Written requests for such copies should be delivered to LaSalle Bank National Association, 135 South LaSalle Street, Chicago, Illinois, 60603, Attention: Commercial Lending.

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