OFFICIAL STATEMENT DATED FEBRUARY 7, 2006

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

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

$38,860,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Six-I
(University of St. Thomas)

(DTC Book Entry Only)

Dated Date: February 1, 2006 **Interest Due: April 1 and October 1, commencing October 1, 2006**

The Bonds are to mature annually on April 1 as described on the inside front cover of this Official Statement.

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), at the direction of the University of St. Thomas (the "University"), Minnesota, the Bonds are subject to redemption in whole or in part prior to maturity, as described herein. See "THE BONDS – Prior Redemption – Optional Redemption." The Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and the Indenture, or in the event of a Determination of Taxability, as described herein. See "THE BONDS – Prior Redemption – Extraordinary Optional Redemption." The Bonds maturing on April 1, 2023 are subject to mandatory redemption in installments. See "THE BONDS – Prior Redemption – Mandatory Redemption."

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

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

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters named below subject to the opinion as to validity and tax exemption of the Bonds by McGrann Shea Anderson Carnival Straughn & Lamb Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Moore, Costello & Hart, P.L.L.P., Saint Paul and Minneapolis, Minnesota and for the Underwriters by Faegre & Benson LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriters through the facilities of DTC on or about February 16, 2006.

RBC Capital Markets

Dougherty and Company LLC Wells Fargo Brokerage Services, LLC

$38,860,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Six-I
(University of St. Thomas)

Maturity Schedule

Maturity Date	Amount	Rate	Yield	CUSIP* 60416H:
4/1/2007	$1,440,000	4.00%	3.30%	FY 5
4/1/2008	$1,785,000	4.00%	3.40%	FZ 2
4/1/2009	$1,860,000	4.00%	3.50%	GA 6
4/1/2010	$1,935,000	4.00%	3.60%	GB 4
4/1/2011	$2,005,000	4.00%	3.70%	GC 2
4/1/2012	$2,080,000	4.00%	3.78%	GD 0
4/1/2013	$2,165,000	5.00%	3.88%	GE 8
4/1/2014	$2,275,000	4.00%	3.98%	GF 5
4/1/2015	$2,360,000	4.00%	4.04%	GG 3
4/1/2016	$2,460,000	5.00%	4.11%	GH 1
4/1/2017	$2,575,000	4.00%	4.16%	GK 4

$15,920,000 5.00% Term Bonds due April 1, 2023 Yield 4.39% CUSIP 60416H GJ 7

** The CUSIP numbers are included in this Official Statement for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.*

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

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

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

No dealer, broker, sales representative or other person has been authorized by the Authority, the University or the Underwriters to give any information or to make any representations with respect to the Bonds, other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the University or the Underwriters. Certain information contained in this Official Statement has been obtained from sources other than records of the Authority or the University and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE UNIVERSITY SINCE THE DATE HEREOF.

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

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

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

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED "FORWARD-LOOKING STATEMENTS," MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY WORDS SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN

SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE UNIVERSITY NOR ANY OTHER PARTY EXPECTS OR INTENDS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

David D. Rowland, Chair	Senior Vice President, St. Paul Travelers Companies, Inc., Eden Prairie, Minnesota
Michael D. Ranum, Vice Chair	Chief Financial and Administrative Officer, Hazelden Foundation, Circle Pines, Minnesota
Mary F. Ives, Secretary	Real Estate Business Owner, Grand Rapids, Minnesota
Gary D. Benson	Vice President, Kraus-Anderson Construction Company, Midwest Division, New Brighton, Minnesota
Kathryn Balstad Brewer	Retired Banker and Educator, New Brighton, Minnesota
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota
Mark Misukanis (Ex Officio)	Director of Fiscal Policy and Research, Minnesota Office of Higher Education, Saint Paul, Minnesota
Carla Nelson	Business Development and Marketing Director, Olmsted Financial Group, Rochester, Minnesota
Christopher A. Nelson	Attorney, St. Paul Travelers Companies, Eagan, Minnesota
Raymond VinZant, Jr.	Special Assistant to U.S. Senator Norm Coleman, Saint Paul, Minnesota

Marianne T. Remedios, Executive Director

Financial Advisor
Springsted Incorporated

TABLE OF CONTENTS

OFFICIAL STATEMENT

$38,860,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES SIX-I
(UNIVERSITY OF ST. THOMAS)

(DTC BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the University of St. Thomas, a Minnesota nonprofit corporation (the "University"), owner and operator of an institution of higher education with campuses located in Saint Paul and Minneapolis, Minnesota, in connection with the issuance of the Authority's $38,860,000 Revenue Bonds, Series Six-I (University of St. Thomas) (the "Bonds," the "Series Six-I Bonds" or the "Issue").

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

The Bonds are also being issued pursuant to the Trust Indenture (the "Indenture") to be dated as of February 1, 2006 between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") to be dated as of February 1, 2006 between the University and the Authority relating to the Bonds, the Authority is loaning the Bond proceeds to the University and the University will covenant as its general obligation to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The Bond proceeds, along with available University funds, will be used to:

1. Advance refund the Authority's Series Four-A1 Bonds (the "Refunded Four-A1 Bonds"),
2. Advance refund the Authority's Series Four-M Bonds (the "Refunded Four-M Bonds"),
3. Advance refund the Authority's Series Four-P Bonds (the "Refunded Four-P Bonds"), and
4. Pay issuance costs.

The Refunded Four-A1 Bonds, the Refunded Four-M Bonds and the Refunded Four-P Bonds are collectively referred to as the "Refunded Bonds." The principal amount of the Refunded Series Four-A1 Bonds is $9,770,000, the principal amount of the Refunded Four-M Bonds is $17,725,000 and the principal amount of the Refunded Four-P Bonds is $13,070,000. See "USE OF PROCEEDS" herein for a more detailed description of the refunding.

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

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

The Bonds shall not be legal or moral obligations of the State of Minnesota, nor 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 descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices IV and V for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

RISK FACTORS

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

Risk of Insufficient Collateral

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

Adequacy of Revenues

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

Competition

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

Reliance on Tuition

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

Financial Aid

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

Damage or Destruction

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

Nature of Pro Forma Debt Service Coverage

Certain historical net operating income and other financial information for the University and computed *pro forma* debt service coverage is provided in Appendix I under the caption "Estimated Annual Debt Service for Fiscal Years 2007 and 2008 and *Pro Forma* Coverage Statement." The *pro forma* coverage is merely a mathematical computation as reflected in the applicable table, and constitutes no assurance as to the future sufficiency of University revenues to satisfy University operations and Bond and other debt service requirements.

Limited Obligation

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

No Limitation on Indebtedness or Liens

Neither the Loan Agreement nor any of the loan documents for the other indebtedness of the University described in Appendix I under the caption "Long-Term Debt" contains any limitation on incurrence by the University of additional long-term or short-term indebtedness. The University has agreed in a Letter of Credit and Reimbursement Agreement (the "LaSalle Letter of Credit Agreement") with LaSalle Bank National Association ("LaSalle Bank") dated as of August 1, 2004 that it will not cause additional indebtedness of more than $5,000,000 to be issued in any fiscal year unless the University certifies to LaSalle Bank that certain financial tests are met. The LaSalle Letter of Credit Agreement was entered into in connection with the $20,000,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-Z (University of St. Thomas) (the "Series Five-Z Bonds"), and may be amended by the parties and will remain in effect only while LaSalle Bank is the provider of that certain letter of credit issued to secure the Series Five-Z Bonds. See "THE UNIVERSITY – Long-Term Debt." Therefore, except as may be limited by the LaSalle Letter of Credit Agreement, the University could incur additional indebtedness in the future, and the additional payments of principal and interest required for such indebtedness could limit the funds available to pay the Loan Repayments and the payments of principal and interest required for the University's existing indebtedness.

Except to the extent limited by the Loan Agreement or other agreements entered into by the University, the University may grant a mortgage or security interest in any of its property to secure existing or future indebtedness and the holders of such secured indebtedness would have a claim on that property that is senior to the unsecured claim of the Bondholders. The University has granted a mortgage on its School of Law building located on its Minneapolis, Minnesota campus in favor of Allied Irish Banks, plc, New York Branch ("AIB") in connection with the $25,845,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-L (University of St. Thomas), dated April 25, 2002 (the "Series Five-L Bonds"). See "THE UNIVERSITY – Long-Term Debt." The Series Five-L Bonds in part financed the University's School of Law building. This mortgage secures indebtedness which may be owed to AIB and does not secure the repayment of the Series Five-L Bonds. The University has also agreed to grant LaSalle Bank a mortgage on one of the University's buildings, Schulze Hall, located on its Minneapolis, Minnesota campus upon an event of default under the LaSalle Letter of Credit Agreement. Any mortgage that may arise in favor of LaSalle Bank would secure indebtedness which may be owed to LaSalle Bank, and would not secure the repayment of the Series Five-Z Bonds. The University has also granted other mortgages to secure certain debt. See "THE UNIVERSITY – Long-Term Debt."

Bankruptcy

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

Derivative Products

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

Other Possible Risk Factors

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

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

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

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

CONTINUING DISCLOSURE

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

Any filing under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

THE BONDS

General

The Bonds will be dated February 1, 2006. The Bonds will mature annually each April 1, commencing April 1, 2007, as set forth on the inside cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing October 1, 2006.

Book Entry System

The Depository Trust Company

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. For further information on DTC, see Appendix VII "The Depository Trust Company" herein.

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Prior Redemption

Mandatory Redemption

The Bonds maturing on April 1, 2023 (the "Term Bonds") shall be called for redemption on April 1 in the years and in the principal amounts set forth immediately below, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account.

Term Bonds Due April 1, 2023

Maturity Date	Amount
4/1/2018	$ 2,685,000
4/1/2019	$ 2,815,000
4/1/2020	$ 2,960,000
4/1/2021	$ 3,110,000
4/1/2022	$ 2,835,000
4/1/2023 *	$ 1,515,000

* *Stated maturity*

The Term Bonds or portions thereof to be so redeemed shall be selected by the Trustee by lot or in such other random manner as the Trustee shall determine.

The Term Bonds may, at the option of the University, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

1. have been delivered to the Trustee for cancellation; or
2. have been purchased or redeemed (other than through operation of the Bond and Interest Sinking Fund Account) and canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption obligations.

Optional Redemption

At the University's request, the Authority may elect to prepay on April 1, 2016 and on any day thereafter Bonds maturing on or after April 1, 2017. Redemption may be in whole or in part and if in part in such order of maturity as the University directs and selected by random means within a maturity. All prepayments shall be at a price equal to par plus accrued interest, without premium.

Extraordinary Optional Redemption

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

Partial Redemption

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

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

Notice of Redemption

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

Determination of Taxability

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

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

USE OF PROCEEDS

The Plan of Finance

Bond proceeds and funds available from accounts held in trust by the Trustee for the Refunded Bonds, along with University funds, will be used to:

1. Advance refund the Authority's Series Four-A1 Bonds (the "Refunded Four-A1 Bonds"),
2. Advance refund the Authority's Series Four-M Bonds (the "Refunded Four-M Bonds"),
3. Advance refund the Authority's Series Four-P Bonds (the "Refunded Four-P Bonds") and
4. Pay issuance costs.

The Refunded Bonds are outstanding in the following amounts:

Refunded Series Four-A1 Bonds	$ 9,770,000
Refunded Series Four-M Bonds	17,725,000
Refunded Series Four-P Bonds	13,070,000
Total:	$ 40,565,000

The Series Four-A1 Bonds have a final maturity date of October 1, 2021 and are callable in full on any date beginning October 1, 2006 at a price of par plus interest accrued to the redemption date. The Series Four-M Bonds have a final maturity date of April 1, 2022 and are callable in full on any date beginning April 1, 2007 at a price of par plus interest accrued to the redemption date. The Series Four-P Bonds have a final maturity date of April 1, 2023 and are callable in full on any date beginning April 1, 2008 at a price of par plus interest accrued to the redemption date. Bond proceeds and other available moneys will fund separate escrow accounts for each series of Refunded Bonds in amounts sufficient to pay all principal and interest as they come due on the Refunded Bonds, including paying all outstanding principal in full on the first available call date for each series of Refunded Bonds. See "USE OF PROCEEDS – Escrow Agreement."

The Refunded Bonds were issued to provide funds loaned to the University to finance: (i) the construction of the O'Shaughnessy and Owens Science Halls located on the University's Saint Paul Campus; (ii) the construction of a residence hall ("Morrison Hall") on the Saint Paul campus; (iii) the construction of a parking ramp beneath Morrison Hall; (iv) the construction of a commons building connecting Brady Hall and Dowling Hall for administrative and office space and recreational facilities and related improvements to Brady Hall and Dowling Hall on the Saint Paul campus; (v) construction of a skyway between the commons building and Morrison Hall on the Saint Paul campus, and (vi) the construction of Opus Hall, a multistory education building, and related improvements on the University's Minneapolis campus.

Escrow Agreement

At the Issue Date, a portion of the Bond proceeds and other available funds will be deposited into three separate escrow accounts, one for the Refunded Four-A1 Bonds, one for the Refunded Four-M Bonds, and one for the Refunded Four-P Bonds, created under the Escrow Agreement among the University, the Authority and Wells Fargo Bank, National Association, as Escrow Agent. The escrow accounts will be funded with cash and U.S. Treasury securities sufficient, along with earnings thereon, to pay the outstanding principal amount of the Refunded Bonds, plus interest that accrues on the Refunded Bonds until the Refunded Bonds are called for redemption on their respective redemption dates (on or about October 1, 2006 for the Refunded Four-A1 Bonds, on or about April 1, 2007 for the Refunded Four-M Bonds, and on or about April 1, 2008 for the Refunded Four-P Bonds).

Barthe & Wahrman PA, Certified Public Accountants, will deliver an independent verification report stating that the cash and investments held pursuant to the Escrow Agreement along with interest earned thereon will be sufficient to pay the principal of, premium on (as applicable), and interest on the Refunded Bonds as described above and to pay the redemption price of the Refunded Bonds on their respective redemption dates. The verification report will also confirm the correctness of the mathematical computations supporting Bond Counsel's conclusion that the Bonds are not "arbitrage bonds" as defined in Section 148 of the Code.

ESTIMATED SOURCES AND USES OF FUNDS

Sources	
Bond Proceeds	$38,860,000
University contribution	1,930,340
Accrued interest	73,327
Reoffering premium	1,216,482
Transfers from Series Four-A1 accounts	0
Transfers from Series Four-M accounts	1,621,290
Transfers from Series Four-P accounts	569,932
Total Sources:	$44,271,371
Uses	
Debt Service Fund	$ 73,327
Refunding deposit – Series Four-A1	10,054,087
Refunding deposit – Series Four-M	18,291,194
Refunding deposit – Series Four-P	13,618,079
Debt Service Reserve	1,749,175
Costs of issuance, including Underwriter Discount	485,509
Total Uses:	$44,271,371

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

SOURCE OF PAYMENT FOR THE BONDS

General

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

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

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

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

The Bonds will not be secured by the General Bond Reserve of the Authority (see “GENERAL BOND RESERVE ACCOUNT”).

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Refunding Account, a Bond and Interest Sinking Fund Account, a Reserve Account, a Costs of Issuance Account and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Refunding Account, except that the amount of Reserve Requirement will be deposited into the Reserve Account, issuance costs in the amount specified in the Indenture shall be deposited into the Costs of Issuance Account, and accrued interest will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the University as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account and the Redemption Account as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Refunding Account

There shall be deposited initially into the Refunding Account certain Bond proceeds which shall be in an amount sufficient, along with University funds and available moneys from the Refunded Bonds Trustee and earnings on such amounts, to pay the principal and interest as it comes due on the Refunded Bonds and the redemption price of the Refunded Bonds on their respective redemption dates, as described herein. The monies deposited to this account shall immediately be transferred to the escrow accounts created under the Escrow Agreement to be invested and disbursed according to the terms of the Escrow Agreement. See “USE OF PROCEEDS – Escrow Agreement.”

Bond and Interest Sinking Fund Account

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

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

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the Reserve Requirement for the Bonds, which will be one-half of maximum annual debt service on the Bonds. The Reserve Account is irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time. All amounts paid by the University as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account will be deposited into the Reserve Account in order to maintain the Reserve Account in an amount not less than the Reserve Requirement.

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the University shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the University for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than as of September 1, 2006 and semiannually thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the amount of the Reserve Requirement, or more than the amount (if less than the Reserve Requirement) allowed for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within 30 days.

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

Costs of Issuance Account

There shall be deposited into the Costs of Issuance Account the amount specified in the Indenture to be applied to the costs, fees and expenses incurred in connection with the issuance of the Bonds. The Trustee shall disburse funds from this account upon presentation to Trustee of an invoice approved by the Authorized Institution Representative or the Authorized Authority Representative. If funds remain in the Costs of Issuance Account after a period of one year the funds shall be transferred to the Bond and Interest Sinking Fund Account on April 1, 2007.

Redemption Account

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

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

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Reserve Account, the Costs of Issuance Account and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states (if rated at least "AA" or "Aa") and political subdivisions of states (if rated at least "AAA" or "Aaa"); revenue bond obligations of states and political subdivisions of states insured by municipal bond insurance and rated "AAA" or "Aaa"; money market funds, mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements collateralized by United States government obligations and certain of its agencies; constant dollar value money market funds that invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements collateralized by United States government obligations and certain of its agencies and which are rated in the highest rating category by a national rating agency; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. The Indenture sets forth further restrictions as to type and maturity of investments.

Monies deposited in the Refunding Account will not be invested, but will be transferred to the escrow account created under the Escrow Agreement and subject to the investment requirements contained in the Escrow Agreement. See "USE OF PROCEEDS – Escrow Agreement."

GENERAL BOND RESERVE ACCOUNT

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

investments in the General Bond Reserve Account to the payment of the Bonds or interest thereon.

CONCURRENT AND FUTURE FINANCING

As of the date of this Official Statement the Authority, on behalf of the University, by means of a separate Official Statement, anticipates offering for sale approximately $12,300,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Six-H (University of St. Thomas) for the purpose of financing the construction of an academic building on the University's Saint Paul campus.

The University regularly improves, expands and changes its physical plant and incurs long-term financing as needed for these purposes. Other than the Series Six-H and Series Six-I Bonds, the University does not anticipate financing any projects with debt within the next six months. See "RISK FACTORS – No Limitation on Indebtedness or Liens."

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education within the State in the construction and financing of projects. The Authority consists of eight members appointed by the Governor with the advice and consent of the Senate. A representative of the Minnesota Office of Higher Education 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 2000.

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 152 issues (including refunded and retired issues) totaling over $1 billion, of which approximately $642 million is outstanding as of January 1, 2006. 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 and to refinance other debt for capital improvements.

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, Public Sector Advisors, 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. d/b/a RBC Capital Markets, Dougherty and Company LLC, and Wells Fargo Brokerage Services, LLC (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a purchase price of $39,726,741.70 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $349,740.00 and adjusted for original issue premium of $1,216,481.70) plus accrued interest with respect to the Bonds.

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

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

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

Wells Fargo Brokerage Services, LLC ("WFBS"), one of the Underwriters, is a brokerage affiliate of Wells Fargo & Company. WFBS is solely responsible for its contractual obligations and commitments. Nondeposit investment products offered by WFBS are not FDIC insured, are subject to investment risk, including loss of principal, and are not guaranteed by a bank unless otherwise specified.

From time to time, Wells Fargo Bank, National Association and other banks and companies affiliated with WFBS may lend money to an issuer of securities or debt that are underwritten or dealt in by WFBS.

Pursuant to the Indenture, Wells Fargo Bank, National Association is acting as Trustee for the Bonds. The Trustee and WFBS are each indirect wholly-owned subsidiaries of Wells Fargo & Company. The Trustee and WFBS will each have separate responsibilities and duties in connection with the issuance, sale and payment of the Bonds. Each of the Trustee and the WFBS, as the case may be, believes that the performance of its respective duties and responsibilities in connection with the Bonds does not constitute a prohibited conflict of interest under any applicable law, regulation, administrative order or court ruling. Nevertheless, no assurances can be given that conflicts of interest could or would not arise as a result of the performance of these various duties.

RATING

As noted on the cover page hereof, Moody's Investors Service has assigned a long-term rating of “A2” to the Bonds. This rating reflects only the view of such rating agency. Further information concerning such rating 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 such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the University are not aware 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 McGrann Shea Anderson Carnival Straughn & Lamb Chartered, Minneapolis, Minnesota, as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the University by Moore, Costello & Hart, P.L.L.P., Saint Paul and Minneapolis, Minnesota, and for the Underwriters by Faegre & Benson LLP, Minneapolis, Minnesota.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed 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.

If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. (See "SUMMARY OF DOCUMENTS – The Loan Agreement – Determination of Taxability" in Appendix V). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

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

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of 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 are passive investment income.

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

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

Bond Premium

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

Original Issue Discount

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

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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APPENDIX I

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 four academic buildings, including the University's School of Law building. 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 Office of Higher Education in accordance with Minnesota Statutes.

Governance

The University is governed by a Board of Trustees, currently composed of 34 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 33 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 January 1, 2006:

Trustee	Principal Activity and/or location
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 R. Anderson	Chairman, APi Group, Inc., Saint Paul, Minnesota
The Honorable Kathleen A. Blatz	Retired Chief Justice, Minnesota Supreme Court, Maple Plain, Minnesota

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 Business Affairs, Chief Financial Officer

The University is conducting a national search for the position of Vice President for Business Affairs, Chief Financial Officer and is conducting interviews with candidates to fill the position.

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, 2005, the book value of all property and equipment, net of depreciation, was $299,478,694. Buildings and contents have an insured value of $532,845,634 for the policy year July 1, 2005 – June 30, 2006.

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 30 major buildings, including classroom/office facilities, student residences, a stadium and a field house and parking facilities. Nine residence halls and two University-owned apartment buildings are currently configured for a capacity of 2,385 students.

The University established its Minneapolis campus in downtown Minneapolis in 1992. That campus now spans three city blocks and consists of four buildings. 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

Effective July 1, 1986, an affiliation between the University and The Saint Paul Seminary was finalized and the School of Divinity of the University was established. 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 eight 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)
- 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)

In cooperation with other institutions in the Associated Colleges of the Twin Cities (“ACTC”), the University offers 96 majors and six bachelor’s degrees in its undergraduate programs.

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; social work; 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 46 graduate programs, including 39 masters programs, two education specialist programs, one juris doctor and four 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 2005, the University employed 403 full-time and 366 part-time faculty. Total employees number approximately 1,860. The total payroll for the Fiscal Year ended June 30, 2005 was $89,887,101, 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 2005/2006 academic year.

Title	Average Salary
Professor	$82,255
Associate Professor	66,782
Assistant Professor	57,708
Instructor	60,703

The following table lists the degrees and professional designations held by the full-time faculty members for the 2005/2006 academic year.

	Number
Doctorate	351
Master of Arts, Juris Doctorate, Certified Public Accountant	42
Bachelor of Arts	2
Not Reported	8
Total	403

Freshman Applications, Acceptances and Enrollments

	2001/02	2002/03	2003/04	2004/05	2005/06
Applications	3,275	3,099	2,987	4,249	4,708
Acceptances	2,652	2,706	2,590	3,457	3,831
Percent Accepted	81%	87%	87%	81%	81%
Fall Enrolled	1,073	1,098	1,039	1,159	1,325
Percent Enrolled to Accepted	40%	41%	40%	34%	35%
Mean ACT Scores	25.0	24.9	24.8	24.6	24.8

Beginning with the 2004-05 school year, the University undertook strategies 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

2001/02	2002/03	2003/04	2004/05	2005/06
273	265	246	265	300

Enrollments

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

	2001/02	2002/03	2003/04	2004/05	2005/06
Headcount					
Undergraduate	5,416	5,429	5,236	5,302	5,584
Graduate and Professional	6,154	5,937	5,843	5,172	5,057
Total	11,570	11,366	11,079	10,474	10,641
FTEs					
Undergraduate	5,061	5,081	4,914	5,037	5,354
Graduate and Professional	3,332	3,334	3,333	3,033	3,001
Total	8,393	8,415	8,247	8,070	8,355

The University attributes the graduate and professional headcount decline over the period above largely to two factors: (1) Since September 2001 it has been more difficult for foreign students to obtain permission to study in the United States, and (2) as the economy has improved, fewer students have elected to enroll in graduate school. These two factors, along with others, resulted in the overall decline in graduate students.

Undergraduate headcount has remained relatively stable, and in 2005/06 reached near historically high levels for the University. Because undergraduate students are more likely to attend full-time and graduate students are more likely to attend part time, the University's total FTE count has generally remained the same despite the decline in graduate students.

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

Campus	2001/02	2002/03	2003/04	2004/05	2005/06
Saint Paul	7,105	7,010	6,975	6,819	6,945
Minneapolis	3,123	3,254	3,373	3,134	3,229
Other	1,985	1,897	1,889	1,613	1,660
Total	12,213	12,161	12,237	11,566	11,834

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 2005/2006 academic year is 10,641; with a full-time equivalent ("FTE") enrollment of 8,355. Approximately 81% of the 2005/2006 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 2005 the University had eleven student residences on the Saint Paul campus with a capacity of 2,385 and all were fully occupied. Approximately 93% of the fall 2005 entering first year students lived on campus and 40% of the undergraduate day student population for the academic year 2005/2006 resided on the Saint Paul campus.

Tuition and Fees

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:

	2001/02	2002/03	2003/04	2004/05	2005/06
Undergraduate (full-time) per academic year	$ 18,096	$19,468	$ 20,608	$ 21,440	$ 23,294
Graduate education, per credit	$ 417	$ 432	$ 449	$ 476	$ 508
Graduate School of Business, evening and part-time programs, per credit	$ 491	$ 520	$ 551	$ 584	$ 623
School of Law (full-time) per credit	$ 723	$ 752	$ 782	$ 821	$ 876

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, 2001 through 2005.

Year	Tuition and Fees
2001	$ 113,640,265
2002	123,645,665
2003	132,973,676
2004	139,821,575
2005	148,020,323

2005/2006 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Comprehensive Charges)

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges*
Carleton College	$32,649	$7,818	$40,467
Macalester College	$28,642	$7,858	$36,500
St. Olaf College	$26,500	$6,300	$32,800
Minneapolis College of Art & Design	$25,040	$5,970	$31,010
Gustavus Adolphus College	$24,865	$6,055	$30,920
University of St. Thomas	**$23,294**	**$7,086**	**$30,380**
College of Saint Benedict	$23,454	$6,637	$30,091
Hamline University	$23,375	$6,712	$30,087
Saint John's University	$23,474	$6,275	$29,749
College of St. Catherine	$22,714	$6,120	$28,834
College of St. Scholastica	$22,240	$6,216	$28,456
Augsburg College	$21,953	$6,341	$28,294
Bethel University	$21,300	$6,800	$28,100
Concordia University (St. Paul)	$21,312	$6,464	$27,776
Saint Mary's University of Minnesota	$19,129	$5,740	$24,869
Concordia College (Moorhead)	$19,520	$4,990	$24,510
Bethany Lutheran College	$15,716	$4,982	$20,698
Average	$23,246	$6,374	$29,620

** 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 89 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 for the table and the notes above: Minnesota Private College Council

Financial Aid

Approximately 90% of the University's undergraduate students currently receive some form of financial aid through grants, loans and work study funds from federal, state, University or private sources. Some of the federal and state financial aid programs apply to tuition and fees, whereas others provide aid for living expenses such as transportation, housing (on or off campus) and personal expenses.

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FINANCIAL AID BY TYPE

Year Ended June 30	Number of Students (a)	Univ. of St. Thomas	Restricted Funds (b)	Supple-mental Education Opportunity Grants (c)	Total UST, Restricted, and SEOG	PELL Grants (c)	State of Minnesota Grant Program	State of Minnesota SELF Loan Program	PERKINS Loan Program (c), (d)	STAFFORD Loan Program (c), (e) Subsidized	STAFFORD Loan Program (c), (e) Unsubsidized	Work Study (f)	Total
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
2004	7,053	$28,594,259	$4,111,467	$782,889	$33,488,615	$1,984,742	$3,904,737	$1,757,243	$1,004,627	$19,883,204	$17,730,310	$3,252,508	$83,005,986
2005	7,135	$33,031,050	$5,197,338	$795,600	$39,023,988	$1,977,289	$3,627,446	$1,545,603	$791,930	$19,774,461	$18,322,897	$3,174,255	$88,237,869

(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 for substantially all full-time employees through Teachers Insurance and Annuity Association -- College Retirement Equity 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. The cost of these benefits to the University was $6,924,158 for 2004 and $7,105,009 for 2005.

Unions

The General Drivers, Helpers, and Truck Terminal Employees, an affiliation of the International Brotherhood of Teamsters Local 120, represents approximately 70 employees who are on the custodial or grounds keeping 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, 2005 through January 31, 2008.

The International Union of Operating Engineers Local 70, AFL-CIO, which represents approximately 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, 2005 and 2004 and for the years then ended, included in Appendix VII, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein.

Statement of Financial Activity for Fiscal Years 2001 through 2005

The table on the following page summarizes the University's statements of unrestricted activities for the Fiscal Years ended June 30, 2001 through 2005. For more complete information of the University for the Fiscal Years ended June 30, 2005 and 2004, see Appendix VII of this Official Statement.

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

	2001	2002	2003	2004	2005
Operating Revenues					
Tuition & Fees	113,640,265	123,645,665	132,973,676	139,821,575	148,020,323
Less: student aid	(22,360,718)	(26,242,598)	(29,003,111)	(33,488,615)	(39,023,988)
Net tuition and fees	91,279,547	97,403,067	103,970,565	106,332,960	108,996,335
Sales and services of educational enterprises	7,165,929	5,791,782	5,618,312		
Sales and services of auxiliary enterprises	23,040,719	23,773,176	23,887,185	24,211,112	24,831,223
Private gifts and grants	7,016,848	5,768,324	5,938,324	6,721,783	5,230,326
Federal grants and contracts	2,034,146	2,463,772	2,176,222		
State grants and contracts	2,414,819	2,353,406	1,638,742		
Grants and contracts				5,491,994	5,684,120
Investment earnings used -- endowment	5,251,354	6,238,267	6,704,501	6,953,385	9,331,055
Investment earnings used -- non-endowment	8,545,063	7,902,437	9,538,266	12,144,812	10,032,496
Sales and services of educational departments				4,685,206	4,558,009
Other Revenue	5,361,962	4,612,515	4,422,202	5,916,980	5,442,667
Net assets released from restriction	5,081,880	5,668,257	4,491,015	22,851,040	14,886,238
Total Operating Revenues	157,192,267	161,975,003	168,385,334	195,309,272	188,992,469
Operating Expenditures					
Instruction and other services					
Instruction	66,754,380	69,787,102	74,475,283	87,173,220	88,092,618
Educational enterprises	9,454,932	7,401,076	7,235,971		
Auxiliary enterprises	23,300,498	22,744,311	22,472,902	24,538,532	24,963,052
Student activities and services	14,501,452	14,742,594	15,059,502	15,239,536	15,685,753
Academic support	8,042,962	8,214,554	8,666,321	8,235,178	7,658,201
Libraries	6,188,588	6,525,372	7,492,407	7,629,767	7,866,222
Student financial aid (externally funded)					
Public service	3,254,776	2,016,124	1,836,751	1,718,264	1,575,241
Research	469,797	342,767	480,330	338,371	403,925
Total instruction and other services	131,967,385	131,773,900	137,719,467	144,872,868	146,245,012
Management and general					
General Administration & support	15,218,498	15,842,338	16,571,410	24,216,844	24,600,158
Other institutional expenditures	6,772,288	7,375,739	8,160,695		
Development	3,984,279	3,493,905	3,285,828	3,740,681	3,891,851
Total Management and General	25,975,065	26,711,982	28,017,933	27,957,525	28,492,009
Total Operating Expenditures	157,942,450	158,485,882	165,737,400	172,830,393	174,737,021
Net Operating Income (loss)	**(750,183)**	**3,489,121**	**2,647,934**	**22,478,879**	**14,255,448**
Non-Operating Activities					
Investment earnings reinvested (withdrawn) -- endowment	(610,525)	(13,321,340)	(1,783,646)	14,686,821	6,155,327
Investment earnings reinvested (withdrawn) -- non-endowment	(4,041,727)	(10,251,638)	(5,754,707)	913,757	(275,958)
Net gain(loss) on other investments					
Nonrecurring loss on fixed assets					
(Loss) gain on disposal of property and equipment		(572,125)	(42,914)		442,206
Net unrealized gain (loss) on interest rate exchange agreement				982,566	(518,808)
Change in donor-imposed restriction	3,978,000			2,500,000	160,000
Net Non-Operating Income (loss)	**(674,252)**	**(24,145,103)**	**(7,581,267)**	**19,083,144**	**5,962,767**
Net increase (decrease) in net assets from continuing operations	**(1,424,435)**	**(20,655,982)**	**(4,933,333)**	**41,562,023**	**20,218,215**
Discontinued operation					
Income/(loss) from operations of discontinued Catholic Publishing Center	(20,775)	(369,596)			
Gain on disposal of Catholic Publishing Center		6,744,178			
Net increase (decrease) in net assets from discontinued operation	**(20,775)**	**6,374,582**			
Net (decrease) increase in net assets	**(1,445,210)**	**(14,281,400)**	**(4,933,333)**	**41,562,023**	**20,218,215**
Net assets, beginning of year	276,642,756	275,197,546	260,916,146	255,981,311	297,543,334
Restatement to include William C. Norris Institute assets merged into University					
Net assets, end of year	**275,197,546**	**260,916,146**	**255,982,813**	**297,543,334**	**317,761,549**

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.

	2004	2005
In one year or less	$32,926,999	$20,103,267
Between one year and five years	21,799,426	18,202,823
More than five years	59,288,624	57,178,954
Total face value of pledges outstanding	114,015,049	95,485,044
Discount (to present value)	(24,832,324)	(22,333,395)
Allowance for uncollectible pledges	(5,960,000)	(4,820,000)
Contributions receivable	$83,222,725	$68,331,649

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 September of 2001 with gifts and commitments exceeding $250 million.

The University's previous capital campaign was completed in 1991, which had a stated goal of $50 million. In that campaign, the University actually raised $84 million in gifts and pledges.

The University regularly evaluates its capital needs and the feasibility of embarking on a capital campaign.

Net Assets Detail

The following table lists the University's net assets for the Fiscal Years ended June 30, 2003 through 2005. The table includes details on the University's (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 table also includes details as to net assets related to operations and to buildings and equipment.

	FY2003			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Pure endowment	$ 51,938,941	$ 3,219,361	$ 151,651,820	$ 206,810,122
Quasi-endowment	40,090,203			40,090,203
Unrestricted gifts designated primarily for				
Sch. of Law & Sch. of Entrepreneurship	11,857,767	45,377,375		57,235,142
For current operations	16,073,781	5,373,109		21,446,890
Net assets, excluding buildings & equipment	119,960,692	53,969,845	151,651,820	325,582,357
Net assets related to buildings & equipment				
Net investment in plant	124,059,890			124,059,890
Gifts & pledges for building projects	11,960,730	9,300,122		21,260,852
Total net assets - buildings & equipment	136,020,620	9,300,122	-	145,320,742
Total net assets	$ 255,981,312	$ 63,269,967	$ 151,651,820	$ 470,903,099

	FY2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Pure endowment	$ 64,569,347	$ 5,067,415	$ 168,599,331	$ 238,236,093
Quasi-endowment	37,164,862			37,164,862
Unrestricted gifts designated primarily for				
Sch. of Law & Sch. of Entrepreneurship	38,676,753	31,450,273		70,127,026
For current operations	17,608,567	4,431,280		22,039,847
Net assets, excluding buildings & equipment	158,019,529	40,948,968	168,599,331	367,567,828
Net assets related to buildings & equipment				
Net investment in plant	133,214,918			133,214,918
Gifts & pledges for building projects	6,308,887	11,510,657		17,819,544
Total net assets - buildings & equipment	139,523,805	11,510,657	-	151,034,462
Total net assets	$ 297,543,334	$ 52,459,625	$ 168,599,331	$ 518,602,290

	FY2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Pure endowment	$ 71,019,978	$ 6,027,416	$ 174,462,771	$ 251,510,165
Quasi-endowment	29,032,075			29,032,075
Unrestricted gifts designated primarily for				
Sch. of Law & Sch. of Entrepreneurship	52,192,432	21,327,482		73,519,914
For current operations	17,959,161	4,683,493		22,642,654
Net assets, excluding buildings & equipment	170,203,646	32,038,391	174,462,771	376,704,808
Net assets related to buildings & equipment				
Net investment in plant	141,009,020			141,009,020
Gifts & pledges for building projects	6,548,883	9,570,749		16,119,632
Total net assets - buildings & equipment	147,557,903	9,570,749	-	157,128,652
Total net assets	$ 317,761,549	$ 41,609,140	$ 174,462,771	$ 533,833,460

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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 in December 2007, unless renewed.

Long-Term Debt

The University has the following long-term debt outstanding as of January 1, 2006:

(a) $1,050,000 Dormitory Bonds of 1967, dated April 1, 1967, at 3%; remaining principal is $415,000 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 $274,000 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 $9,770,000 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. The Series Four-A1 Bonds will be refunded with proceeds from the Bonds.

(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 $17,725,000 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. The Series Four-M Bonds will be refunded with proceeds from the Bonds.

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

(f) $15,435,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-P, dated December 1, 1997 at various rates of interest; principal outstanding is $13,070,000 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. The Series Four-P Bonds will be refunded with proceeds from the Bonds.

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

(h) $25,845,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-L, dated April 25, 2002, principal outstanding is $23,450,000. 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) $1,000,000 Contract for Deed dated May 28, 2003, 5.0% interest. Principal was reduced to $975,000 in fiscal 2003. Annual payments of interest only in the amount of $48,750 continue until final maturity and payment in full of the principal amount of the debt on December 20, 2013.

(j) $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 $18,510,000 due October 1, 2006 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.

(k) $30,000,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-Y, dated August 1, 2004 at various rates of interest; principal outstanding is $29,660,000 due October 1, 2005 through 2034. The proceeds financed the construction of a residence hall on the University's Saint Paul campus. The bonds are a general obligation of the University, secured by a debt service reserve fund.

(l) $20,000,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-Z, dated August 19, 2004, principal outstanding is $19,200,000. Holders may tender bonds on seven days' notice; interest is re-set weekly. The final maturity is October 1, 2029. The proceeds financed the construction, equipping, and furnishing of the University's Schulze Hall on the University's Minneapolis campus. The bonds are a general obligation of the University, secured by a Letter of Credit from LaSalle Bank National Association. The University may elect to redeem Series Five-Z Bonds prior to maturity.

As of January 1, 2006, the University's total long-term debt outstanding, less the Series Four-A1 Bonds, the Series Four-M Bonds, and the Series Four-P Bonds, is $113,284,000. The University's long-term debt will increase by the principal amount of the Bonds upon issuance and by the principal amount of the University's Series Six-H Bonds upon their issuance.

Estimated Annual Debt Service for Fiscal Years 2007 and 2008 and *Pro Forma* Coverage Statement

The following table shows for Fiscal Years 2007 and 2008 information related to the *pro forma* debt service coverage for outstanding University debt, combined with the estimated debt service on the Bonds and the Series Six-H Bonds for those two Fiscal Years. Current University debt and debt service for the Series Six-H Bonds and Six-I Bonds extend beyond these two years.

The columns included in the table include the following information:

Column 1 shows fiscal year ends.

Column 2 shows the actual debt service for the Bonds during Fiscal Years 2007 and 2008. The True Interest Cost on the Bonds is 4.39%.

Column 3 shows the estimated debt service for the Series Six-H Bonds during Fiscal Years 2007 and 2008. The Series Six-H Bonds are expected to be variable rate bonds, and the debt service has been estimated by using a rate of 3.50%, the approximate average of variable rates for similar issues for the past 20 years. The actual interest rate on the Series Six-H Bonds will be reset weekly, will vary, and could exceed the estimated rate. Column 2 also assumes a level annual debt service for the Series Six-H Bonds with principal payments commencing in fiscal year 2009, although the principal of the Series Six-H Bonds could be repaid according to a different amortization schedule. This column does not include fees associated with the variable rate bonds.

Column 4 shows the University's estimated annual debt service for Fiscal Years 2007 and 2008 with respect to all University long-term indebtedness outstanding as of January 1, 2006, less the debt service on indebtedness the University will refund with Bond proceeds. Portions of the University's outstanding debt consist of variable rate debt, and the rate on such debt is estimated as described in the paragraph immediately above. Column 4 also incorporates the University's anticipated optional redemption of variable rate debt.

Column 5 shows the University's estimated combined long-term debt, adding the estimated debt service on the Bonds to the estimated debt service on the Series Six-H Bonds and the estimated debt service on the University's outstanding long-term debt for Fiscal Years 2007 and 2008.

Columns 6 and 7 show *pro forma* debt service coverage for the combined estimated annual debt service provided by the amount available for debt service for Fiscal Years 2004 and 2005, respectively. Amounts available for debt service are detailed in footnote (e) and (f) to the table.

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

The table is intended merely to show the relationship of amounts available for the University's debt service for Fiscal Years 2004 and 2005 to a statement of the University's combined estimated annual debt service for Fiscal Years 2007 and 2008 based on a combination of estimated debt service requirements and estimated interest rates and amortization schedules with respect thereto. It is not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the University. There is no assurance that the future amounts available for debt service, debt service and debt service coverage of the University or the respective relationships thereof will correspond to the *pro forma* amount available for debt service,

***pro forma* debt service coverage, combined estimated long-term debt service or the respective relationships thereof shown by or reflected in the following table.**

Estimated Annual Debt Service for Fiscal Years 2007 and 2008 and *Pro Forma* Coverage Statement

Fiscal Year Ending June 30, (1)	Actual Debt Service on the Bonds (a) (2)	Estimated Debt Service on Series Six-H Bonds (b) (3)	Estimated Outstanding Long-term Debt Service (c) (4)	Estimated Combined Long-term Debt Service (d) (5)	FY 2004 *Pro Forma* Coverage (times) (e) (6)	FY 2005 *Pro Forma* Coverage (times) (f) (7)
2007	$ 3,493,158	$ 430,500	$ 9,540,750	$ 13,464,408	2.59	1.99
2008	3,487,250	430,500	9,837,492	13,755,242	2.53	1.95
	$ 6,980,408	$ 861,000	$ 19,378,242	$ 27,219,650		

(a) Debt service on the Bonds is based on actual rates and principal payments from the January 31, 2006 pricing on the Bonds. The True Interest Cost on the Bonds is 4.39%

(b) Debt service in the Series Six-H Bonds is based on an estimated rate of 3.50% obtained by using the average of variable rates for similar issues for approximately the past 20 years and assuming a level annual debt service with principal payments commending in fiscal year 2009.

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

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

(e) The amount available for debt service for Fiscal Year 2004 (calculated as shown below and based on the University's Fiscal Year 2004 audited financial statements) divided by column (5).

(f) The amount available for debt service for Fiscal Year 2005 (calculated as shown below and based on the University's Fiscal Year 2005 audited financial statements) divided by column (5).

	FY 2004	FY 2005
Unrestricted Net Operating Income	$22,478,879	$14,255,448
Plus:		
Depreciation and amortization	9,078,710	10,113,412
Interest expense on debt	4,556,439	4,933,204
Less:		
Net assets released from restrictions for building and equipment	(1,265,290)	(2,547,995)
Amount available for debt service	$34,848,738	$26,754,069

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PROPOSED FORM OF LEGAL OPINION

McGrann Shea Anderson Carnival Straughn & Lamb, Chartered

ATTORNEYS AT LAW

WILLIAM R. MCGRANN
ANDREW J. SHEA
DAVID S. ANDERSON
DOUGLAS M. CARNIVAL
ROBERT O. STRAUGHN
PETER L. COOPER
KATHLEEN M. LAMB
JOHN R. SCHULZ
COREY J. AYLING
HENRY M. HELGEN III
RANDOLPH W. MORRIS
SCOTT B. CROSSMAN
CARLA J. PEDERSEN
PAMELA HODGES NISSEN
KATHLEEN MICHAELA BRENNAN
JOSEPH T. BAGNOLI

U.S. BANCORP CENTER
800 NICOLLET MALL
SUITE 2600
MINNEAPOLIS, MINNESOTA
55402-7035

TELEPHONE (612) 338-2525
FACSIMILE (612) 339-2386

JENNIFER A. JAMESON
TIMOTHY J. FOSTER
AMY L. COURT
ROGER J. STELLJES
AMANDA R. CEFALU
SEAN O. SKRYPEK
ALBERT E. LI
DOUGLAS M. JAKWAY
CARL S. WOSMEK
CHRISTINE L. MENNEN
EMILY J. PIPER

$38,860,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Six-I
(University of St. Thomas)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the “Authority”) of its fully registered (initially book-entry) Revenue Bonds, Series Six-I (University of St. Thomas), in the aggregate principal amount of $38,860,000 (the “Bonds”), dated February 1, 2006, more fully described in and issued pursuant to the Indenture (defined below).

The Bonds are issued for the purpose of funding a loan from the Authority to the University of St. Thomas, a Minnesota nonprofit corporation and institution of higher education with campuses located in the cities of Saint Paul and Minneapolis, Minnesota (the “University”), in order to refinance existing educational facilities owned and operated by the University and located on its Saint Paul and Minneapolis, Minnesota campuses. We have examined executed counterparts of the Loan Agreement (the “Loan Agreement”) between the Authority and the University and the Trust Indenture (the “Indenture”) between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the “Trustee”) each dated as of February 1, 2006, one or more opinions of Moore, Costello & Hart, P.L.L.P., as counsel to the University, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the University without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Moore, Costello & Hart, P.L.L.P., as to the Loan Agreement having been duly authorized and executed and being binding upon the University and as to the corporate organization, tax-exempt status and unrelated trade or business activities, good standing, and powers of the University. As to title to the Project Site (as defined in the Loan Agreement and Indenture), we have relied on information contained in owner and encumbrances reports, title insurance policies or commitments or title opinions, provided to us by the University or by counsel engaged by it, and have not undertaken any examination of the records of the University or original title records or abstracts of title.

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

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

1. The Authority is an agency of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, to issue the Bonds, to loan the proceeds thereof to the University and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.

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

3. The Bonds are valid and binding limited obligations of the Authority payable from the loan repayments payable by the University under the Loan Agreement which have been assigned to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and are further secured by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payments held by the Trustee, as assignee, under the Loan Agreement.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in net taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"), or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership or disposition of the Bonds.

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

Dated at Minneapolis, Minnesota, February ___, 2006.

McGrann Shea Anderson Carnival
Straughn & Lamb, Chartered

ANNUAL REPORT INFORMATION

The Annual Report Date will be the first day of April following each fiscal year end, commencing with the fiscal year ended June 30, 2006. The Annual Report will contain:

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

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

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

      - Faculty and Staff
      - Freshman Applications, Acceptances and Enrollments
      - Transfer Student Enrollment
      - Enrollment
      - Student Body
      - Housing
      - Tuition and Fees
      - Financial Aid
      - Net Asset Detail

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

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

   d. An update of the amount available for debt service as described in footnote (f) on the Estimated Annual Debt Service by Fiscal Year and *Pro Forma* Coverage Statement provided in the Official Statement.

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DEFINITION OF CERTAIN TERMS

Account or Accounts: One or more of the Accounts created under Article IV or V of the Indenture.

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

Arbitrage Regulations: All Regulations and Proposed Regulations from time to time issued and in effect under Section 148 of the Internal Revenue Code (and former Section 103(c) of the Internal Revenue Code of 1954), including without limitation Treasury Regulations Sections 1.148-1 through 1.150-1, inclusive.

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

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

Authorized Institution Representative: The President, the Executive Vice President and Chief Administrative Officer, the Vice President for Business Affairs, Chief Financial Officer, the Chief Investment Officer, or any other person at the time designated to act on behalf of the University by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the University by the 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 University. Such certificate may designate an alternate or alternates.

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

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

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

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

Bond Purchase Agreement: The Bond Purchase Agreement, to be dated January 30, 2006, among the Underwriters the Authority and the University

Bond Resolution: The Series Resolution of the Authority, adopted on January 18, 2006, authorizing the Series Six-I Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Series Six-I Bonds, (a) the period from the Issue Date to the close of business on April 1, 2006 and (b) each succeeding 12-month period ending at the close of business on April 1 of each year in which the outstanding Series Six-I Bonds, if paid at their stated maturity dates, will be outstanding.

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

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

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

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, the University and the Trustee to act as the Depository; provided any Depository shall be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

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

Escrow Accounts: The Series Four-A1 Escrow Account, the Series Four-M Escrow Account, and the Series Four-P Escrow Account established under the Escrow Agreement.

Escrow Agent: Wells Fargo Bank, National Association in its capacity as escrow agent under the Escrow Agreement.

Escrow Agreement: The Escrow Agreement among the University, the Authority and the Escrow Agent, dated as of February 1, 2006, relating to the defeasance and redemption of the Prior Bonds.

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

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

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

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

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

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, to be dated as of February 1, 2006, under which the Bonds are authorized to be issued, and including any indenture supplemental hereto.

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

Interest Payment Date: April 1 and October 1 of each year, commencing October 1, 2006 and any other date on which the interest on the Bonds shall be payable.

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

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

Loan Agreement: The Loan Agreement between the Authority and the University to be dated as of February 1, 2006, as from time to time amended or supplemented.

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

Negative Pledge Property: The Project Facilities, other than Opus Hall and the Project Equipment located therein.

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

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

Prior Bonds: The Authority's $11,645,000 Revenue Bonds, Series Four-A1 (University of St. Thomas), of which $9,770,000 is currently Outstanding, the Authority's $21,680,000 Revenue Bonds, Series Four-M (University of St. Thomas), of which $17,725,000 is currently Outstanding, and the Authority's $15,435,000 Revenue Bonds, Series Four-P (University of St. Thomas), of which $13,070,000 is currently Outstanding.

Prior Projects: The use of the proceeds of the Prior Bonds to provide funds loaned to the University to finance: (i) the construction of O'Shaughnessy and Owens Science Halls located on the Saint Paul campus; (ii) the construction of a residence hall ("Morrison Hall") on the Saint Paul campus, (iii) the construction of a parking ramp beneath Morrison Hall, (iv) the construction of a commons building connecting Brady Hall and Dowling Hall for administrative and office space and recreational facilities and related improvements to Brady Hall and Dowling Hall on the Saint Paul campus, (v) construction of a skyway between the commons building and

Morrison Hall on the Saint Paul campus, and (vi) the construction of Opus Hall ("Opus Hall"), a multistory education building, and related improvements on the downtown Minneapolis campus.

Project: The Project consists of the following: (i) refund the outstanding principal of and pay premium and interest on the Prior Bonds; (ii) fund a debt service reserve; and (iii) pay certain issuance costs.

Project Buildings: Any buildings constructed or improved with proceeds of the Prior Bonds or any bonds refunded by the Prior Bonds, including investment earnings.

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

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

Project Site: The land on which the Project Buildings are located, legally described on Exhibit A to the Loan Agreement.

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

Refunding Account: The account established under the Indenture for the deposit of certain Bond proceeds to be used to refund the Prior Bonds.

Reserve Account: The Reserve Account established under the Indenture, into which on the Issue Date will be placed Bond proceeds in the amount of the Reserve Requirement. Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient therefor and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the University or the Authority fails to provide for payment of any rebate.

Reserve Requirement: The least of (i) one-half of the maximum amount of principal of and interest on the Bonds payable in any remaining Bond Year, or (ii) 10% of the proceeds (par value less original issue discount, if any) received from the issuance and sale of the Bonds, or (iii) 125% of the average annual debt service of the Bonds.

Series Four-A1 Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-A1 (University of St. Thomas), dated March 1, 1996, issued in the original principal amount of $11,645,000.

Series Four-M Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-M (University of St. Thomas), dated June 1, 1997, issued in the original principal amount of $21,680,000.

Series Four-P Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-P (University of St. Thomas), dated December 1, 1997, issued in the original principal amount of $15,435,000.

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

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

Trustee: The trustee at the time serving as such under the Indenture, and initially the Trustee will be Wells Fargo Bank, National Association.

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

Underwriters: RBC Dain Rauscher Inc. d/b/a RBC Capital Markets, Dougherty and Company LLC, and Wells Fargo Brokerage Services, LLC, as the original purchasers of the Series Six-I Bonds.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Redemption of Prior Bonds

The University represents that it will cause the Series Four-A1 Bonds to be redeemed on or about October 1, 2006, the Series Four-M Bonds on or about April 1, 2007, and the Series Four-P Bonds on or about April 1, 2008.

Loan Repayments

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

(a) at least five (5) Business Days prior to each April 1 and October 1, commencing October 1, 2006, the University shall deposit into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least five (5) Business Days prior to each April 1, commencing on April 1, 2007, a sum equal to the amount payable as principal (whether at maturity or sinking fund redemption) of the Bonds on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by the Indenture; and

(b) on or prior to a date established for the optional redemption and prepayment of the Bonds, the University shall deposit into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account; and

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

(d) the University shall deposit into the Reserve Account forthwith any amounts required to be deposited therein by Section 5.02 of the Indenture; and

(e) the University shall deposit into any fund or account designated by the Trustee such amount as may be determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate).

Each payment under this Section shall be made directly to the Trustee at its principal corporate trust office for the account of the Authority for deposit as provided in the Indenture. The University shall furnish to the Authority, if the Authority so requests, advice of the transmittal of such payments at the time of transmittal of payment.

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

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

Use of Project Facilities

So long as the Bonds are outstanding and the University owns the Project facilities, the University 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 University 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 University's status as an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Maintenance of Project Facilities

The University agrees that so long as the Bonds are outstanding, the University will keep the Project Facilities in good repair and good operating condition at its own cost. The University will make such repairs, modifications and replacements as are necessary in the judgment of the University that the Project will remain a "project" under the Act and the interest on the Bonds will be exempt from federal income taxation and may make such repairs, modifications and replacements subject to the same conditions. The University 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. So long as the University owns the Project Facilities, the University shall maintain title to and possession of the Negative Pledge Property free from all liens and encumbrances except Permitted Encumbrances and except as to Project Equipment when such Project Equipment becomes fixtures on buildings that are not Project Buildings; provided further that the University may sell, transfer, lease or sublease or enter into agreements in the ordinary course of business for the use of all or any part of the Project Facilities so long as (i) the tax exempt status of the Bonds will not be affected thereby, (ii) no such transaction or agreement shall be inconsistent with the provisions of the Loan Agreement, the Indenture, or the Act, (iii) the University shall remain fully obligated under the Loan Agreement, as if such transaction or agreement had not been made, and (iv) in the case of any such sale or transfer or in the case of any lease to or occupancy by persons who are not students, employees or faculty of the University, an opinion of Bond Counsel is provided to the Trustee to the effect that tax exemption of the interest on the Bonds is not adversely affected. The University may demolish any of the Project Facilities that in the University's judgment are worn out, obsolete, or require replacement.

Operating Expenses and Liens

The University 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 and will not, except as otherwise permitted, permit to be established or to remain unsatisfied any lien or encumbrance against the Negative Pledge Property other than Permitted Encumbrances; provided, that the University may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the University 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 University shall promptly pay and cause to be satisfied or discharged all such unpaid items.

Taxes and Other Governmental Charges

The University 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 University, or the Project Facilities, or any improvements, equipment or related property installed or brought by the University therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

The University may, at its expense, in good faith contest any such taxes, assessments, license fees and other 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 University that, in the Opinion of Independent Counsel, by nonpayment of any such items the Project Facilities or any part thereof, or the revenue therefrom will be subject to loss or forfeiture, in which event such taxes, assessments, license fees or charges shall be paid promptly.

Insurance

The University is required to maintain, or cause to be maintained, insurance, with certain deductible amounts, as follows:

(a) Insurance against loss and/or damage to the Project Facilities and contents 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 University.

Upon the written request of the University, the Trustee (i) may permit modifications to such insurance requirements and deductible amounts, including permission for the University to be self-insured in whole or in part for any comprehensive general public liability insurance, upon such terms and conditions as the Trustee may require, and (ii) shall permit modifications to such insurance requirements and deductible amounts, including permission for self-insurance, in accordance with the recommendation of an independent insurance consultant employed by the University and satisfactory to the Trustee.

The University is required to 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 University at least thirty days before the cancellation or modification becomes effective.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $1,000,000, the University will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $1,000,000, the University shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

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 University 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 University shall either replace, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

Removal of Project Equipment and Building Equipment

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

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

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

$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 University as may be satisfactory to the Trustee; and

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

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or, in connection with (c) above, the depreciated book value of Building Equipment, to be substituted, removed or released equals or exceeds $100,000 the University will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal, or release, as the case may be, of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

Indemnification

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

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

Existence and Accreditation of University

The University agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets or all or substantially all the assets of the Institution, or consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) If the surviving, resulting or transferee corporation or institution, as the case may be, is other than the University, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the University 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 University shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

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

The University has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued on behalf of or for the benefit of the University and all organizations under common management or control with the University (other than qualified hospital bonds and certain other bonds issued for capital expenditures), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000. Under the Loan Agreement, in no event will the University affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the University or such other resulting entity, and all organizations under common management or control with the University or such resulting entity (other than qualified hospital bonds and certain other bonds issued for capital expenditures), 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 University agrees that the Institution will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect.

Federal Income Tax Status

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

Determination of Taxability

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

Other Covenants

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

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

Events of Default

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

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

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

(c) If the University shall fail to 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 University fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the University by the Authority or the Trustee; or

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

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

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

(g) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the University or the University or of the whole or any substantial part of the property of the University, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control.

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

Remedies on Default

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

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

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

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

Any amounts collected by the Trustee pursuant to the actions set forth above shall be applied first to advances and expenses, and then to payment of the Bonds as provided in Section 7.04 of the Indenture, and any excess to the University.

Amendments

Except as otherwise provided in the Loan Agreement or in the Indenture, subsequent to issuance of the 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 "DEFINITION OF CERTAIN TERMS," Appendix IV, contained herein.

Granting Clauses

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

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

(2) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be created and maintained under the Indenture (but excluding all moneys and investments in the Refunding Account), and (ii) 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

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

Accounts

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

Trustee's Right to Payment

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

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

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

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

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

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

Remedies

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

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

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

Concerning the Trustee

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

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

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

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

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

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

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

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the University shall:

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

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

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

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

and shall also pay or provide for the payment of 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 of the Internal Revenue Code, then at the request of the Authority or the University all the Trust Estate shall revert to the Authority and the University as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent (and, in the case of defeasance under paragraph (b) above, as to effect on tax exempt status), and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

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

Supplemental Indentures

The Authority and the Trustee 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 or any successor;

(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; and

(e) to modify the Indenture as authorized by the Bondholders pursuant to Section 11.04 of the Indenture.

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all Bonds outstanding (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 to amendments to the Loan Agreement.

Amendments to the Loan Agreement

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

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

Registration

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

THE CONTINUING DISCLOSURE AGREEMENT

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

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

The University has covenanted for the benefit of holders of the Bonds to provide certain financial information and operating data by not later than the first day of April following the end of the University's fiscal year commencing with fiscal year ending June 30, 2006, and to provide notices of the occurrence of certain enumerated events, if material.

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

Definitions

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

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

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

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

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

"Participating Underwriters" shall mean RBC Dain Rauscher Inc. d/b/a RBC Capital Markets, Dougherty and Company LLC, and Wells Fargo Brokerage Services, LLC.

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

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

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

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

Provisions of Annual Report

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

If the Trustee has not received an Annual Report by March 1 of each year, commencing with March 1, 2007, together with the certification by the Reporting Party described above, the Trustee shall promptly notify the Disclosure Representative of the failure to receive the Annual Report and the certification.

Reporting of Listed Events

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

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

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

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

Termination of Reporting Obligation

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

Amendment

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

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

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

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

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

Additional Information

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

Default

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

Beneficiaries

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

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THE DEPOSITORY TRUST COMPANY

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, 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 herein concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. The Authority, the University and the Underwriters do not take any responsibility for the accuracy thereof.

2004-2005 FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Suite 1400
225 South Sixth Street
Minneapolis MN 55402
Telephone (612) 596 6000
Facsimile (612) 373 7160

Report of Independent Auditors

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

In our opinion, the accompanying statement of financial position and the related statements of activities and changes in net assets, cash flows, and expenses by function present fairly, in all material respects, the financial position of the University of St. Thomas at June 30, 2005, 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 2004 financial statements, and in our report dated September 17, 2004, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

September 16, 2005

University of St. Thomas
Statement of Financial Position
As of June 30, 2005 and 2004

Assets	2005	2004
Cash and cash equivalents	$895,446	$1,647,338
Accounts receivable, net	10,496,086	11,257,902
Inventories, prepaid expenses, and other assets	6,457,944	5,121,549
Contributions receivable, net	68,331,649	83,222,725
Loans to students, net	4,487,087	4,367,561
Investments	351,563,401	319,121,633
Land, buildings, and equipment, net	299,478,694	255,658,528
Total assets	**$741,710,307**	**$680,397,236**
Liabilities and net assets		
Liabilities		
Accounts payable and accrued liabilities	$20,880,773	$17,837,110
Unearned tuition income	9,917,196	6,152,332
Deposits and other liabilities	4,985,620	4,489,140
Assets held in custody for others	5,199,345	11,034,815
Annuity obligations	5,355,622	5,582,494
Bonds payable	157,454,000	112,739,000
Advances from federal government for student loans	4,084,291	3,960,055
Total liabilities	**207,876,847**	**161,794,946**
Net assets		
Unrestricted:		
Operations	17,959,161	17,608,567
Long-term investment	152,244,485	140,410,962
Invested in plant	147,557,903	139,523,805
Total unrestricted	**317,761,549**	**297,543,334**
Temporarily restricted	41,609,140	52,459,625
Permanently restricted	174,462,771	168,599,331
Total net assets	**533,833,460**	**518,602,290**
Total liabilities and net assets	**$741,710,307**	**$680,397,236**

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

University of St. Thomas
Statement of Activities
For the year ended June 30, 2005
(with comparative totals for 2004)

	2005				2004
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues					
Tuition and fees	$148,020,323			$148,020,323	$139,821,575
Less: student aid	(39,023,988)			(39,023,988)	(33,488,615)
Net tuition and fees	108,996,335			108,996,335	106,332,960
Sales and services of auxiliary enterprises	24,831,223			24,831,223	24,211,112
Private gifts and grants	5,230,326	2,904,391		8,134,717	16,746,847
Grants and contracts	5,684,120			5,684,120	5,491,994
Investment earnings used - endowment	9,331,055			9,331,055	6,953,385
Investment earnings used - non-endowment	10,032,496			10,032,496	12,144,812
Sales and services of educational departments	4,558,009			4,558,009	4,685,206
Other revenue	5,442,667			5,442,667	5,916,980
Net assets released from restrictions	14,886,238	(14,886,238)			
Total operating revenues	188,992,469	(11,981,847)		177,010,622	182,483,296
Operating expenditures					
Instruction and other services					
Instruction	88,092,618			88,092,618	88,187,894
Auxiliary enterprises	24,963,052			24,963,052	24,538,532
Student activities and services	15,685,753			15,685,753	15,239,536
Academic support	7,658,201			7,658,201	7,316,384
Libraries	7,866,222			7,866,222	7,629,767
Public service	1,575,241			1,575,241	1,622,384
Research	403,925			403,925	338,371
Total instruction and other services	146,245,012			146,245,012	144,872,868
Management and general					
General administration and support services	24,600,158			24,600,158	24,216,844
Development	3,891,851			3,891,851	3,740,681
Total management and general	28,492,009			28,492,009	27,957,525
Total operating expenditures	174,737,021			174,737,021	172,830,393
Net operating income (loss)	**14,255,448**	**(11,981,847)**		**2,273,601**	9,652,903
Non-operating activities					
Permanently restricted gifts			3,323,168	3,323,168	14,222,598
Investment earnings reinvested - endowment	6,155,327	1,131,362	2,700,272	9,986,961	21,927,367
Investment earnings (withdrawn) reinvested - non-endowment	(275,958)			(275,958)	913,757
Gain on disposal of property and equipment	442,206			442,206	
Net unrealized (loss) gain on interest rate exchange agreement	(518,808)			(518,808)	982,566
Change in donor-imposed restriction	160,000		(160,000)		
Net non-operating income	**5,962,767**	**1,131,362**	**5,863,440**	**12,957,569**	38,046,288
Net increase (decrease) in net assets	**20,218,215**	**(10,850,485)**	**5,863,440**	**15,231,170**	47,699,191
Net assets, beginning of year	297,543,334	52,459,625	168,599,331	518,602,290	470,903,099
Net assets, end of year	**$317,761,549**	**$41,609,140**	**$174,462,771**	**$533,833,460**	$518,602,290

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, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Increase in net assets	$15,231,170	$47,699,191
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	10,113,412	9,078,710
Net realized and unrealized investment gains	(21,939,206)	(35,198,192)
Gifts of property and equipment	(140,856)	(2,722,046)
Contributions restricted for long-term investment	(8,122,242)	(3,032,465)
Interest and dividend income restricted for long-term investment	(45,478)	(597,109)
Noncash contributions of marketable securities	(13,368,085)	(31,670,645)
Decrease in allowance for uncollectible pledges	(1,140,000)	(400,000)
Gain on disposal of land, buildings, and equipment	(442,206)	
Change in operating assets and liabilities		
Decrease (increase) in operating assets		
Accounts receivable, net	761,816	(1,119,248)
Contributions receivable	16,031,076	12,641,097
Other operating assets	(1,455,921)	(919,152)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(2,147,027)	3,825,530
Other operating liabilities	(1,676,762)	2,575,328
Net cash (used) provided by operating activities	**(8,340,309)**	**160,999**
Cash flows from investing activities		
Purchases of investments	(188,272,747)	(153,273,252)
Proceeds from sales and maturities of investments	191,138,269	169,841,225
Expenditures for land, buildings, and equipment	(49,612,490)	(17,038,424)
Proceeds from sale of land, buildings, and equipment	1,452,665	
Net cash used in investing activities	**(45,294,303)**	**(470,451)**
Cash flows from financing activities		
Proceeds from contributions restricted for endowment, and for land, buildings, and equipment	8,122,242	3,032,465
Proceeds from the issuance of bonds payable	50,000,000	
Payments on bonds payable	(5,285,000)	(5,974,000)
Interest and dividend income restricted for long-term investment	45,478	597,109
Net cash provided (used) by financing activities	**52,882,720**	**(2,344,426)**
Net decrease in cash and cash equivalents	(751,892)	(2,653,878)
Cash and cash equivalents at beginning of year	1,647,338	4,301,216
Cash and cash equivalents at end of year	**$895,446**	**$1,647,338**
Supplemental disclosure of cash flow information:		
Cash paid for interest	$5,382,973	$4,651,216
Building and equipment acquisitions included under Accounts payable and accrued expenses	$5,190,690	$1,337,979

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.

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 $34,773,871 and $11,436,529 at June 30, 2005 and 2004, 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 related investments are included within investments in the Statement of Financial Position.

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.

1. Summary of Significant Accounting Policies - continued

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 2005 and 2004.

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.

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.

1. Summary of Significant Accounting Policies - continued

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, 2004, from which the summarized information was derived.

Reclassification

Certain prior year financial information has been reclassified to conform with the 2005 presentation. The reclassification had no impact on previously reported net assets.

2. Accounts Receivable

Accounts receivable consists of the following at June 30:

	2005	2004
Student accounts	$8,110,552	$6,864,847
Less: allowance for doubtful accounts	(543,449)	(564,220)
	7,567,103	6,300,627
Government grants receivable	1,050,187	872,714
Other	1,878,796	4,084,561
Total	$10,496,086	$11,257,902

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:

	2005	2004
In one year or less	$20,103,267	$32,926,999
Between one year and five years	18,202,823	21,799,426
More than five years	57,178,954	59,288,624
Total face value of pledges outstanding	95,485,044	114,015,049
Discount (to present value)	(22,333,395)	(24,832,324)
Allowance for uncollectible pledges	(4,820,000)	(5,960,000)
Contributions receivable	$68,331,649	$83,222,725

4. Investments

The following table summarizes the value of investments at June 30, 2005 and 2004:

	2005 Market Value	% of Total	2004 Market Value	% of Total
Cash and cash equivalents	$34,773,871	9.9%	$11,436,529	3.6%
Equities-domestic	185,752,712	52.8%	188,382,494	59.0%
Equities-international	24,730,440	7.0%	22,728,565	7.1%
Fixed income securities-domestic	70,529,624	20.1%	73,742,252	23.1%
Fixed income securities-international	2,904,823	0.8%	7,242,950	2.3%
Real estate	32,871,931	9.4%	15,588,843	4.9%
Total market value	$351,563,401	100.0%	$319,121,633	100.0%
Total cost	$323,450,561		$283,733,291	

4. Investments - continued

The components of investments and investment earnings are summarized below:

		2005		2004
Investments at beginning of year		$319,121,633		$268,820,770
Endowment earnings				
Investment income	4,118,596		4,586,822	
Net realized and unrealized gain	15,199,420		24,293,930	
Total endowment investment earnings	19,318,016		28,880,752	
Less: withdrawn for operations	9,331,055		6,953,385	
Net endowment earnings reinvested		9,986,961		21,927,367
Non-endowment earnings				
Board designated				
Investment income	1,514,501		1,627,803	
Net realized and unrealized gains	5,687,340		10,215,975	
Total investment earnings	7,201,841		11,843,778	
Less: withdrawn for operations	8,530,245		11,618,309	
Net earnings (withdrawn) reinvested	(1,328,404)		225,469	
Other non-endowment earnings				
Investment income	1,502,251		526,504	
Net realized and unrealized gain	1,052,446		688,287	
Total investment earnings	2,554,697		1,214,791	
Less: withdrawn for operations	1,502,251		526,503	
Net earnings reinvested	1,052,446		688,288	
Net non-endowment earnings (withdrawn) reinvested		(275,958)		913,757
Gifts		17,871,317		33,509,158
Additions to (withdrawals from) construction escrow accounts		14,115,231		(1,339,747)
Investment management fees		(1,768,380)		(1,717,034)
(Withdrawals) additions to investments held for others		(5,835,470)		223,591
Other withdrawals, net		(1,651,933)		(3,216,229)
Net change in investments		32,441,768		50,300,863
Investments at end of year		$351,563,401		$319,121,633

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating				
Investment earnings used - endowment	$9,331,055			$9,331,055
Investment earnings used - non-endowment	10,032,496			10,032,496
Operating investment earnings	19,363,551			19,363,551
Non-operating				
Investment earnings reinvested - endowment	6,155,327	$1,131,362	$2,700,272	9,986,961
Investment earn. withdrawn - non-endowment	(275,958)			(275,958)
Non-operating investment earn. reinvested	5,879,369	1,131,362	2,700,272	9,711,003
Total investment earnings	$25,242,920	$1,131,362	$2,700,272	$29,074,554

4. Investments - continued

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, 2005, securities on loan totaled $46,464,870, and the value of collateral held at that date was $47,645,842.

5. Land, Buildings, and Equipment

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

	Estimated Useful Life (Years)	2005	2004
Land		$37,719,024	$38,723,503
Land improvements	15 - 20	5,960,343	4,641,841
Buildings	20 - 60	247,142,804	245,019,345
Equipment, library books, art objects	0 - 15	78,597,462	72,064,604
Cost of land, buildings, and equipment		369,419,633	360,449,293
Less: Accumulated depreciation		(120,214,508)	(112,294,240)
Land, buildings, and equipment, net of depreciation		249,205,125	248,155,053
Add: Construction-in-progress		50,273,569	7,503,475
Land, buildings, and equipment as reported		$299,478,694	$255,658,528

6. Bonds Payable

Bonds payable consists of the following at June 30:

	2005	2004
MHEFA Revenue Bonds, Series Five-Y Payable through 2034, interest at 3% to 5.25%, uncollateralized, proceeds used for Selby Hall	$30,000,000	
MHEFA Variable Rate Demand Revenue Bonds, Series Five-L Payable through 2027, variable interest rate (not to exceed 15%), collateralized by an irrevocable letter of credit, proceeds used for School of Law building and Terrence Murphy Hall	23,450,000	$24,255,000
MHEFA Revenue Bonds, Series Five-T Payable through 2014, interest at 2.75% to 4%, uncollateralized, proceeds used to refund Series Three-R1 and Three-R2, original bond proceeds used for Murray Herrick, dormitory, Terrence Murphy Hall, and other additions.	21,000,000	23,575,000
MHEFA Variable Rate Demand Revenue Bonds, Series Five-Z Payable through 2029, variable interest rate (not to exceed 12%), collateralized by an irrevocable letter of credit, proceeds used for Schulze Hall of Entrepreneurship	19,600,000	
MHEFA Revenue Bonds, Series Four-M Payable through 2022, interest at 4.85% to 5.4%, uncollateralized, proceeds used for Morrison Hall	17,725,000	18,370,000

6. Bonds Payable - continued

	2005	2004
MHEFA Revenue Bonds, Series Four-P	13,070,000	13,495,000
Payable through 2023, interest at 4.75% to 5.4%, uncollateralized, proceeds used for Opus Hall		
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 Revenue Bonds, Series Four-A1	10,145,000	10,500,000
Payable through 2021, interest at 4.9% to 5.6%, uncollateralized, proceeds used for Science and Engineering Center		
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		
Note payable	975,000	975,000
Payable through 2012, interest at 5.0%, uncollateralized		
Dormitory Bonds, 1967	415,000	445,000
Payable through 2017, interest at 3.0%, collateralized by Brady Hall building and related net revenues		
Academic Building Bonds, 1969	274,000	324,000
Payable through 2009, interest at 3.0%, collateralized by O'Shaughnessy Educational Center building		
Total face value of long-term debt	$157,454,000	$112,739,000
Approximate market value of long-term debt	$159,700,000	$113,100,000

Interest expense was $4,933,204 and $4,556,439 for the years ended June 30, 2005, and 2004, respectively. Debt was issued in 2005 to finance building construction. Interest costs incurred during the construction phase of $844,350 were capitalized and included as an addition to Land, Buildings, and Equipment in the Statement of Financial Position.

The annual maturities for bonds payable at June 30, 2005, are as follows:

2006	$6,037,000
2007	6,888,000
2008	7,430,000
2009	7,786,000
2010	6,893,000
Thereafter	122,420,000
	$157,454,000

The University has a line of credit of $10,000,000 with interest generally at LIBOR plus .75% which expires on December 31, 2005. At June 30, 2005, the University had no borrowings under the agreement.

6. Bonds Payable - continued

In April 2003, the University entered into a forward interest rate swap agreement having a notional amount of $20,800,000. This swap is 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 $400,355 as of June 30, 2005, and as an asset of $118,453 as of June 30, 2004.

Financial covenants of the Series Five-Z letter of credit may restrict the University from incurring additional indebtedness in excess of $5 million in any fiscal year if, after giving effect to the incurrence of additional debt, the University's 1) ratio of unrestricted net assets to debt is less than 1:1, and 2) the ratio of Unrestricted Net Operating Income, as adjusted by interest and depreciation, to debt service is less than 1:1.

7. Temporarily Restricted Net Assets

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

	2005	2004
Unrestricted outstanding donor pledges for education and general operations	$21,327,481	$31,450,273
Buildings and equipment	9,570,749	11,510,657
Instruction and other programs	6,474,675	5,746,248
Student financial aid	1,503,769	1,345,726
	38,876,674	50,052,904
Annuity trust agreements	2,732,466	2,406,721
Total temporarily restricted net assets	$41,609,140	$52,459,625

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:

	2005	2004
Purpose restrictions accomplished:		
Unrestricted donor pledges received for education and general operations	$11,331,411	$20,510,801
Buildings and equipment	2,547,995	1,265,290
Instructional activities and student financial aid	911,892	909,949
Other	94,940	165,000
Total restrictions released	$14,886,238	$22,851,040

8. Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to:

	2005	2004
Investment in perpetuity, the income from which is expendable to support:		
Student financial aid	$35,151,645	$34,298,396
Instruction and other related activities	137,138,666	132,253,574
Annuity trust agreements that will ultimately be used to establish permanent endowment funds	2,172,460	2,047,361
Total permanently restricted net assets	$174,462,771	$168,599,331

9. 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:

	2005	2004
Institutional revenue sources	$33,031,050	$28,594,259
Gifts, grants, and endowment earnings	5,992,938	4,894,356
Total student aid	$39,023,988	$33,488,615

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 $7,105,009 and $6,924,158 for the years ended June 30, 2005 and 2004, 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 $7,150,000 at June 30, 2005 which expire in fiscal years 2006 through 2019. 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. Related Party Transactions

Pledges totaling $55,315,000 from Board of Trustee members are included in the Statement of Financial Position as Contributions Receivable.

13. 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, operations, or cash flows of the University.

During 2005, the University entered into agreements with various parties in connection with the construction of a residence hall with an estimated cost of $28.5 million, and the construction of Schulze Hall with an estimated cost of $22.4 million.

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 under operating leases which require payments as follows:

2006	$3,689,000
2007	2,980,000
2008	1,846,000
2009	413,000
2010	18,000
	$8,946,000

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