OFFICIAL STATEMENT DATED MARCH 20, 2013

NEW ISSUE **Moody's Rating: 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.").

UNIVERSITY of ST.THOMAS MINNESOTA

$25,685,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-U (University of St. Thomas)

(DTC Book Entry Only)

Dated Date: Date of Delivery **Interest Due: Each April 1 and October 1, Commencing October 1, 2013**

The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-U (University of St. Thomas) (the "Bonds") are to mature annually on April 1 as described on the inside front cover of this Official Statement.

The Bonds are subject to optional 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 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 Minnesota Higher Education Facilities Authority (the "Authority") payable solely from Loan Repayments made by or on behalf of the University of St. Thomas (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 Dougherty & Company LLC (the "Underwriter") subject to the opinion as to validity and tax exemption of the Bonds by McGrann Shea Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Nilan Johnson Lewis PA, Minneapolis, Minnesota and for the Underwriter by Faegre Baker Daniels LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter through the facilities of DTC on or about March 28, 2013.

Dougherty & Company LLC

$25,685,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Seven-U
(University of St. Thomas)

Maturity Schedule

Maturity Date	Amount	Rate	Yield	CUSIP* 60416H
4/1/2014	$1,170,000	5.000%	0.45%	A2 0
4/1/2015	$1,240,000	5.000%	0.60%	A3 8
4/1/2016	$1,300,000	5.000%	0.80%	A4 6
4/1/2017	$1,365,000	5.000%	1.05%	A5 3
4/1/2018	$1,435,000	5.000%	1.30%	A6 1
4/1/2019	$1,505,000	5.000%	1.60%	A7 9
4/1/2020	$1,580,000	5.000%	1.85%	A8 7
4/1/2021	$1,660,000	5.000%	2.10%	A9 5
4/1/2022	$1,740,000	5.000%	2.30%	B2 9
4/1/2023	$1,830,000	5.000%	2.50%	B3 7
4/1/2024	$1,920,000	4.000%	2.65%**	B4 5
4/1/2025	$4,500,000	4.000%	2.80%**	B5 2
4/1/2026	$2,175,000	4.000%	2.90%**	B6 0
4/1/2027	$2,265,000	4.000%	3.00%**	B7 8

* *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.*

** *Yields are to the call date of April 1, 2023 at par.*

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

No dealer, broker, sales representative or other person has been authorized by the Authority, the University, or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the University or the Underwriter. The information contained herein, except as it relates to the Authority, DTC, and the Trustee, has been obtained from the University and is not guaranteed as to accuracy or completeness. Information relating to the Authority, DTC and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the University since the date hereof.

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

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

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

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

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

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

Janet Withoff, Chair	Consultant – Planning and Grant-Writing, Resident of Orono, Minnesota
Tammy L. H. McGee, Vice Chair	Vice President for Finance and Administration and Chief Financial Officer, Augsburg College, Resident of Maple Grove, Minnesota
Michael D. Ranum, Secretary	Chief Financial Officer, BWBR Architects, Inc., Resident of Circle Pines, Minnesota
Gary D. Benson	Project Director, ICS Consulting, Resident of New Brighton, Minnesota
Kathryn Balstad Brewer	Retired Banker and Educator, Resident of New Brighton, Minnesota
Mary F. Ives	Real Estate Business Owner, Resident of Grand Rapids, Minnesota
David D. Rowland	Executive Vice President, The Travelers Companies, Inc., Resident of Edina, Minnesota
Raymond VinZant, Jr.	Retired Technical College Instructor, Resident of Wyoming, Minnesota
Paul Cerkvenik (Ex Officio)	President, Minnesota Private College Council
Tim Geraghty (Ex Officio)	Chief Financial Officer, Minnesota Office of Higher Education

Marianne T. Remedios, Executive Director

Bond Counsel
McGrann Shea Carnival Straughn & Lamb, Chartered

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

$25,685,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES SEVEN-U
(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 its main campus located in the City of Saint Paul, Minnesota and campuses in other locations including Minneapolis, Minnesota, in connection with the issuance of the Authority's $25,685,000 Revenue Bonds, Series Seven-U (University of St. Thomas) (the "Bonds," the "Series Seven-U 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 March 1, 2013 between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will serve as the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") to be dated as of March 1, 2013 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, together with University funds, will be used to:

1. Refund, on a current refunding basis, the outstanding principal of the Authority's Series Five-L Variable Rate Demand Revenue Bonds plus interest to the redemption date for such bonds;
2. Refund, on a current refunding basis, the outstanding principal of the Authority's Series Five-Z Variable Rate Demand Revenue Bonds plus interest to the redemption date for such bonds; and
3. Pay issuance costs.

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

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.

Lack of 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, if any, in 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. The Bonds are not secured by a mortgage on or security interest in any real property or personal property. There is no Reserve Account for payment of the Bonds.

Obligation of the University

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 performance of other University obligations under such documents. Accordingly, for payment of principal, interest, and premium, if any, 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 other funds, if any, the Trustee holds under the Indenture.

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.

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 tuition 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.

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.

Changes in demographics, such as a decrease in the overall number of high school graduates or a decrease in the number of high school graduates who elect to go to college, could adversely affect the University's efforts to attract students.

Financial Aid

Over 94% of the University's undergraduate students currently receive some form of financial aid through scholarships, grants, loans, work study, etc., from federal, state, University or private sources 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 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.

No assurance can be given that student loans will continue to be available to students and their parents at historical levels. Reductions in availability of such loans may cause a decline in enrollment, which may in turn have an adverse effect on the University's revenues.

Damage or Destruction

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

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.

No Limitation on Indebtedness or Liens

The Loan Agreement does not contain any limitation on incurrence by the University of additional long-term or short-term indebtedness. Loan documents for the Authority's Series Seven-O Bonds and Series Seven-P Bonds entered into by the University (the "Seven-O and Seven-P Documents") described in Appendix I under "Long Term Debt" do contain covenants that impact the University's ability to incur additional indebtedness. Except to the extent additional indebtedness is restricted by the Seven-O and Seven-P Documents, 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.

Pursuant to the Seven-O and Seven-P Documents, the University may not transfer or place liens on a property known as McNeely Hall, which is located on the University's St. Paul campus. In addition, the Seven-O and Seven-P Documents restrict the amount of liens on certain of the University's unrestricted funds as of June 30 of each year. Except to the extent limited by the Seven-O and Seven-P Documents 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.

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 Maximum Annual Debt Service 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 debt of the University or the 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 other funds, if any, the Trustee holds under the Indenture. No Reserve Account has been established for the Bonds.

Variable Rate Demand Obligations

Following the issuance of the Bonds and refunding and repayment of the Prior Bonds (as defined herein), the University's outstanding debt will include variable rate debt in the form of Variable Rate Bank Private Placement Bonds ("VRBPPBs") in a principal amount of $26,540,000, which represents approximately 10% of the University's total long term debt. See Appendix I, "THE UNIVERSITY – Long Term Debt" herein and the descriptions of the Authority's Series Seven-O and Seven-P Bonds.

The VRBPPB interest rates are indexed to LIBOR and are reset quarterly, with interest being paid quarterly and principal being paid annually. The Series Seven-O Bonds have a final maturity on April 1, 2025 and the Series Seven-P Bonds have a final maturity on October 1, 2032.

The VRBPPB Purchaser does not have the option to put the VRBPPBs back to the University, except as described in the following paragraph.

The Initial Indexed Put Date for the VRBPPBs is May 30, 2018, which is six years from the dated dates of the VRBPPBs. The University may request that the VRBPPB Purchaser continue to hold the VRBPPBs following the Initial Indexed Put Date, after which the VRBPPB Purchaser may propose a new interest rate (including the means of calculating the rate) and the new Indexed Put Date. If the University does not make such a request, if the VRBPPB Purchaser declines the request, or if the University and the VRBPPB Purchaser cannot agree on ongoing terms, the VRBPPBs are subject to mandatory tender and purchase by the University on the Indexed Put Date. Such mandatory purchase may limit funds available to make Loan Repayments on the Bonds.

Derivative Products

The University has entered into interest rate swap agreements in the past. See Note 8 – Derivative Instruments of the University's Financial Statement's for the fiscal year ended June 30, 2012, included as Appendix VII hereto. The University may enter into other interest rate swap or similar arrangements in the future. Under certain market conditions, including current market conditions, termination of an interest rate swap agreement prior to its expiration may require the University to pay a termination fee to the swap counterparty and such payment could be material to the University. See also Appendix I, "Investment Management."

Endowment Portfolio Risk

Market conditions that negatively affect the University's investments may adversely affect debt service coverage and endowment spending. The University's Board of Trustees has approved an investment policy statement (the "IPS") which gives specific guidance about portfolio investments. The IPS defines a diversified investment portfolio utilizing a broad selection of external money managers. The contribution from endowment spending was approximately 5% of the University's operating expenses for the fiscal year ended June 30, 2012. The University's withdrawal formula is based upon a five-year rolling average market value. See also Appendix I, "Investment Management."

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.

See also "TAX EXEMPTION – Federal Tax Considerations," "TAX EXEMPTION – Minnesota Tax Considerations," and "TAX EXEMPTION – Changes in Federal and State Tax Law" herein.

CONTINUING DISCLOSURE

In order to assist the Underwriter 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 the Municipal Securities Rulemaking Board annually, and to provide notices of the occurrence of any of the events enumerated in the Rule to the Municipal Securities Rulemaking Board. 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 (the "Continuing

Disclosure Agreement") 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 discontinue providing information required by the Continuing Disclosure Agreement or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the University determines that such modification is required by the Rule.

The University has never failed to comply 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 to the Municipal Securities Rulemaking Board (the "MSRB") as provided at http://www.emma.msrb.org.

THE BONDS

General

The Bonds will be dated as of the date of delivery. The Bonds will mature annually each April 1, commencing April 1, 2014, 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 April 1 and October 1 of each year, commencing October 1, 2013.

Book Entry System

<u>The Depository Trust Company</u>

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 VI "THE DEPOSITORY TRUST COMPANY" herein.

Prior Redemption

Optional Redemption

At the University's direction, the Authority may elect to prepay on April 1, 2023 and on any day thereafter Bonds maturing on or after April 1, 2024. 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 Appendix V, “SUMMARY OF DOCUMENTS – The Loan Agreement”).

Partial Redemption

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

In the case of Bonds of denominations greater than $5,000, if less than the full principal amount of such Bonds then outstanding is to be called for redemption, then for all purposes in connection with redemption, each $5,000 of principal amount shall be treated as though it were a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and available for the redemption of said $5,000 unit or units on the date fixed for redemption and, in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (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 20 days, and if more than 60 days, then again not less than 20 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

Bond proceeds, together with other University funds, will be used to:

1. Refund, on a current refunding basis, the outstanding principal of the Authority’s Series Five-L Variable Rate Demand Revenue Bonds plus interest to the redemption date for such bonds;
2. Refund, on a current refunding basis, the outstanding principal of the Authority’s Series Five-Z Variable Rate Demand Revenue Bonds plus interest to the redemption date for such bonds; and
3. Pay issuance costs.

The Series Five-L Bonds and the Series Five-Z Bonds are collectively referred to as the “Prior Bonds”.

The Series Five-L Bonds are outstanding in the principal amount of $16,965,000 and have a maturity date of April 1, 2027. The Series Five-Z Bonds are outstanding in the principal amount of $13,600,000 and have a maturity date of October 1, 2029. The Prior Bonds are callable on any Interest Payment Date, defined as the first business day of each month, at par plus accrued interest to the redemption date.

On the Closing Date, Bond proceeds in the amount of the respective principal amounts of the Prior Bonds which will be outstanding following certain scheduled April 1 partial redemptions as described below shall be deposited into the respective Prior Bonds subaccounts of the Refunding Account and the Trustee shall immediately thereafter transfer such amounts to the respective Prior Bonds Trustees for deposit into the respective General Accounts of the Prior Bonds Redemption Accounts. These amounts will be used to reimburse the Letter of Credit Bank draws on the Prior Bonds’ Letters of Credit for the principal portion of the redemption of the Prior Bonds on May 1, 2013, the Redemption Date.

The University has made arrangements satisfactory to the Letter of Credit Bank to reimburse the Letter of Credit Bank for principal draws on the Letters of Credit to redeem $1,060,000 of the Series Five-L Bonds and $400,000 of the Series Five-Z Bonds on April 1, 2013, and for interest draws on the Letters of Credit for interest coming due on the Prior Bonds on April 1, 2013 and on the Redemption Date.

The Prior Bonds Trustees will make the scheduled April 1, 2013 principal and interest payment on the Prior Bonds from draws on the respective Prior Bonds’ Letters of Credit and will, per instruction from the University and the Authority, redeem the remaining outstanding Prior Bonds on the Redemption Date at par plus accrued interest from draws on the respective Prior Bonds’ Letters of Credit.

SOURCES AND USES OF FUNDS

Sources	
Par amount of the Bonds	$25,685,000.00
Reoffering Premium	3,642,034.15
Total Sources:	$29,327,034.15
Uses	
Deposit to refund the Series Five-L Bonds	$15,905,000.00
Deposit to refund the Series Five-Z Bonds	13,200,000.00
Costs of issuance, including Underwriter Discount	222,034.15
Total Uses:	$29,327,034.15

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. There is no reserve fund established for the Bonds.

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the University, and other funds, if any, 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 will further agree to make such payments out of its operating funds or any other moneys legally available.

The University covenants and agrees in the Loan Agreement 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.

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, and a Redemption Account. Following Bond Closing, amounts received by the Trustee from the University as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account and the Redemption Account 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 into the Refunding Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account. The monies deposited to this account shall immediately be transferred to the Prior Bonds Trustee for deposit into the applicable Redemption Account for the Prior Bonds.

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, if any, 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.

Redemption Account

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

Amounts on deposit to the credit of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account, and second, for the redemption of outstanding 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 and the Redemption Account shall be invested by the Trustee only in investments as authorized by Minnesota law from time to time. Section 5.04 of the Indenture sets forth specific parameters as to type, credit quality, and maturity of investments.

FUTURE FINANCING

The University regularly improves, expands and changes its physical plant and incurs long-term financing as needed for these purposes. The University does not anticipate issuing debt for new construction projects in the next 24 months. The University also monitors its outstanding debt for refunding opportunities. Refunding existing debt and replacing it with new debt may alter the University's overall debt service payments. 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 $1.3 billion. The Authority has had 194 issues (including refunded and retired issues) totaling over $2 billion, of which approximately $942 million is outstanding as of February 1, 2013. 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 Dougherty & Company LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $29,237,136.65 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $89,897.50 and adjusted for original issue premium of $3,642,034.15).

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

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

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

RATING

As noted on the cover 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 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 Nilan Johnson Lewis PA, Minneapolis, Minnesota, and for the Underwriter by Faegre Baker Daniels LLP, Minneapolis, Minnesota.

TAX EXEMPTION

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.

<u>Federal Tax Considerations</u>

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed or refinanced by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and 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 "DEFINITION OF CERTAIN TERMS – *Determination of Taxability*" in Appendix IV; 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.

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. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations.

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

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

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

Minnesota Tax Considerations

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

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

Changes in Federal and State Tax Law

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest or other income on the Bonds or the market value of the Bonds. Such adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction of the benefit) of the exclusion of interest on the Bonds from gross income for federal or State income tax purposes. A Notice of Deficiency issued by the Internal Revenue Service or a final court decision to the effect that interest payable on the Bonds is includable in gross income shall not be deemed a Determination of Taxability if resulting solely from a change in any applicable statute (or regulation thereunder) in effect as of the date of issuance of the Bonds. See "DEFINITION OF CERTAIN TERMS – *Determination of Taxability*" in Appendix IV.

Original Issue Premium

All of the Bonds were sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

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 (the "Code") 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.

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.

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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 facility 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 49 members. The maximum number of trustees under the University's Bylaws is 50. The Board elects its own members and each elected member, other than the alumni representative, serves a five-year term with no limit on the number of terms, although the norm is two terms (10 years). The alumni representative serves for a two-year term.

Following is a list of the members of the Board of Trustees of the University and their business or professional affiliation, as of February 27, 2013:

Trustee	Principal Activity and/or location
John N. Allen	CEO, Industrial Equities, LLP, Minneapolis, Minnesota
Lee R. Anderson	Chairman, APi Group, Inc., New Brighton, Minnesota
Raymond L. Barton	Chairman and CEO, Great Clips, Inc., Minneapolis, Minnesota
George W. Buckley	Executive Chairman of the Board, 3M, Saint Paul, Minnesota
Rodney P. Burwell	CEO, Burwell Enterprises, Minneapolis, Minnesota
Michael V. Ciresi	Partner and Chairman of the Executive Board, Robins, Kaplan, Miller & Ciresi, L.L.P., Minneapolis, Minnesota

Trustee	Principal Activity and/or location
Burton D. Cohen	Chief Executive Officer and Publisher, MSP Communications, Minneapolis, Minnesota
Rev. Dennis J. Dease, Ph.D.	President, University of St. Thomas, Saint Paul, Minnesota
Gail Dorn	Marketing and Community Relations Consultant, Target Corporation, Minneapolis, Minnesota
Michael E. Dougherty	Chairman and Chief Executive Officer, Dougherty Financial Group LLC, Minneapolis, Minnesota
Andrew S. Duff	Chairman and CEO, Piper Jaffray, Minneapolis, Minnesota
John J. “Hap” Fauth	Chairman, The Churchill Companies, Minneapolis, Minnesota
Sr. Maureen A. Fay, O.P., Ph.D.	President Emerita, University of Detroit Mercy, Bingham Farms, Michigan
Most Rev. Harry J. Flynn, D.D., Chair	Archbishop Emeritus, Archdiocese of Saint Paul and Minneapolis, Saint Paul, Minnesota
Timothy P. Flynn	Former Chairman (Retired), KPMG LLP
Ron L. Fowler	Chairman and CEO, Liquid Investments, Inc., Del Mar, California
Eugene U. Frey	Chairman, Wabash Management Inc., Minneapolis, Minnesota
Geoffrey C. Gage	President and Owner, Brand Solutions, Excelsior, Minnesota
Antoine M. Garibaldi, Ph.D.	President, University of Detroit Mercy, Detroit, Michigan
James P. Gearen	Executive Vice President, Zeller Realty Corporation, Minneapolis, Minnesota
Amy R. Goldman	Chairman and Executive Director, GHR Foundation, Minnetonka, Minnesota
Mark W. Gregg	Managing Partner and President, The Penrose Company, Vienna, Virginia
Daniel J. Haggerty	Retired Chief Executive Officer, Norwest Venture Capital, Minneapolis, Minnesota
Stephen J. Hemsley	President and Chief Executive Officer, United Health Group, Minnetonka, Minnesota

Trustee	Principal Activity and/or location
Kathleen J. Higgins Victor	President, Centera Corporation, Minneapolis, Minnesota
Stanley S. Hubbard	President and Chief Executive Officer, Hubbard Broadcasting Inc., Saint Paul, Minnesota
Brian Jones	Vice President/’Renovation Sales Manager, HomeServices Lending LLC, Minneapolis, Minnesota
Laurence F. LeJeune	Chairman of the Board, LeJeune Investments, Minneapolis, Minnesota
Thomas Madison	President and CEO, MLM Partners, Minneapolis, Minnesota
Reverend Edward A. Malloy, CSC, Ph.D.	President Emeritus, University of Notre Dame, Notre Dame, Indiana
Reverend John M. Malone	Vice President for Mission, University of St. Thomas, Saint Paul, Minnesota
Mary G. Marso	Chief Executive Officer, Jeanne Thorne, Inc., Minneapolis, Minnesota
Rev. Kevin McDonough, Vice Chair	Pastor, Church of St. Peter Claver, Saint Paul, Minnesota
Harry G. McNeely, Jr	Chairman Emeritus, Meritex Enterprises and McNeely Foundation, Saint Paul, Minnesota
Alvin E. McQuinn	Chairman and CEO, QuinStar Investment Partners, LLC, Edina, Minnesota
John M. Morrison	Chairman, Central Financial Services, Inc., Golden Valley, Minnesota
Honorable Diana E. Murphy	U.S. Circuit Judge, U.S. Eighth Circuit Court of Appeals, Minneapolis, Minnesota
Stephen P. Nachtsheim	Non-executive Chairman, Deluxe Corporation, Minneapolis, Minnesota
John F. O'Shaughnessy, Jr.	Director, Trustwater USA, Edina, Minnesota
Ronald J. Peltier	Chairman and Chief Executive Officer, HomeServices of America, Inc., Minneapolis, Minnesota
Reverend Lee Piché	Auxiliary Bishop, Archdiocese of Saint Paul and Minneapolis, Saint Paul, Minnesota
William S. Reiling	President, Sunrise Community Banks, Minneapolis, Minnesota

Trustee	Principal Activity and/or location
Patrick G. Ryan	President and CEO, Ryan Companies US, Inc., Minneapolis, Minnesota
Richard M. Schulze	Former Chairman, Best Buy Co., Inc., Richfield, Minnesota
Marianne D. Short	Executive Vice President and Chief Legal Officer, United Health Group, Minnetonka, Minnesota
Robert J. Ulrich	Chairman, MIM, Minneapolis, Minnesota
Frank B. Wilderson, Ph.D.	President, Wilderson and Associates, Inc., Minneapolis, Minnesota
Ann Winblad	Partner, Hummer Winblad Venture Partners, San Francisco, California
Mark Zesbaugh	Chief Executive Officer, Security Life Insurance Company, Minnetonka, 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). President Dease has announced his intentions to retire from the University effective June 30, 2013.

Dr. Julie Sullivan was elected to succeed President Dease on February 14, 2013 and will assume the duties of President on July 1, 2013. Dr. Sullivan currently serves as executive vice president and provost at the University of San Diego. Dr. Sullivan received her bachelor's degree and master's degree in Accounting, and Ph.D. in Business Administration and Accounting from the University of Florida.

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).

Vice President for Business Affairs and Chief Financial Officer

Mr. Mark Vangsgard was appointed Vice President for Business Affairs and Chief Financial Officer on March 31, 2006. Previously, Mr. Vangsgard was with Ecolab for 17 years, most recently in the position of Vice President and Treasurer. He received a bachelor's degree in business finance and economics from the University of St. Thomas (1980) and an M.B.A. from the University of St. Thomas (1990).

Chief Treasury and Investment Officer

Ms. Carol Peterfeso assumed the position of Chief Treasury and Investment Officer in January of 2010 after serving as Assistant Treasurer since 1991. Prior to working at the University, Ms. Peterfeso was at Norwest Bank Minnesota in commercial lending. Ms. Peterfeso received her B.A. degree in business finance from the University of St. Thomas (1987) and an M.B.A. from the University of St. Thomas in 1991.

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 near the City of Owatonna, Minnesota, and the Bernardi facility in Rome, Italy. As of June 30, 2012, the book value of all property and equipment, net of depreciation, was $446,438,840. Buildings and contents have an insured value of $759,393,228 for the policy year July 1, 2012 – June 30, 2013.

The University's physical facilities in Saint Paul consist of the buildings and grounds on a campus consisting of more than 70 acres. Ten residence halls, two University-owned houses, and three University-owned apartment buildings are currently configured for a capacity of 2,425 students.

The University's downtown Minneapolis campus 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 seven schools and colleges offering over ninety bachelor's degrees, forty-seven master's degrees, twenty-one certificates, two education specialist, one juris doctor, three doctorates, and four joint degree programs.

- College of Arts & Science
- College of Education, Leadership and Counseling
    - School of Education
    - School of Professional Psychology
- Opus College of Business
- School of Engineering
- School of Law
- School of Social Work
- Saint Paul Seminary School of Divinity

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 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 2012, the University employed 461 full-time and 405 part-time faculty. Total FTE employees number approximately 1,991. The total payroll for the Fiscal Year ended June 30, 2012 was $117,439,533, not including contributed services of 15 religious employees.

The following table lists the average salary of the lay members of the full-time University faculty for the 2012/13 academic year.

Title	Average Salary
Professor	$111,700
Associate Professor	83,866
Assistant Professor	76,736
Instructor	86,465

The following table lists the degrees and professional designations held by the full-time faculty members for the 2012/13 academic year.

	Number
Doctorate	400
Master of Arts, Juris Doctorate, Certified Public Accountant	57
Bachelor of Arts	9
Total	466

Freshman Applications, Acceptances and Enrollments

	2008/09	2009/10	2010/11	2011/12	2012/13
Applications	5,055	5,066	5,120	5,250	5,362
Acceptances	4,094	4,389	4,348	4,435	4,647
Percent Accepted	81%	87%	85%	84%	86.7%
Fall Enrolled	1,322	1,352	1,519	1,324	1,447
Percent Enrolled to Accepted	32%	31%	35%	30%	31.1%
Mean ACT Scores	25	25	25	26	26

Transfer Student Enrollment – Fall Semester – Undergraduate Day Program

2008/09	2009/10	2010/11	2011/12	2012/13
288	285	258	245	275

Enrollments

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

	2008/09	2009/10	2010/11	2011/12	2012/13
Headcount					
Undergraduate	6,164	6,146	6,274	6,176	6,339
Graduate and Professional	4,799	4,705	4,565	4,358	3,980
Total	10,963	10,851	10,839	10,534	10,316
FTEs					
Undergraduate	5,978	5,962	6,102	6,035	6,202
Graduate and Professional	2,993	3,001	2,920	2,854	2,620
Total	8,971	8,963	9,022	8,889	8,822

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 2012/13 academic year is 10,316; with a full-time equivalent ("FTE") enrollment of 8,822. Approximately 75.7% of the 2012/13 undergraduate freshman class is from the State of Minnesota. Freshmen come from 31 different states. Women comprise approximately 48.7% 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 are required to board on campus. As of fall 2012, the University has twelve student residences on the Saint Paul campus with an approximate capacity of 2,425 and all were fully occupied. Approximately 93% of the fall 2012 entering first-year students live on campus and 41.2% of the undergraduate day student population for the academic year 2012/13 reside 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:

	2008/09	2009/10	2010/11	2011/12	2012/13
Undergraduate (full-time) per academic year	$ 27,822	$ 29,467	$ 30,493	$ 32,073	$ 33,787
Graduate education, per credit	$ 607	$ 643	$ 672	$ 695	$ 730
Graduate School of Business, evening and part-time programs, per credit	$ 749	$ 793	$ 840	$ 885	$ 929
School of Law (full-time) per credit	$ 1,049	$ 1,112	$ 1,162	$ 1,214	$ 1,256

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, 2008 through 2012.

Year	Tuition and Fees
2008	$203,163,084
2009	$218,297,834
2010	$228,635,685
2011	$241,972,697
2012	$249,529,072

2012/2013 Undergraduate Rate Comparison of Selected Minnesota Private Colleges (Ranked by Comprehensive Charges)

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges*
Carleton College	$44,445	$11,553	$55,998
Macalester College	$43,693	$ 9,726	$53,419
St. Olaf College	$39,560	$ 9,090	$48,650
Gustavus Adolphus College	$38,056	$ 8,880	$46,936
College of Saint Benedict	$36,218	$ 9,270	$45,488
Saint John's University	$35,486	$ 8,638	$44,124
University of St. Thomas	**$33,787**	**$ 8,778**	**$42,565**
Hamline University	$33,596	$ 8,700	$42,296
St. Catherine University**	$33,176	$ 8,288	$41,464
Augsburg College**	$31,922	$ 8,455	$40,377
Bethel University**	$30,840	$ 8,900	$39,740
The College of St. Scholastica**	$30,398	$ 8,040	$38,438
Minneapolis College of Art and Design	$31,650	$ 6,600	$38,250
Concordia College (Moorhead)**	$30,860	$ 7,000	$37,860
Concordia University, St. Paul**	$29,700	$ 7,750	$37,450
Saint Mary's University of Minnesota**	$28,320	$ 7,440	$35,760
Bethany Lutheran College	$23,140	$ 7,060	$30,200
Average	**$33,815**	**$ 8,480**	**$42,295**

* *These are standard charges for first-time, full time, full-year undergraduate students, including fees assessed on all undergraduates. Some charges may vary depending on room, board and program choices.*

** *Seven colleges have differential tuition for upper-level students or other policies that result in some variation across class levels.*

Source: The Minnesota Private College Research Foundation, reviewable at www.mnprivatecolleges.org; information as of January 31, 2013.

Financial Aid

Approximately 94% 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.

FINANCIAL AID BY TYPE

Year Ended 30-Jun	Number of Students*(a)*	Univ. of St. Thomas	Restricted Funds*(b)*	Supple-mental Education Opportunity Grants*(c)*	Total UST, Restricted, and SEOG	PELL Grants*(c)*	State of Minnesota Grant Program	State of Minnesota SELF Loan Program	PERKINS Loan Program*(c)(d)*	STAFFORD Loan Program*(c)(e)*		Work Study*(f)*	Total
										Subsidized	Unsubsidized		
2008	8,437	$55,032,021	$5,556,409	$624,369	$61,212,799	$2,293,489	$4,273,824	$1,593,872	$949,532	$25,046,386	$24,013,941	$3,647,377	$123,031,220
2009	8,627	$61,692,941	$4,715,663	$636,320	$67,044,924	$2,847,844	$4,322,006	$1,751,000	$360,674	$25,528,814	$30,620,884	$3,989,153	$136,465,299
2010	8,826	$69,960,464	$4,197,395	$875,638	$75,033,497	$4,398,746	$5,181,901	$2,079,576	$405,017	$27,814,975	$31,523,529	$4,557,641	$150,994,882
2011	8,979	$80,169,715	$4,301,939	$748,300	$85,219,954	$5,285,386	$3,865,972	$2,352,478	$630,090	$29,200,169	$31,709,769	$4,796,899	$163,060,717
2012	8,818	$83,088,363	$4,405,378	$695,636	$88,189,377	$5,090,708	$4,395,700	$2,479,951	$731,030	$28,106,330	$31,108,757	$5,065,785	$165,167,638

(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. Contributions charged to unrestricted operations for these benefits were $8,394,657 and $8,349,722 for the years ended June 20, 2012 and 2011, respectively.

Unions

The General Drivers, Helpers, and Truck Terminal Employees, an affiliation of the International Brotherhood of Teamsters Local 120, represents approximately 75 employees who are the Building Services Workers, Grounds Service Workers, Grounds Turf Technician, and Mechanic 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 March 1, 2011 through February 28, 2014.

The International Union of Operating Engineers Local 70, AFL-CIO, which represents approximately 9 engineers, signed an agreement covering the engineers which runs from January 1, 2013 to December 31, 2015.

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 four 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, 2012, included as Appendix VII herein, have been audited by CliftonLarsonAllen LLP, independent accountants, as stated in their report appearing therein.

Statement of Financial Activity for Fiscal Years 2008 through 2012

The table on the following page summarizes the University's statements of unrestricted activities for the Fiscal Years ended June 30, 2008 through 2012. For more complete information of the University for the Fiscal Year ended June 30, 2012, see Appendix VII of this Official Statement.

UNIVERSITY OF ST. THOMAS
Statement of Unrestricted Activities

For the years ended June 30,

	2008	2009	2010	2011	2012
Operating Revenues					
Tuition & Fees	203,163,084	218,297,834	228,635,685	241,972,697	249,529,072
Less: student aid	(61,212,799)	(67,044,924)	(75,033,497)	(85,219,954)	(88,189,377)
Net tuition and fees	141,950,285	151,252,910	153,602,188	156,752,743	161,339,695
Sales and services of auxiliary enterprises	31,644,707	32,830,279	33,255,466	34,845,052	35,650,655
Private gifts and grants	14,185,456	6,900,791	8,315,822	8,179,908	6,704,771
Grants and contracts	3,973,862	4,001,320	4,256,390	4,285,870	3,556,241
Endowment distributed to operations	7,251,370	2,093,350	3,679,806	2,113,777	2,382,949
Other ordinary investment income	2,799,763	1,344,271	1,586,024	1,889,188	1,269,083
Sales and services of educational departments	4,965,977	4,319,589	4,566,180	4,246,804	3,787,087
Other Revenue	6,687,912	7,051,568	6,689,764	7,387,843	7,048,941
Net assets released from restriction	7,576,534	16,958,842	16,596,661	19,833,506	17,139,388
Total Operating Revenues	221,035,866	226,752,920	232,548,301	239,534,691	238,878,810
Operating Expenditures					
Instruction and other services					
Instruction	100,192,380	105,317,584	106,568,475	111,419,222	110,215,148
Auxiliary enterprises	30,935,637	34,827,914	34,037,381	33,820,574	35,608,994
Student activities and services	18,251,046	20,425,000	20,748,514	26,147,707	30,229,559
Academic support	9,221,292	9,378,458	9,274,080	9,782,517	9,856,349
Libraries	8,407,764	8,648,096	8,869,092	8,478,317	8,433,331
Public service	1,350,255	1,616,177	1,334,450	1,235,836	1,395,712
Research	758,243	801,800	1,112,875	1,083,244	851,101
Total instruction and other services	169,116,617	181,015,029	181,944,867	191,967,417	196,590,194
Management and general					
General Administration & support	27,186,024	27,668,678	27,595,016	28,217,763	27,835,124
Development	5,680,523	5,793,822	6,526,528	6,548,617	6,899,997
Total Management and General	32,866,547	33,462,500	34,121,544	34,766,380	34,735,121
Total Operating Expenditures	201,983,164	214,477,529	216,066,411	226,733,797	231,325,315
Net Operating Income (loss)	**19,052,702**	**12,275,391**	**16,481,890**	**12,800,894**	**7,553,495**
Non-Operating Activities					
Endowment investment gain/(loss):					
Investment ordinary income		1,260,696	1,171,597	922,637	693,706
Net capital gain/(loss) on investments		(28,199,789)	11,364,108	17,427,881	(3,026,012)
Less: Distributed to operations		(2,093,350)	(3,679,806)	(2,113,777)	(2,382,949)
Net non-operating endowment gain/(loss)		(29,032,443)	8,855,899	16,236,741	(4,715,255)
Other investment capital gains/(losses)		(8,081,810)	4,998,306	10,046,421	(1,946,008)
Net asset reclassification based on change in law		(91,913,236)			
Investment earnings reinvested (withdrawn) -- endowment	(11,368,532)				
Investment earnings reinvested (withdrawn) -- non-endowment	(6,889,241)				
Net gain(loss) on other investments					
Nonrecurring loss on fixed assets					
(Loss) gain on disposal of property and equipment	(88,247)	(2,941,796)	(324,197)	(14,930)	(21,437)
Net unrealized gain (loss) on interest rate exchange agreement	(1,769,825)	(1,245,040)	(1,010,961)	406,289	(1,352,598)
Loss on debt refinancing					
Gift to Center for Ethical Business Cultures	(1,800,686)				
Change in donor-imposed restriction					
Net Non-Operating Income (loss)	**(21,916,531)**	**(133,214,325)**	**12,519,047**	**26,674,521**	**(8,035,298)**
Net increase (decrease) in net assets before cumulative effect of a change in accounting principle	**(2,863,829)**	**(120,938,934)**	**29,000,937**	**39,475,415**	**(481,803)**
Cumulative effect of a change in accounting principle					
Restatement of prior year net assets					
Net (decrease) increase in net assets	**(2,863,829)**	**(120,938,934)**	**29,000,937**	**39,475,415**	**(481,803)**
Net assets, beginning of year	407,153,443	404,289,614	283,350,680	312,351,617	351,827,032
Net assets, end of year	**404,289,614**	**283,350,680**	**312,351,617**	**351,827,032**	**351,345,229**

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.

	2011	2012
In one year or less	$ 26,255,859	$ 20,077,165
Between one year and five years	48,716,034	51,881,399
More than five years	83,280,402	105,943,085
Total face value of pledges outstanding	$158,252,295	$177,901,649
Discount (to present value)	(37,424,688)	(43,042,298)
Allowance for uncollectible pledges	(5,920,000)	(6,601,323)
Contributions receivable	$114,907,607	$128,258,028

Capital Campaign

The University of St. Thomas completed its Opening Doors capital campaign in the fall of 2012. The campaign's goal was to raise $500 million for major enhancements to the University's infrastructure, including endowment funds for financial aid, faculty positions and program enhancements and physical facilities and other resources to improve the quality of the overall student experience. The University has received to date $515 million in gifts and pledges against the $500 million goal.

Net Assets Detail

The following table lists the University's net assets for the Fiscal Years ended June 30, 2010 through 2012. 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.

	FY2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment				
Donor-restricted for:				
Student financial aid	$ (979,936)	$ 20,914,510	$ 59,567,628	$ 79,502,202
Instruction and other related activities	(2,786,963)	37,033,425	161,352,385	195,598,847
Total donor-restricted endowment	(3,766,899)	57,947,935	220,920,013	275,101,049
Board-designated for educational and general operations	64,648,675	7,044,408		71,693,083
Total endowment	60,881,776	64,992,343	220,920,013	346,794,132
Operations				
Current unrestricted operations	9,351,176			9,351,176
Gifts and grants for instructional programs, financial aid, and research	20,508,679	2,591,809		23,100,488
Long-term support of educational and general operations	39,537,724	36,811,875		76,349,599
Total operations	69,397,579	39,403,684	-	108,801,263
Buildings and Equipment				
Net value of building and equipment	174,948,085			174,948,085
Funds for building projects, excluding pledges	7,991,777	9,681,781		17,673,558
Total buildings and equipment	182,939,862	9,681,781	-	192,621,643
Other				
Annuity trust agreements	(867,600)	4,284,615		3,417,015
Total	$ 312,351,617	$ 118,362,423	$ 220,920,013	$ 651,634,053

	FY2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment				
Donor-restricted for:				
Student financial aid	$ (144,798)	$ 30,265,297	$ 69,747,092	$ 99,867,591
Instruction and other related activities	(15,683)	53,864,917	169,722,283	223,571,517
Total donor-restricted endowment	(160,481)	84,130,214	239,469,375	323,439,108
Board-designated for educational and general operations	79,020,675	6,007,763		85,028,438
Total endowment	78,860,194	90,137,977	239,469,375	408,467,546
Operations				
Current unrestricted operations	9,510,266			9,510,266
Gifts and grants for instructional programs, financial aid, and research	21,015,214	3,243,758		24,258,972
Long-term support of educational and general operations	54,861,776	34,190,675		89,052,451
Total operations	85,387,256	37,434,433	-	122,821,689
Buildings and Equipment				
Net value of building and equipment	178,082,359			178,082,359
Funds for building projects, excluding pledges	10,288,291	8,367,293		18,655,584
Total buildings and equipment	188,370,650	8,367,293	-	196,737,943
Other				
Annuity trust agreements	(791,068)	4,879,886		4,088,818
Total	$ 351,827,032	$ 140,819,589	$ 239,469,375	$ 732,115,996

	FY2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment				
Donor-restricted for:				
Student financial aid	$ (229,362)	$ 25,620,261	$ 78,915,354	$ 104,306,253
Instruction and other related activities	(978,969)	47,969,170	174,043,930	221,034,131
Total donor-restricted endowment	(1,208,331)	73,589,431	252,959,284	325,340,384
Board-designated for educational and general operations	76,207,677	5,549,156		81,756,833
Total endowment	74,999,346	79,138,587	252,959,284	407,097,217
Operations				
Current unrestricted operations	9,701,171			9,701,171
Gifts and grants for instructional programs, financial aid, and research	22,130,894	4,303,356		26,434,250
Long-term support of educational and general operations	51,823,109	32,194,120		84,017,229
Total operations	83,655,174	36,497,476	-	120,152,650
Buildings and Equipment				
Net value of building and equipment	183,357,284			183,357,284
Funds for building projects, excluding pledges	10,124,493	9,535,224		19,659,717
Total buildings and equipment	193,481,777	9,535,224	-	203,017,001
Other				
Annuity trust agreements	(791,068)	5,495,719		4,704,651
Total	$ 351,345,229	$ 130,667,006	$ 252,959,284	$ 734,971,519

Investment Management

The University's investment policy is established by the Investment Committee of the Board of Trustees. The Investment Committee is composed of fourteen members of the Board of Trustees. The Investment Committee is advised by Cambridge Associates as the investment consultant. Three staff members, led by Carol Peterfeso, with over 25 years of experience in institutional investment management, are responsible for the day-to-day management of the fund. All funds are managed by external asset managers. There are a total of fifty-one different asset managers investing in sixty-five different strategies on behalf of the University.

The table below shows the preliminary December 31, 2012 allocation of investment assets and the percentage change of each component from fiscal year ended June 30, 2012.

Asset Class	**6/30/12 Market Value**	**12/31/12 Market Value***	**Percent Change**	**Percent of Total 12/31/12**
Cash Equivalents	$ 9,226,301	$ 11,220,922	21.6%	2.5%
Public Equities	161,351,361	178,664,498	10.7	40.0
Fixed Income	92,876,362	67,173,708	27.7	15.0
Real Assets	49,793,739	54,826,856	10.1	12.3
Marketable Alternatives	92,980,754	96,805,700	4.1	21.7
Private Equity	36,227,366	37,723,793	4.1	8.5
Total Market Value	$**442,455,883**	$446,415,476	0.9**%**	**100.00%**

NOTE: The December 31, 2012 market values for the interim period are not audited and not consistent with methodology to determine close of fiscal year numbers.

Line of Credit

U.S. Bank National Association provides a revolving line of credit to the University for short-term borrowing. The line of credit is in the amount of $15,000,000 and expires June 30, 2013 unless renewed. The University typically draws on line(s) of credit annually over an eight-week period from mid-July to mid-September, repaying any draws on the line(s) of credit at the end of that period. The University currently has no borrowings under the line of credit.

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Long-Term Debt

The University has the following long-term debt outstanding as of February 1, 2013:

(a) $1,050,000 Dormitory Bonds of 1967, dated April 1, 1967, at 3%; remaining principal is $190,000 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) $25,845,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-L, dated April 25, 2002, principal outstanding is $16,965,000. **These bonds will be refunded with proceeds from the Series Seven-U Bonds.**

(c) $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 $3,650,000. The final maturity is October 1, 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.

(d) $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 $25,635,000 due October 1, 2008 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.

(e) $20,000,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-Z, dated August 19, 2004, principal outstanding is $13,600,000. **These bonds will be refunded with proceeds from the Series Seven-U Bonds.**

(f) $38,860,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-I, dated February 1, 2006 at various rates of interest; principal outstanding is $27,755,000. The final maturity is April 1, 2023. The proceeds financed the advance refunding of the University's Series Four-A1 Bonds, Four-M Bonds, and Four-P Bonds. The bonds are a general obligation of the University, secured by a debt service reserve fund.

(g) $18,305,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-W, dated December 16, 2008 at various rates of interest; principal outstanding is $16,630,000. The final maturity is October 1, 2030. The proceeds financed the construction of a parking facility on the University's Saint Paul campus. The bonds are a general obligation of the University, secured by a debt service reserve fund.

(h) $58,405,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-X, dated June 17, 2009 at various rates of interest; principal outstanding is $55,990,000. The final maturity is April 1, 2039. The proceeds financed the construction of a recreational facility (the Anderson Athletic and Recreation Complex) on the University's Saint Paul campus. The bonds are a general obligation of the University, secured by a debt service reserve fund.

(i) $79,440,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-A, dated December 16, 2009 at various rates of interest; principal outstanding is $76,065,000. The final maturity is October 1, 2039. The proceeds financed the construction of the Anderson Student Center on the University's Saint Paul campus. The bonds are a general obligation of the University, secured by a debt service reserve fund.

(j) $15,325,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-O, dated May 30, 2012. Interest is variable and reset quarterly; principal outstanding is $14,240,000. The final maturity is April 1, 2025; the bonds are subject to a mandatory tender on May 30, 2018. The proceeds financed the refunding of the University's Series Four-O Bonds and Series Five-C Bonds. The bonds are a general obligation of the University.

(k) $12,300,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-P, dated May 30, 2012. Interest is variable and reset quarterly; principal outstanding is $12,300,000. The final maturity is October 1, 2032; the bonds are subject to a mandatory tender on May 30, 2018. The proceeds financed the refunding of the University's Series Six-H Bonds. The bonds are a general obligation of the University.

As of February 1, 2013, the University's total long-term debt outstanding was $263,995,000. The University's long-term debt will decrease by the principal amount of the Series Five-L Bonds and Series Five-Z Bonds retired and refunded and will increase by the principal amount of the Bonds upon issuance.

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Pro Forma University Debt Service

The following table displays debt service on the Bonds and estimated debt service on the University's outstanding debt, excluding the Prior Bonds. Additional indebtedness incurred by the University will increase total debt service. There is no assurance that the University's total debt service will not increase in the future.

Fiscal Year	The Bonds		Outstanding Debt*		Total
Ending 6/30	Principal	Interest	Principal	Interest	Debt Service
2014	$1,170,000	$1,185,447	$9,490,000	$10,731,799	$22,577,246
2015	1,240,000	1,117,150	9,620,000	10,396,187	22,373,337
2016	1,300,000	1,055,150	8,655,000	10,051,760	21,061,910
2017	1,365,000	990,150	9,035,000	9,672,000	21,062,150
2018	1,435,000	921,900	9,395,000	9,307,158	21,059,058
2019	1,505,000	850,150	9,835,000	8,879,104	21,069,254
2020	1,580,000	774,900	10,325,000	8,433,735	21,113,635
2021	1,660,000	695,900	10,830,000	7,962,935	21,148,835
2022	1,740,000	612,900	6,785,000	7,523,423	16,661,323
2023	1,830,000	525,900	8,990,000	7,171,278	18,517,178
2024	1,920,000	434,400	7,815,000	6,739,835	16,909,235
2025	4,500,000	357,600	3,620,000	6,433,665	14,911,265
2026	2,175,000	177,600	7,660,000	6,194,125	16,206,725
2027	2,265,000	90,600	8,040,000	5,798,774	16,194,374
2028			8,440,000	5,383,807	13,823,807
2029			8,875,000	4,946,765	13,821,765
2030			9,330,000	4,487,366	13,817,366
2031			9,800,000	3,998,402	13,798,402
2032			8,600,000	3,535,504	12,135,504
2033			9,025,000	3,099,855	12,124,855
2034			8,545,000	2,659,225	11,204,225
2035			8,980,000	2,212,869	11,192,869
2036			7,460,000	1,795,875	9,255,875
2037			7,840,000	1,409,450	9,249,450
2038			8,245,000	1,003,350	9,248,350
2039			8,665,000	576,288	9,241,288
2040			5,095,000	127,375	5,222,375
	$25,685,000	$9,789,747	$228,995,000	$150,531,907	$415,001,656

* *Includes debt service on the University's outstanding debt, excluding the Prior Bonds. The interest rates on the University's outstanding Series Seven-O and Series Seven-P variable rate bonds are the interest rate swap rates that are related to those bonds. The swap related to Series Seven-O terminates in 2015, after which the rate on the Series Seven-O Bonds is assumed to be 3.00%.*

Estimated Maximum Annual Debt Service and Pro Forma Coverage Statement

The following table displays information related to the pro forma debt service coverage for outstanding University debt, excluding the Prior Bonds, combined with the debt service on the Bonds. Coverage is calculated by comparing amounts available for debt service for fiscal years 2011 and 2012 with estimated maximum annual debt service (MADS) for the University's outstanding debt after issuing the Bonds. The table includes the following information:

Estimated MADS for currently outstanding debt plus the Bonds, excluding the Prior Bonds, is derived as described above in the Pro Forma University Debt Service table.

The two columns on the right of the table show debt service coverage comparing amounts available for debt service for Fiscal Years 2011 and 2012, respectively, to MADS. The calculations of amounts available for debt service are detailed in footnote (b) 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. If the University elects to refund existing debt with one or more new debt issuances, the University's overall debt service payments may be altered.

The table is intended merely to show the relationship of amounts available for the University's debt service for Fiscal Years 2011 and 2012 to estimated MADS following the issuance of the Bonds and redemption of the Prior Bonds. 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 Maximum Annual Debt Service and Pro Forma Coverage Statement

Estimated Maximum Annual Debt Service (MADS)		FY 2011 Pro Forma Coverage[(a)]	FY 2012 Pro Forma Coverage[(a)]
On outstanding debt (including the Bonds)[(b)]	$22,577,246	1.60	1.52

[(a)] *The amount available for debt service for each Fiscal Year is calculated as shown below and based on the University's Fiscal Year audited financial statements. This amount is divided by estimated MADS.*

[(b)] *From the Pro Forma University Debt Service table.*

	FY 2011	FY 2012
Unrestricted Net Operating Income	$12,800,894	$ 7,553,495
Plus:		
Depreciation	16,291,013	17,756,975
Interest expense on debt	8,257,555	9,676,515
Less:		
Net assets released from restrictions for building and equipment	(1,168,023)	(642,953)
Amount available for debt service	$36,181,439	$34,344,032

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APPENDIX II

PROPOSED FORM OF LEGAL OPINION

MCGRANN SHEA CARNIVAL STRAUGHN & LAMB, CHARTERED

ATTORNEYS AT LAW

WILLIAM R. MCGRANN	JOSEPH T. BAGNOLI	CHRISTINE L. MENNEN
DOUGLAS M. CARNIVAL	ROGER J. STELLJES	MICHAEL T. HATTING
ROBERT O. STRAUGHN	JEFFREY C. URBAN	CHRISTY E. LAWRIE
PETER L. COOPER	KATHLEEN MICHAELA BRENNAN	
KATHLEEN M. LAMB	JENNIFER A. JAMESON	
JOHN R. SCHULZ	CARL S. WOSMEK	
COREY J. AYLING	JASON H. THOMAS	
SCOTT B. CROSSMAN	AMY L. COURT	Of Counsel
CARLA J. PEDERSEN	~~~~~~	ANDREW J. SHEA

$25,685,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Seven-U
(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 Revenue Bonds, Series Seven-U (University of St. Thomas), in the aggregate principal amount of $25,685,000 (the "Bonds"), dated as of their date of delivery, 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 its campuses located in the cities of Saint Paul and Minneapolis, Minnesota (the "University"), in order to refinance existing educational facilities, all owned and operated by the University and located on its campus in Minneapolis, Minnesota. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the University and the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"), each dated as of March 1, 2013, relating to the Bonds, one or more opinions of Nilan Johnson Lewis P.A., 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 Nilan Johnson Lewis P.A., 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 duly organized and existing under the laws 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. The Bonds are not a general obligation or indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority or charge against its general credit, but are payable solely from amounts pledged thereto in accordance with the provisions of the Indenture.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in 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. The Authority has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265 of the Code. The opinion set forth in this paragraph is subject to the conditions that the Authority, the Trustee and the University comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in federal gross income or

Minnesota taxable net income retroactive to the date of issuance of the Bonds. The Authority, the Trustee and the University have covenanted to comply with such requirements.

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, March 28, 2013.

McGrann Shea Carnival
Straughn & Lamb, Chartered

ANNUAL REPORT INFORMATION

The Annual Report Date will be the date that is 270 days after each fiscal year end, commencing with the fiscal year ended June 30, 2013. 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
      - Enrollments
      - Student Body
      - Housing
      - Tuition and Fees
      - Financial Aid
      - Pensions
      - Unions
      - Statement of Financial Activity
      - Contributions Receivable
      - Capital Campaign
      - Net Assets Detail
      - Investment Management
      - Line of Credit
      - Long-Term Debt

   b. An update of calculation of Estimated Debt Service and Pro Forma Coverage Statement.

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DEFINITION OF CERTAIN TERMS

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

Act: Sections 136A.25 through and including 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 to 1.150-1.

Authority: The Minnesota Higher Education Facilities Authority.

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

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

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

Authorized Investments: Investments authorized for moneys in the Accounts created under Article V of the Indenture and described in Section 5.04 of the Indenture.

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

Board of Trustees: The Board of Trustees of the Corporation, and includes any Executive Committee or other committee authorized to act for such board.

Bond and Interest Sinking Fund Account: The Bond and Interest Sinking Fund Account established pursuant to the Indenture.

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

Bond Purchase Agreement: The Bond Purchase Agreement among the Authority, the Underwriter, and the Corporation dated March 15, 2013, related to the Series Seven-U Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on February 20, 2013, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Bonds, (a) the period from the Issue Date to the close of business on April 1, 2013, and (b) each succeeding 12-month period ending at the close of business on April 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

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

Book-Entry System: A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and Participants (or Indirect Participants).

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

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

Continuing Disclosure Agreement: The Continuing Disclosure Agreement between the Trustee and the Corporation, dated as of March 1, 2013.

Date of Taxability: That date as of which the interest on the Bonds shall be so determined to be includable in the gross income of the Owners thereof; provided, that no Bond shall bear additional interest for any period for which the statute of limitations shall be a bar to the assertion or collection of a deficiency of federal income taxes from the Owner of such Bond.

Default: A default on the part of the Corporation in performance of any covenant or condition of the Loan Agreement which, with notice or passage of time or both, would or has become an Event of Default.

Depository: DTC or any other person who shall be a Holder of all the Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, Corporation and Trustee to act as the Depository; provided any Depository shall be registered or qualified as a “clearing agency” within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

Determination of Taxability: A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that the interest payable on the Bonds is includable in gross income for purposes of federal income taxation by reason of the application of the provisions of Section 103 of the Internal Revenue Code, related sections and regulations thereunder, in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement, provided that such Notice of Deficiency or decision shall not be deemed a Determination of Taxability if resulting solely from a change in any applicable statute (or regulation thereunder) in effect as of the date of issuance of the Bonds. A determination that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

DTC: The Depository Trust Company in New York, New York, its successors or assigns.

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 & Commerce*, *The Wall Street Journal*, or any other newspaper or journal devoted to financial news published in the English language in Minneapolis or Saint Paul, Minnesota, or in the City of New York, New York.

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

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 the Bonds, the terms shall mean the Beneficial Owner.

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, dated as of March 1, 2013, under which the Bonds are authorized to be issued, and including any indenture supplemental hereto.

Independent: When used with reference to an attorney, engineer, architect, certified public accountant, consultant, insurance consultant or other professional person, means a person who (i) is in fact independent, (ii) does not have any material financial interest in the Corporation or the Institution or the transaction to which such Certificate or opinion relates (other than the payment to be received for professional services rendered), and (iii) is not connected with the Authority or the Corporation or the Institution as an officer, employee or member of the Authority, the Corporation or the Institution or the Board of Trustees of the Corporation.

Independent Counsel: An Independent attorney duly admitted to practice law before the highest court of any state.

Independent Management Consultant: An Independent certified public accountant, Independent financial consultant or Independent management consultant having a favorable reputation for skill and experience in studying and reporting on operations of private nonprofit institutions of higher education satisfactory to the Authority.

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

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

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

Loan Agreement: The Loan Agreement between the Authority and the Corporation relating to the Bonds, dated as of March 1, 2013, as amended or supplemented from time to time.

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

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

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

Notice of Deficiency: The statutory notice of deficiency issued by the Internal Revenue Service to a taxpayer identifying a tax deficiency and providing a specified period of time to appeal such deficiency.

Outstanding or outstanding: When used as of any particular time with reference to Bonds, without regard to capitalization of such term, means (subject to the provisions of Section 9.03 of the Indenture pertaining to Bonds held by the Authority and the Corporation) all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which funds or direct obligations of or obligations fully guaranteed by the United States of America in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Article III of the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.07 of the Indenture pertaining to replacement of Bonds.

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

Prior Bond Documents: The Series Five-L Bond Documents and the Series Five-Z Bond Documents.

Prior Bonds: The Series Five-L Bonds and the Series Five-Z Bonds.

Project: The refunding, on a current refunding basis, of the Series Five-L Refunded Bonds and the Series Five-Z Refunded Bonds, and paying a portion of the issuance costs of the Bonds.

Project Buildings: The buildings financed or refinanced with the proceeds of the Prior Bonds.

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

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

Project Site: Those portions of land or interests in land described on Exhibit A to the Loan Agreement as the Project Site, which are owned or leased by the Corporation and on which any Project Buildings are located or otherwise improved by improvements financed or refinanced by the Prior Bonds.

Redemption Date: May 1, 2013.

Reference Rate: The interest rate per annum announced from time to time by Wells Fargo Bank, National Association, as its prime or reference rate, regardless of whether that interest rate is actually charged to any customer of said bank.

Refunded Bonds: The Series Five-L Refunded Bonds and the Series Five-Z Refunded Bonds.

Series Five-L Bond Documents: The Series Five-L Loan Agreement and the Series Five-L Indenture.

Series Five-L Bonds: The Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-L (University of St. Thomas), dated April 25, 2002, issued in the original principal amount of $25,845,000, the proceeds of which were loaned by the Authority to the Corporation to provide financing for the Series Five-L Bonds Project.

Series Five-L Bonds Project: The financing of (a) the acquisition, construction, furnishing and equipping of a multi-story education building to house the Institution's School of Law, and (b) the refunding of a portion of the Authority's outstanding Mortgage Revenue Bonds, Series Three-C (University of St. Thomas), dated March 1, 1991, which were issued in the original principal amount of $24,405,000 to finance the acquisition, construction, furnishing and equipping of Terrence Murphy Hall, a multi-story education building; both owned and operated by the Corporation and located on the Institution's Minneapolis campus.

Series Five-L Refunded Bonds: The outstanding Series Five-L Bonds in the principal amount of $15,905,000 which are to be optionally redeemed on May 1, 2013 from proceeds of the Bonds (which does not include $1,060,000 principal amount of outstanding Series Five-L Bonds to be optionally redeemed on April 1, 2013, from other available funds of the Corporation).

Series Five-Z Bond Documents: The Series Five-Z Loan Agreement and the Series Five-Z Indenture.

Series Five-Z Bonds: The Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-Z (University of St. Thomas), dated August 19, 2004, issued in the original principal amount of $20,000,000, the proceeds of which were loaned by the Authority to the Corporation to provide financing for the Series Five-Z Bonds Project.

Series Five-Z Bonds Project: The financing of the acquisition, construction, furnishing and equipping of Schulze Hall, a multi-story education building used by the Institution's College of Business and housing the Schulze School of Entrepreneurship, owned and operated by the Corporation and located on the Institution's Minneapolis campus.

Series Five-Z Refunded Bonds: The outstanding Series Five-Z Bonds in the principal amount of $13,200,000 which are to be optionally redeemed on May 1, 2013 from proceeds of the Bonds (which does not include $400,000 principal amount of outstanding Series Five-Z Bonds to be optionally redeemed on April 1, 2013, from other available funds of the Corporation).

Series Seven-U Bonds or the Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-U (University of St. Thomas).

Trustee: Wells Fargo Bank, National Association, Minneapolis, Minnesota.

Trust Estate: The interest of the Authority in the Loan Agreement assigned under Granting Clause I of the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause II of the Indenture; and additional property held by the Trustee pursuant to Granting Clause III of the Indenture.

Underwriter: Dougherty & Company LLC, as original purchaser of the Bonds.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Redemption of Series Five-L Bonds and Series Five-Z Bonds

The Corporation represents that it will cause the Series Five-L Refunded Bonds and the Series Five-Z Refunded Bonds to be redeemed on the Redemption Date.

Loan Repayments

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

(a) at least five (5) Business Days prior to each April 1 and October 1, commencing October 1, 2013, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on the next succeeding interest payment date, and, at least five (5) Business Days prior to each April 1 when principal is due whether at maturity or mandatory sinking fund redemption, the amount payable as principal on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account; and (ii) any credits permitted by Sections 5.01, 5.02, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

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

(c) forthwith into the Bond and Interest Sinking Fund Account or Redemption Account, as appropriate, the amount of any deficiency in the event that the funds on deposit in the Bond and Interest Sinking Fund Account or Redemption Account on any 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) into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate).

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

The Corporation agrees that, so long as there are Bonds outstanding, the Corporation will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs, modifications, and replacements as are necessary so that the Project will remain a “project” under the Act and interest on the Bonds will be exempt from federal income taxation and may make such repairs, modifications and replacements as in the judgment of the Corporation are desirable, subject to the same conditions. Except as otherwise provided by the Loan Agreement, the Corporation shall maintain title to and possession of the Project Facilities, provided that the Corporation may sell, transfer, lease or sublease or enter into agreements in the ordinary course of business for the use 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 Loan Agreement, the Indenture or the Act, (iii) the Corporation shall remain fully obligated under the Loan Agreement as if such transaction or agreement had not been made, and (iv) in the case of any such sale or transfer, or in the case of any lease to or occupancy by persons who are not students, employees or faculty of the Corporation, an opinion of Bond Counsel is provided to the Trustee to the effect that tax exemption of the interest on the Bonds is not adversely affected; provided further, that the Corporation may demolish any of the Project Facilities that, in the judgment of the Corporation, are worn out, obsolete, or require replacement, are no longer used, or the Corporation, by resolution of its Board of Trustees, has determined in its judgment are no longer useful.

Operating Expenses and Liens

The Corporation will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities. Except for Permitted Encumbrances, the Corporation will not permit any liens to be established or to remain against the Project Facilities including any mechanics’ liens for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements; provided the Corporation may in good faith contest any liens filed or established against the Project Facilities and may permit the items so contested to remain undischarged and unsatisfied during the period of such contest unless the Authority or Trustee shall notify the Corporation that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities will be subject to loss or forfeiture, in which event the Corporation shall promptly pay all such items.

Taxes and Other Governmental Charges

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

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

Insurance

The Corporation is required to maintain, or cause to be maintained, insurance as follows:

(a) Insurance against loss and/or damage to the Project Facilities, including fire and extended coverage in an amount not less than the lesser of (i) full insurable replacement value of the Project Facilities, or (ii) the principal amount of the outstanding Bonds or (if greater) 80 percent 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 not more than $250,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $250,000.

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

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

Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the Corporation and the Trustee at least thirty days before the cancellation or modification of the policy limits below the insurance requirements set forth above becomes effective. The Corporation shall, on or before October 1 of each year, provide the Trustee with a certificate of insurance compliance.

Damage or Destruction

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

The Bonds may be redeemed in part if (i) all or a portion of the Project Facilities have been damaged or destroyed, (ii) the Corporation determines that the Project Facilities so damaged or destroyed are not needed in its operations, (iii) the Corporation has elected not to repair, rebuild, restore or replace such Project Facilities and (iv) the Corporation elects that the available Net Proceeds (and not more than the amount of such available Net Proceeds) (i) are deposited in the Redemption Account and used to redeem or purchase Bonds or (ii) are retained by the Corporation upon the Corporation furnishing the Trustee an Opinion of Counsel stating that the intended use of such Net Proceeds by the Corporation shall not cause interest on the Bonds to be includible in gross income of the recipient for federal income tax purposes.

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 any part of the Project Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, the Corporation shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

If the Bonds are to be redeemed in whole or in part, such redemption shall be as described in the second paragraph under the caption "Damage or Destruction" above.

Removal or Release of Project Equipment and Building Equipment

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

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

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

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

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

Indemnification

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

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

Corporation to Maintain its Existence and Accreditation

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

Institution to be Nonsectarian

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

Federal Income Tax Status

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

Determination of Taxability

In the event a Determination of Taxability is made 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 (2.00%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, in integral multiples of $5,000, as a whole or in part on the next date for which due notice can be given or any date thereafter and the redemption price in either event shall be equal to par plus accrued interest (including additional interest from the Date of Taxability). If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto shall be limited to the stepped-up interest rate, as more fully set forth in the Loan Agreement.

Other Covenants

The Corporation further agrees to comply with all applicable laws and regulations against unlawful discrimination, including Minnesota Statutes, Section 363A.13 (except with respect to the School of Divinity); 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 Office of Higher Education subject to the right of contest. The Corporation agrees to indemnify the Authority from losses arising from certain representations made by the Corporation regarding the absence of hazardous waste on the Project Facilities.

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

Events of Default

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

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

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

(c) [Reserved]

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

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

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

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

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

Remedies on Default

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

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

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

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

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

Amendments

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

THE INDENTURE

The following constitutes a summary of certain provisions of the Trust Indenture (the "Indenture"). This summary does not purport to be complete and reference is made to the full text of the Indenture for a complete recital of its terms. Certain words and terms used in this summary are defined in "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:

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

(b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture; provided, however, the funds deposited in the Refunding Account shall be held for the exclusive benefit of the holders of the Refunded Bonds, 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

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

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.

Moneys on deposit to the credit of the Accounts 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 rated at least in the rating category of "AA" or "Aa" or political subdivisions of states rated at least in the rating category of "AAA" or "Aaa"; revenue bond obligations of states and their political subdivisions insured by municipal bond insurance and rated "AAA" or "Aaa"; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, states and their political subdivisions or in certain repurchase agreements; constant dollar value money market funds that invest solely in the types of obligations or repurchase agreements in which the foregoing mutual funds may invest and which are rated in the highest rating category by a national credit rating agency; time deposits of insured state or national banks fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

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; 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 (60) days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the Corporation (giving the Corporation the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

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

Remedies

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

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

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce 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 no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the Reference Rate of Wells Fargo Bank, National Association, Minneapolis, Minnesota, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the Corporation to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of $10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the Corporation, provided that the Authority may, but is not required to remove the Trustee with or without the request of the Corporation if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the Corporation shall:

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

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

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

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

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

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

Supplemental Indentures

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

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

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

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

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

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

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

Amendments to the Loan Agreement

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

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

Registration

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

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THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Obligations. The Obligations 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 Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for securities that its 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 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 is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as 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"). 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 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Obligations 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 the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations 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 are required to be sent to DTC. If less than all of the Obligations 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 such other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer or Bond Registrar 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Obligations 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 Issuer or its agent 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, Agent, the Bond Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar, Issuer, or the Issuer's agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

FINANCIAL STATEMENTS FISCAL YEAR ENDED JUNE 30, 2012
WITH REPORT OF INDEPENDENT AUDITORS

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CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of St. Thomas
Saint Paul, Minnesota

We have audited the accompanying statement of financial position of the University of St. Thomas as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2011 financial statements and, in our report dated October 19, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of St. Thomas as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 17, 2012

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University of St. Thomas
Statement of Financial Position
As of June 30, 2012
(with comparative totals as of June 30, 2011)

	2012	2011
Assets		
Cash and cash equivalents	$ 1,473,939	$ 11,202,994
Accounts receivable, net	9,772,335	10,089,109
Inventories, prepaid expenses, and other assets	6,768,834	7,927,380
Contributions receivable, net	128,258,028	114,907,607
Student and other notes receivable, net	6,446,717	7,140,899
Funds held with bond trustees	21,463,353	48,231,797
Investments	442,455,883	451,122,253
Land, buildings, and equipment, net	449,966,665	434,937,863
Total assets	**$ 1,066,605,754**	**$ 1,085,559,902**
Liabilities and net assets		
Liabilities		
Accounts payable and accrued liabilities	$ 18,711,057	$ 31,043,921
Unearned tuition income	6,284,141	6,670,350
Deposits and other liabilities	22,527,272	20,789,360
Assets held in custody for others	4,682,740	4,896,040
Annuity obligations	5,027,600	4,970,044
Bonds payable	270,180,000	280,890,000
Advances from federal government for student loans	4,221,425	4,184,191
Total liabilities	**331,634,235**	**353,443,906**
Net assets		
Unrestricted	351,345,229	351,827,032
Temporarily restricted	130,667,006	140,819,589
Permanently restricted	252,959,284	239,469,375
Total net assets	**734,971,519**	**732,115,996**
Total liabilities and net assets	**$ 1,066,605,754**	**$ 1,085,559,902**

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

University of St. Thomas
Statement of Activities
For the year ended June 30, 2012
(with comparative totals for 2011)

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues					
Tuition and fees	$ 249,529,072			$ 249,529,072	$ 241,972,697
Less: student aid	(88,189,377)			(88,189,377)	(85,219,954)
Net tuition and fees	161,339,695			161,339,695	156,752,743
Sales and services of auxiliary enterprises	35,650,655			35,650,655	34,845,052
Private gifts and grants	6,704,771	$ 7,269,872		13,974,643	12,760,744
Grants and contracts	3,556,241			3,556,241	4,285,870
Endowment distributed to operations	2,382,949	10,147,187		12,530,136	13,428,951
Other ordinary investment income	1,269,083	52,814		1,321,897	2,101,571
Sales and services of educational departments	3,787,087			3,787,087	4,246,804
Other revenue	7,048,941			7,048,941	7,387,843
Net assets released from restrictions	17,139,388	(17,139,388)			
Total operating revenues	238,878,810	330,485		239,209,295	235,809,578
Operating expenditures					
Instruction and other services					
Instruction	110,215,148			110,215,148	111,419,222
Auxiliary enterprises	35,608,994			35,608,994	33,820,574
Student activities and services	30,229,559			30,229,559	26,147,707
Academic support	9,856,349			9,856,349	9,782,517
Libraries	8,433,331			8,433,331	8,478,317
Public service	1,395,712			1,395,712	1,235,836
Research	851,101			851,101	1,083,244
Total instruction and other services	196,590,194			196,590,194	191,967,417
Management and general					
General administration and support services	27,835,124			27,835,124	28,217,763
Development	6,899,997			6,899,997	6,548,617
Total management and general	34,735,121			34,735,121	34,766,380
Total operating expenditures	231,325,315			231,325,315	226,733,797
Net operating income	**7,553,495**	**330,485**		**7,883,980**	**9,075,781**
Non-operating activities					
Permanently restricted gifts			21,029,576	21,029,576	11,430,200
Endowment investment (loss) earnings:					
Investment ordinary income	693,706	2,891,089	511,243	4,096,038	5,975,080
Net capital (loss) gain on investments	(3,026,012)	(3,373,234)	(4,203,018)	(10,602,264)	57,140,464
Less: Distributed to operations	(2,382,949)	(10,147,187)		(12,530,136)	(13,428,951)
Net non-operating endowment (loss) gain	(4,715,255)	(10,629,332)	(3,691,775)	(19,036,362)	49,686,593
Other investment capital (loss) gain	(1,946,008)	146,264		(1,799,744)	10,046,421
Loss on disposal of property and equipment	(21,437)			(21,437)	(14,930)
Net unrealized (loss) gain on interest rate exchange agreement	(1,352,598)			(1,352,598)	406,289
Donor pledge adjustments			(3,260,000)	(3,260,000)	
Income tax expense			(587,892)	(587,892)	(148,411)
Net non-operating (loss) income	**(8,035,298)**	**(10,483,068)**	**13,489,909**	**(5,028,457)**	**71,406,162**
Net (decrease) increase in net assets	**(481,803)**	**(10,152,583)**	**13,489,909**	**2,855,523**	**80,481,943**
Net assets, beginning of year	351,827,032	140,819,589	239,469,375	732,115,996	651,634,053
Net assets, end of year	**$ 351,345,229**	**$ 130,667,006**	**$ 252,959,284**	**$ 734,971,519**	**$ 732,115,996**

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

University of St. Thomas
Statement of Cash Flows
For the year ended June 30, 2012
(with comparative totals for 2011)

	2012	2011
Cash flows from operating activities		
Increase in net assets	$ 2,855,523	$ 80,481,943
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	17,756,975	16,291,013
Net realized investment gains	(4,756,259)	(13,123,071)
Net unrealized investment losses (gains)	17,158,267	(54,063,814)
Gifts of property and equipment	(90,855)	(63,509)
Contributions restricted for long-term investment	(5,471,849)	(8,328,003)
Interest and dividend income restricted for long-term investment	(4,096,038)	(5,975,080)
Noncash contributions of marketable securities	(833,742)	(1,224,659)
Increase in allowance for uncollectible pledges	681,323	60,000
Loss on disposal of land, buildings, and equipment	21,437	14,930
Change in operating assets and liabilities		
Decrease (increase) in operating assets		
Accounts receivable, net	316,774	(543,404)
Contributions receivable	(14,031,744)	96,010
Other operating assets	1,852,728	(2,000,636)
(Decrease) increase in operating liabilities		
Accounts payable and accrued expenses	(6,338,220)	(426,958)
Other operating liabilities	1,233,193	970,151
Net cash provided by operating activities	**6,257,513**	**12,164,913**
Cash flows from investing activities		
Purchases of investments	(145,957,732)	(195,731,510)
Proceeds from sales and maturities of investments	143,055,836	202,474,274
Changes in assets held with bond trustees, excluding net gains and losses	26,768,444	57,045,184
Expenditures for land, buildings, and equipment	(38,711,003)	(72,549,592)
Proceeds from sale of land, buildings, and equipment		3,985
Net cash used in investing activities	**(14,844,455)**	**(8,757,659)**
Cash flows from financing activities		
Proceeds from contributions restricted for endowment, and for land, buildings, and equipment	5,471,849	8,328,003
Payments on bonds payable	(10,710,000)	(8,750,000)
Interest and dividend income restricted for long-term investment	4,096,038	5,975,080
Net cash (used) provided by financing activities	**(1,142,113)**	**5,553,083**
Net (decrease) increase in cash and cash equivalents	(9,729,055)	8,960,337
Cash and cash equivalents at beginning of year	11,202,994	2,242,657
Cash and cash equivalents at end of year	**$ 1,473,939**	**$ 11,202,994**
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 11,567,435	$ 11,968,199
Building and equipment acquisitions included under accounts payable and accrued expenses	$ 1,938,297	$ 7,932,941
Equipment acquired through capital lease agreements	$ 3,577,874	$ 3,709,937
Issuance of bonds payable to defease other bonds	$ 27,625,000	

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

University of St. Thomas
Notes to Financial Statements
For the year ended June 30, 2012

1. Summary of Significant Accounting Policies

Organization
Founded in 1885, the University of St. Thomas (the University) is a Catholic, diocesan university based in the Twin Cities of St. Paul and Minneapolis. The largest private university in Minnesota, the University offers bachelor's degrees in over 85 major fields of study and more than 45 graduate degree programs including master's, education specialist, juris doctor and doctorates.

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". Contributions of cash or other assets to be used to acquire land, buildings or equipment are released after the expenditure is made. If a restriction is fulfilled in the same fiscal year in which a contribution is received 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.

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

Cash equivalents that are held for long-term investment are included in the Statement of Financial Position as investments. For example, cash held by endowment investment managers for transactional or strategic purposes and cash held for the purchase of buildings and equipment, are reported as investments. Cash equivalents held for long-term investment totaled $9,226,301 and $11,103,254 at June 30, 2012 and 2011, respectively.

Cash held in bank accounts may at times exceed federally insured limits.

Accounts Receivable
Accounts receivable are stated at net realizable value. The allowance for doubtful accounts for the years ended June 30, 2012 and 2011 were $2,834,940 and $2,834,940, 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.

1. Summary of Significant Accounting Policies - continued

Contributions Receivable
Pledges to give that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The pledge value is calculated by using an income approach of applying a discount rate technique in the year in which the pledge is received. The original discount rate determined at the date of the pledge is applied over the duration of each pledge. The discount rates applied range from 0.2% to 6.5%. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Investments
Investments are stated at fair value and include accrued income (see note 6). Changes in fair value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are generally determined using the average cost method.

Marketable securities are reported at fair value based upon quoted market prices or, when quoted values are not available, are valued based on comparative financial instruments. Limited marketability instruments, which primarily include private equity, hedge funds and real estate investments, are valued at the quoted market price for securities in which market quotations are readily available or an estimate of fair value as determined in good faith by the general partner. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

Fair Value Measurements
The University follows the FASB guidance on fair value measurements. Fair value is defined in the guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based on the transparency of information, such as pricing source, used in the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1
Inputs are unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2
Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3
Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own determination about the assumptions that market participants would use in pricing the assets or liabilities based on the best available information.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Concerning other assets and liabilities not assigned a Level 1-2-3, the market values of receivables, accounts payable and and accrued liabilities, and unearned income approximate their carrying values given their short term nature.

The fair value of bonds payable was determined using the present value of the future cash flows of debt service payments (see note 10). 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.

1. Summary of Significant Accounting Policies - continued

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

Asset Retirement Obligations
Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The University reduces ARO liabilities when the related obligations are settled.

As of June 30, 2012 and 2011, conditional asset retirement obligations, which are included within deposits and other liabilities in the Statement of Financial Position, totaled $3,426,516 and $3,410,744, respectively. During the fiscal year ended June 30, 2012, the conditional asset retirement obligation increased by $15,772 as a result of asbestos removal costs of $147,396, and accretion of interest of $163,168.

Changes in management's assumptions regarding settlement dates and settlement methods could have a material effect on the liabilities recorded at June 30, 2012.

Unearned Tuition Income
Unearned tuition income represents tuition received in advance for the summer term and other University programs to be held substantially after year-end. For summer session terms that begin before July 1 and end in the next fiscal year, tuition is recognized as revenue in the current fiscal year based upon that part of the term completed before July 1.

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.

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. Other gifts are recorded at the fair value at the date of the gift.

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.

1. Summary of Significant Accounting Policies - continued

Non-Operating Activities

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

- permanently restricted private gifts and grants which are invested in perpetuity,
- endowment investment earnings reinvested, and withdrawals above the spending policy,
- 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,
- other transactions that are significant, nonrecurring, and are not accounted for as part of ongoing budgeted operations.

Advertising expense

Advertising expenditures are expensed as incurred. Advertising expense for the years ended June 30, 2012 and 2011 was $1,670,856 and $1,541,981, respectively.

Functional Expenses

Expenses are directly coded to programs or support services whenever possible. Expenses which are not directly identifiable by program or support service are allocated based on the best estimates of management.

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.

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. However, any unrelated business income may be subject to taxation. The most significant areas that subject the University to unrelated business income tax (UBIT) include conferences and events, rental activities, gifts of alternative investments and other unrelated income.

Deferred taxes on unrelated business income tax (UBIT) are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Realization of deferred tax assets is dependent upon sufficient future taxable income during the periods when deductible temporary differences and carryforwards are expected to be available to reduce taxable income.

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, 2011, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

2. Accounts Receivable

Accounts receivable consists of the following at June 30:

	2012	2011
Student accounts	$ 7,983,887	$ 8,736,889
Less: allowance for doubtful accounts	(2,834,940)	(2,834,940)
	5,148,947	5,901,949
Government grants receivable	493,540	641,398
Other	4,129,848	3,545,762
Total	$ 9,772,335	$ 10,089,109

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:

	2012	2011
In one year or less	$ 20,077,165	$ 26,255,859
Between one year and five years	51,881,399	48,716,034
More than five years	105,943,085	83,280,402
Total face value of pledges outstanding	177,901,649	158,252,295
Discount (to present value)	(43,042,298)	(37,424,688)
Allowance for uncollectible pledges	(6,601,323)	(5,920,000)
Contributions receivable	$ 128,258,028	$ 114,907,607

The net pledges are recorded under the following net asset categories:

	Temporarily Restricted	Permanently Restricted	Total 2012	Total 2011
Endowment	$ 5,563,119	$ 79,722,749	$ 85,285,868	$ 72,959,170
Operations	34,069,056		34,069,056	33,709,966
Building projects	8,903,104		8,903,104	8,238,471
Total	$ 48,535,279	$ 79,722,749	$ 128,258,028	$ 114,907,607

Donor pledges were reduced by $3,260,000 to reflect changes in donor agreements. The revised donor agreements reflect the same pledge obligation, but the pledge can no longer be recognized for financial statement purposes due to changes in the payment method. The donor pledge adjustments are reflected as an expense within the non-operating activities section of the Statement of Activities.

4. Student and other notes receivable, net

Student notes receivable

The University participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of $4,221,425 and $4,184,191 at June 30, 2012 and 2011, respectively, are ultimately refundable to the government and are classified as liabilities in the Statement of Financial Position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government. At June 30, 2012 and 2011, student loans represented 0.5% and 0.4% of total assets, respectively.

At June 30, student loans consisted of the following:

	2012	2011
Perkins loan program	$ 4,804,868	$ 4,568,165

At June 30, 2012 and 2011, respectively, the following amounts were past due under the Perkins student loan program:

	1 - 60 days past due	60 - 90 days past due	90+ days past due	Total past due
2012	$ 94,316	$ 55,272	$ 285,087	$ 434,675
2011	$ 97,808	$ 29,964	$ 287,658	$ 415,430

4. Student and other notes receivable, net - continued

Other Notes Receivables	2012	2011
SubS corporation distribution	$ 1,095,432	$ 2,009,225
Note receivable - start-up companies	482,441	495,482
Note receivable - sale of property	63,976	68,027
	$ 1,641,849	$ 2,572,734

No allowance for doubtful accounts has been recorded against these note receivables.

Total Student and other notes receivable as reported in the Statement of Financial Position are as follows:

	2012	2011
Student notes receivable	$ 4,804,868	$ 4,568,165
Other notes receivable	1,641,849	2,572,734
Total student and other notes receivable	$ 6,446,717	$ 7,140,899

5. Funds Held With Bond trustees

Funds held with bond trustees consists of the following at June 30:

	2012	2011
Assets in escrow for debt service and debt service reserves	$ 21,463,353	$ 21,361,598
Unexpended bond proceeds		26,870,199
Total market value	$ 21,463,353	$ 48,231,797
Total cost	$ 21,217,445	$ 48,015,453

Funds held with bond trustees include investments consisting of primarily U.S. Government obligations.

6. Investments

The following table summarizes the value of investments at June 30:

	2012 Market Value	% of Total	2011 Market Value	% of Total
Cash equivalents	$ 9,226,301	2.1%	$ 11,103,254	2.5%
Public equities	161,351,361	36.5%	176,338,928	39.1%
Fixed income	92,876,362	21.0%	83,814,115	18.6%
Real assets	49,793,739	11.3%	56,081,671	12.4%
Marketable alternatives	92,980,754	20.9%	92,276,888	20.4%
Private equity	36,227,366	8.2%	31,507,397	7.0%
Total market value	$ 442,455,883	100.0%	$ 451,122,253	100.0%
Total cost	$ 419,960,542		$ 411,623,483	

The University investments include operating as well as endowment and other long-term assets. Operating cash is invested in mutual funds, the majority of which is invested in U.S. Treasury obligations. The University's long-term assets are invested in a diversified asset allocation approach, within defined limits, which maintains exposure to global equity, fixed income, real estate, commodities, hedge funds, and private equity through a partnership with external investment managers operating through a variety of investment vehicles including separate accounts, commingled funds, mutual funds, and limited partnerships.

6. Investments - continued

Investment managers are utilized to invest in individual securities on behalf of the University. In many cases, the University holds a partial interest in pooled funds along with other investors. While the value of each of these pooled funds do not have a readily marketable value, the individual underlying assets are marketable securities, except for real estate and alternative investments disclosed separately above. Real estate and alternative investments are not readily marketable, and are carried at estimated fair values as provided by those investment managers. The University reviews and evaluates the values, and believes the valuation methods and assumptions used in determining the fair value of the real estate and alternative investments are reasonable.

The majority of University investments are held in custody at Northern Trust.

The University's investments are categorized as of June 30 as follows:

	2012	2011
Pooled investment funds		
Investments permanently restricted by donors	$ 233,390,210	$ 243,657,105
Investments functioning as endowments	75,782,677	78,020,675
Total investments subject to endowment spending policy	309,172,887	321,677,780
Funds held for other organizations	3,767,310	3,910,837
Operational funds invested in pool	11,118,839	14,445,887
Other pooled investments	49,674,191	50,259,795
Total pooled funds	373,733,227	390,294,299
Other investments		
Money Market Fund	42,352,490	35,179,542
Charitable gift annuity funds	11,589,939	11,087,721
Gifted stock of private company	8,220,000	8,220,000
Other investments	6,560,227	6,340,691
Total other investments	68,722,656	60,827,954
Total investments	$ 442,455,883	$ 451,122,253

The components of investments and investment earnings are summarized below:

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Investment earnings					
Interest & dividends	$ 1,962,789	$ 2,943,903	$ 511,243	$ 5,417,935	$ 8,076,651
Capital (losses) gains	(4,972,020)	(3,226,970)	(4,203,018)	(12,402,008)	67,186,885
Total investment results	$ (3,009,231)	$ (283,067)	$ (3,691,775)	$ (6,984,073)	$ 75,263,536
Investment earnings are reported in the Statement of Activities as follows:					
Endowment earnings:					
Operating revenues					
Endowment distributed to operations	$ 2,382,949	$ 10,147,187		$ 12,530,136	$ 13,428,951
Non-operating activities					
Investment ordinary income	693,706	2,891,089	$ 511,243	4,096,038	5,975,080
Net capital (loss) gain on investments	(3,026,012)	(3,373,234)	(4,203,018)	(10,602,264)	57,140,464
Less: Distributed to operations	(2,382,949)	(10,147,187)		(12,530,136)	(13,428,951)
Net non-operating endowment (loss) gain	(4,715,255)	(10,629,332)	(3,691,775)	(19,036,362)	49,686,593
Total endowment (loss) gain	(2,332,306)	(482,145)	(3,691,775)	(6,506,226)	63,115,544
Other Investment Earnings					
Ordinary investment income (in operations)	1,269,083	52,814		1,321,897	2,101,571
Invest. capital (losses) gains (nonoper.)	(1,946,008)	146,264		(1,799,744)	10,046,421
Total other investment (loss) earnings	(676,925)	199,078	-	(477,847)	12,147,992
Total investment (loss) gain	$ (3,009,231)	$ (283,067)	$ (3,691,775)	$ (6,984,073)	$ 75,263,536

7. Fair Value Measurements

Level 1-2-3 Fair Value Hierarchy

The following table presents the University's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at June 30:

	2012				2011
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total	Total
Assets					
Funds held with bond trustees					
Cash equivalents	$ 3,580,106			$ 3,580,106	$ 3,575,123
Fixed income	17,883,247			17,883,247	44,656,674
	21,463,353			21,463,353	48,231,797
Investments					
Cash equivalents	9,226,302			9,226,302	11,103,254
Public equities	30,801,153	$ 126,860,208	$ 3,690,000	161,351,361	176,338,928
Fixed income	92,559,204	317,158		92,876,362	83,814,115
Real assets	22,675,395	12,091,527	15,026,816	49,793,738	56,081,671
Marketable alternatives		47,442,891	45,537,863	92,980,754	92,276,888
Private equity			36,227,366	36,227,366	31,507,397
Total Investments	155,262,054	186,711,784	100,482,045	442,455,883	451,122,253
Total assets	$ 176,725,407	$ 186,711,784	$ 100,482,045	$ 463,919,236	$ 499,354,050
Liabilities					
Interest rate swap agreements	$ -	$ 3,955,704	$ -	$ 3,955,704	$ 2,603,106

The following table provides a summary of changes in fair value of the University's Level 3 financial assets and liabilities for the years ended June 30, 2012 and 2011:

	2012	2011
Balance as of July 1	$ 115,875,851	$ 73,508,768
Earned Income	1,199,547	3,626,198
Realized capital gain (loss)	949,588	(1,695,452)
Unrealized capital (loss) gain	(3,190,954)	10,413,695
Purchases and other acquisitions	7,091,928	49,023,568
Sales and other dispositions	(3,740,156)	(17,034,652)
Transfers from level 3 to level 2	(17,703,759)	(1,966,274)
Balance as of June 30	$ 100,482,045	$ 115,875,851

7. Fair Value Measurements - continued

Net Asset Value ("NAV")

The fair value of certain investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the fund. FASB guidance allows for the use of the NAV as a "practical expedient" to estimate the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the University's interest in the fund. Investments are categorized as Level 2 instruments when the University has the ability to redeem its investment in the equity at the NAV per share in the near term. If the University does not know when it will have the ability to redeem its investment or it does not have the ability to redeem its investment at NAV per share in the near term, the investments are categorized as Level 3 instruments. The University generally considers a redemption period of 90 days or less to be near term.

Transfers were made from level 3 to 2 of $17,703,759 and $1,966,274 for the years ended June 30, 2012 and 2011, respectively, due to the expiration of certain investment lockup provisions. Additionally, transfers from level 1 to 2 of $5,233,118 were made in 2011 as a result of investment structure changes.

Fair value measurements of Level 2 and Level 3 investments in certain entities where NAV was used to estimate fair value as of June 30, 2012:

Redemption frequency	Net Asset Value	Unfunded Commitments	Redemption Notice Period	Redemption restrictions
Daily/Weekly				
Public equities	$ 31,883,969		1-3 days	
Fixed Income	300,958		1 day	
Total Daily/Weekly	32,184,927			
Monthly				
Public equities	74,079,972		3-30 days	
Total Monthly	74,079,972			
Quarterly				
Public equities	20,553,767		60 days	
Real assets	12,091,527		60 days	
Marketable alternatives	47,442,891		30-65 days	
Total Quarterly	80,088,185			
Annual				
Public equities	3,690,000		120 days	
Real assets	8,130,728		60 days	
Marketable alternatives	21,946,021		60 - 90 days	1 fund has a side pocket
Total Annual	33,766,749			
2 or more years				
Real assets	6,896,088	$ 15,149,905	NA	
Marketable alternatives	23,591,842		60-90 days	1 fund has a side pocket
Private equity	25,539,119	18,835,861	NA	
Total 2 or more years	56,027,049	33,985,766		
Total Level 2 and Level 3 with NAV per share	$ 276,146,882	$ 33,985,766		

8. Derivative Instruments

The University uses interest rate swaps as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. Interest rate swaps are used to manage identified and approved exposures and are not used for speculative purposes. The interest rate swaps are recognized as either assets or liabilities on the Statement of Financial Position and are measured at fair value. Interest rate swaps are often held for the life of the strategy, but may reflect significant interim unrealized gains or losses depending on the change in value since the inception of the contract. All unrealized and realized gains and losses from the interest rate exchange agreements are reflected in the Statement of Activities.

Interest rate swaps between the University and a third party (counterparty) provide for periodic exchange of payments between the parties based on changes in a defined index and a fixed rate and include counterparty credit risk. Counterparty risk is the risk that contractual obligations of the counterparty will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for the University's counterparties. The counterparty is the Royal Bank of Canada which held a S&P credit rating of AA- as of June 30, 2012. Neither party posts collateral as part of the swap.

In fiscal 2012, the University paid $856,902 more than it received in interest under the swap agreements. In 2011, the University paid $888,444 more than it received. The variable interest paid by the University on the original debt issue approximated the payments received from the counterparty. The fixed payments made to the counterparty are described below. The difference between interest received and interest paid under the swap agreements is recorded as interest expense in the Statement of Activities.

In April 2003, the University entered into a forward interest rate swap agreement having a notional amount of $20,800,000. This swap was utilized to reduce the volatility risk for a portion of the University's variable interest rate exposure on debt issues Series Four-O and Series Five-C. In 2012, while those issues were defeased by the Series Seven-O debt issue, the swap remains outstanding. Under the swap agreement, the counterparty 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 counterparty a fixed rate of 3.085% for a term that ends October 1, 2015.

In February 2006, the University entered into a forward interest rate swap agreement having a notional amount of $12,300,000. This swap was utilized to reduce the volatility risk for a portion of the University's variable interest rate exposure on debt issue Series Six-H. In 2012, while that issue was defeased by the Series Seven-P debt issue, the swap remains outstanding. Under the swap agreement, the counterparty 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 counterparty a fixed rate of 3.553% for a term that ends October 1, 2032.

The fair value of these interest rate swaps, which are not designated as a hedging instrument, are reported as of June 30 as follows:

	2012	2011
Within Statement of Financial Position:		
Liability	$ 3,955,704	$ 2,603,106
Within Statement of Activities:		
Net unrealized (loss) gain on interest rate exchange agreement	$ (1,352,598)	$ 406,289

An investment manager retained by the University has been authorized to use certain financial derivative instruments. Specifically, equity futures are used to invest cash in equities and/or obtain equity market exposure. In addition, commodity futures contracts are also utilized to obtain market index exposure. The University's derivative instruments involve varying degrees of risk of loss in excess of the amount recognized in the Statement of Financial Position arising from potential changes in market prices. The market value of the derivative contracts was $23,109,540 and $23,880,260 as of June 30, 2012 and 2011, respectively. Net gains (losses) from these derivative contracts is summarized as follows:

	2012	2011
Investment (loss) earnings	$ (1,040,669)	$ 8,930,416

In addition, the University, through its investment activities, is indirectly involved in such activities as trading in futures, forward contracts and other derivative products. Derivatives are used to adjust portfolio risk exposure. While these instruments may contain varying degrees of risk, the University's risk with respect to such transactions is limited to its respective share in each investment pool.

9. Land, Buildings, and Equipment

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

	Estimated Useful Life (Years)	2012	2011
Land		$ 37,584,690	$ 37,584,690
Land improvements	15 - 20	6,953,386	6,949,886
Buildings	20 - 60	482,106,619	412,676,202
Equipment, library books, art objects	0 - 15	123,885,033	117,972,933
Cost of land, buildings, and equipment		650,529,728	575,183,711
Less: Accumulated depreciation		(204,090,888)	(191,550,242)
Land, buildings, and equipment, net of depreciation		446,438,840	383,633,469
Add: Construction-in-progress		3,527,825	51,304,394
Land, buildings, and equipment as reported		$ 449,966,665	$ 434,937,863

10. Bonds Payable

Bonds payable consists of the following at June 30:

	2012	2011
MHEFA Revenue Bonds, Series Seven-A	$ 77,770,000	$ 79,440,000
Payable through 2039, interest at 2% to 5%, uncollateralized, proceeds used for Anderson Student Center		
MHEFA Revenue Bonds, Series Six-X	55,990,000	57,215,000
Payable through 2039, interest at 3% to 5.25%, uncollateralized, proceeds used for Anderson Athletic and Recreation Complex		
MHEFA Revenue Bonds, Series Six-I	27,755,000	29,835,000
Payable through 2023, interest at 4% to 5%, uncollateralized, proceeds used to advance refund Series 4P, 4M and 4A1, original proceeds used for Opus Hall, Morrison Hall and the Science and Engineering Center		
MHEFA Revenue Bonds, Series Five-Y	26,275,000	26,890,000
Payable through 2034, interest at 4% to 5.25%, uncollateralized, proceeds used for Selby Hall		
MHEFA Variable Rate Demand Revenue Bonds, Series Five-L	16,965,000	17,990,000
Payable through 2027, variable interest rate (not to exceed 15%), collateralized by an irrevocable letter of credit expiring in September 2013, proceeds used for School of Law building and Terrence Murphy Hall, the letter of credit is collateralized by the School of Law facility		
MHEFA Revenue Bonds, Series Six-W	17,075,000	17,510,000
Payable through 2030, interest at 4% to 6%, uncollateralized, proceeds used for Anderson Parking Facility		
MHEFA Variable Rate Demand Revenue Bonds, Series Seven-O	15,325,000	
Payable through 2025, variable interest rate (not to exceed 15%), uncollateralized, proceeds used to refund Series Four-O and Five-C, original bond proceeds used for Science and Engineering Center, John Roach Center, Morrison Hall, and other additions		
MHEFA Variable Rate Demand Revenue Bonds, Series Five-Z	14,000,000	14,800,000
Payable through 2029, variable interest rate (not to exceed 12%), collateralized by an irrevocable letter of credit expiring in March 2013, proceeds used for Schulze Hall, bonds could be due in one year or less if the letter of credit is not renewed		
MHEFA Variable Rate Demand Revenue Bonds, Series Seven P	12,300,000	
Payable through 2032, variable interest rate (not to exceed 15%), uncollateralized, proceeds used to refund Series Six-H, original proceeds used for McNeely Hall		

10. Bonds Payable -continued

	2012	2011
MHEFA Variable Rate Demand Revenue Bonds, Series Six-H Payable through 2032, variable interest rate (not to exceed 10%), collateralized by an irrevocable letter of credit expiring in September 2013, proceeds used for McNeely Hall		12,300,000
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	5,560,000	7,335,000
MHEFA Variable Rate Demand Revenue Bonds, Series Four-O Payable through 2021, variable interest rate (not to exceed 15%), collateralized by an irrevocable letter of credit expiring in September 2013, proceeds used for Science and Engineering Center and Morrison Hall		8,505,000
MHEFA Variable Rate Demand Revenue Bonds, Series Five-C Payable through 2025, variable interest rate (not to exceed 15%), collateralized by an irrevocable letter of credit expiring in September 2013, proceeds used for renovation of the John Roach Center for the Liberal Arts		7,870,000
Note payable Payable through 2012, interest at 5.0%, uncollateralized	975,000	975,000
Dormitory Bonds, 1967 Payable through 2017, interest at 3.0%, collateralized by Brady Hall building and related net revenues	190,000	225,000
Total face value of long-term debt	$ 270,180,000	$ 280,890,000
Approximate market value of long-term debt	$ 286,762,000	$ 287,947,802

Interest expense was $9,676,515 and $8,257,555 for the years ended June 30, 2012, and 2011, respectively. Interest costs incurred during the construction phase of $1,759,000 and $3,798,200 were capitalized in 2012 and 2011, respectively, and are included as an addition to land, buildings, and equipment in the Statement of Financial Position.

As of June 30, 2012, the variable interest rate associated with the above variable debt issues, and the associated interest rate swap agreements, was approximately 1.5%.

The annual maturities for bonds payable at June 30, 2012, are as follows:

2013	$ 12,080,000
2014	11,385,000
2015	11,555,000
2016	10,635,000
2017	10,785,000
Thereafter	213,740,000
	$ 270,180,000

The University has a line of credit of $15,000,000 with interest at LIBOR plus .75% which expires on on June 30, 2013. At June 30, 2012 and 2011, the University had no borrowings under the line of credit.

In May 2012, the University issued MHEFA Variable Rate Demand Revenue Bonds, Series Seven-O for $15,325,000, and Series Seven-P for $12,300,000 in order to effect legal defeasement of the Series Four-O, Five-C, and Six-H debt. The University placed the proceeds of the two debt issues into escrow accounts in 2012, and the three bond issues were redeemed on July 2, 2012.

11. Endowment

The University's endowment consists of over 400 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Endowment net assets, excluding net pledges, consist of the following at June 30:

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Donor-restricted endowment funds	$ (1,208,331)	$ 73,575,468	$ 173,236,535	$ 245,603,672	$ 256,487,701
Board-designated endowment funds	76,207,677			76,207,677	79,020,675
Total endowment funds	$ 74,999,346	$ 73,575,468	$ 173,236,535	$ 321,811,349	$ 335,508,376

Changes in endowment net assets, excluding pledges, for the years ended June 30 are as follows:

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Endowment net assets as of July 1	$ 78,860,194	$ 84,116,251	$ 172,531,931	$ 335,508,376	$ 276,888,647
Investment return:					
Investment ordinary income	693,706	2,891,089	511,243	4,096,038	5,975,080
Realized and unrealized capital (loss) gain	(3,026,012)	(3,373,234)	(4,203,018)	(10,602,264)	57,140,464
Total investment (loss) gain	(2,332,306)	(482,145)	(3,691,775)	(6,506,226)	63,115,544
Release of spending policy	(2,382,949)	(10,147,187)		(12,530,136)	(13,428,951)
Contributions (excludes pledges)	5,000	88,549	4,984,271	5,077,820	8,589,870
Addition to quasi-endowment from operations	1,344,350			1,344,350	1,000,000
Other expense, net	(494,943)		(587,892)	(1,082,835)	(656,734)
Endowment net assets as of June 30	$ 74,999,346	$ 73,575,468	$ 173,236,535	$ 321,811,349	$ 335,508,376

The above endowment net assets totalling $321,811,349 and $335,508,376 as of June 30, 2012 and 2011, respectively, excludes pledges. Net pledges have been included in net assets as reported in the Statement of Financial Position and Statement of Activities. Net endowment pledges of $85,285,868 and $72,959,170 as of June 30, 2012 and 2011, respectively, have been included in net assets as follows:

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Endowment net assets, excluding pledges	$ 74,999,346	$ 73,575,468	$ 173,236,535	$ 321,811,349	$ 335,508,376
Add endowment net pledges		5,563,119	79,722,749	85,285,868	72,959,170
Endowment net assets, including pledges	$ 74,999,346	$ 79,138,587	$ 252,959,284	$ 407,097,217	$ 408,467,546

11. Endowment - continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets totalled $1,208,331 and $160,481 as of June 30, 2012 and 2011, respectively. These deficiencies result from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a representative benchmark, while assuming an appropriate level of investment risk. The University expects its endowment funds, over time, to provide a real rate of return sufficient to meet the University's spending policy, net of fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University follows an endowment spending policy which authorizes spending of a percentage of the three year average market value of most endowments. This percentage is established annually for each endowment by the President of the University. The average aggregate spending rate approximated 4% in 2012 and 2011. 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.

12. Net Asset Summary and Releases

Net assets at June 30, including pledges, consists of the following:

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Endowment					
Donor-restricted for:					
Student financial aid	$ (229,362)	$ 25,620,261	$ 78,915,354	$ 104,306,253	$ 99,867,591
Instruction and other related activities	(978,969)	47,969,170	174,043,930	221,034,131	223,571,517
Total donor-restricted endowments	(1,208,331)	73,589,431	252,959,284	325,340,384	323,439,108
Board-designated for educational and general operations	76,207,677	5,549,156		81,756,833	85,028,438
Total endowment	74,999,346	79,138,587	252,959,284	407,097,217	408,467,546
Operations					
Current unrestricted operations	9,701,171			9,701,171	9,510,266
Gifts and grants for instructional programs, financial aid, and research	22,130,894	4,303,356		26,434,250	24,258,972
Long-term support of educational and general operations	51,823,109	32,194,120		84,017,229	89,052,451
Total operations	83,655,174	36,497,476		120,152,650	122,821,689
Buildings and Equipment					
Net value of buildings and equipment	183,357,284			183,357,284	178,082,359
Funds for building projects	10,124,493	9,535,224		19,659,717	18,655,584
Total buildings and equipment	193,481,777	9,535,224		203,017,001	196,737,943
Other					
Annuity trust agreements	(791,068)	5,495,719		4,704,651	4,088,818
Total	$ 351,345,229	$ 130,667,006	$ 252,959,284	$ 734,971,519	$ 732,115,996

12. Net Asset Summary and Releases - continued

Temporarily restricted 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:

	2012	2011
Purpose restrictions accomplished:		
Instructional activities, student financial aid, and other purposes	$ 12,371,435	$ 12,852,983
Unrestricted donor pledges received for education and general operations	4,125,000	5,812,500
Buildings and equipment	642,953	1,168,023
Total restrictions released	$ 17,139,388	$ 19,833,506

13. 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:

	2012	2011
Institutional revenue sources	$ 83,088,363	$ 80,169,715
Gifts, grants, and endowment earnings	5,101,014	5,050,239
Total student aid	$ 88,189,377	$ 85,219,954

14. 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 also 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 $8,394,657 and $8,349,722 for the years ended June 30, 2012 and 2011, respectively.

15. Income taxes

Income tax net change included in the Statement of Activities consists of the following:

	2012	2011
Current:		
Federal	-	-
State	-	-
Deferred	$ 587,892	$ 148,411
Total expense	$ 587,892	$ 148,411

Temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities and operating loss carryforwards that create deferred tax assets and liabilities are as follows:

Non-current asset:		
Net operating loss carryforwards	$ 580,503	$ 1,179,461
Deferred tax asset	$ 580,503	$ 1,179,461
Non-current liability:		
Unrealized gains	$ 2,864,048	$ 2,875,114
Deferred tax liability	$ 2,864,048	$ 2,875,114

Deferred tax liabilities and deferred tax assets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. As of June 30, 2012, the University had federal and state net operating loss (NOL) carryforwards of approximately $2,202,063 which will begin to partially expire in 2012.

15. Income taxes - continued

Realization of the NOL carryforwards and other deferred tax temporary differences are contingent on future taxable income. The deferred tax asset was reviewed for expected utilization using a "more likely than not" approach by assessing the available positive and negative evidence surrounding its recoverability. During 2008, the University received a donated asset of $8,220,000 that has built-in appreciation subject to federal income tax. Based upon this expected tax liability along with the estimated taxable income to be generated by this asset, management has determined that the full amount of the deferred tax asset is more likely than not to be utilized.

The University has adopted the income tax standard for uncertain tax positions. No liability was recognized as a result of the implementation of this standard. The University's federal and state income tax returns are potentially open to examinations for the years 2008-2011.

16. Allocation of Plant, Depreciation and Interest Expense

Plant operation and maintenance, depreciation, and interest have been allocated across functional expense categories in the Statement of Activities as follows:

	2012	2011
Expenses allocated		
Plant operation and maintenance	$ 21,844,453	$ 22,410,993
Depreciation	17,756,975	16,291,013
Interest	9,676,515	8,257,555
Total expenses allocated	$ 49,277,943	$ 46,959,561
Expense allocated to the following functional expense categories		
Instruction and other services		
Instruction	$ 15,393,685	$ 16,244,460
Auxiliary enterprises	17,272,987	16,273,982
Student activities and services	9,917,945	7,275,717
Academic support	596,631	589,821
Libraries	2,776,604	2,975,015
Public service	64,263	65,669
Total instruction and other services	46,022,115	43,424,664
Management and general		
General administration and support services	3,016,751	3,278,925
Development	239,077	255,972
Total management and general	3,255,828	3,534,897
Total operating expenditures	$ 49,277,943	$ 46,959,561

17. Related Party Transactions

Pledges totaling $116,747,215 and $97,491,122 for the years ended June 30, 2012 and 2011 from Board of Trustee members are included in the Statement of Financial Position as Contributions Receivable.

A Board member is related to a company that has provided building design and construction services. The contract was approved in accordance with the Board of Trustees conflict of interest policy.

The University and Center for Ethical Business Cultures (CEBC) have been affiliated since 1988. The relationship affirms the common educational mission of each organization concerning the development of ethical leadership within the business community. Under the affiliation agreement, the University contributes professional, administrative, and support services to CEBC, as well as office and classroom space. During the fiscal year ended June 30, 2008, a gift was made to an endowment which supports the Veritas Institute (formerly known as the Self-Assessment and Improvement Process Institute) at the University. The Veritas Institute fosters ethically responsible business conduct. Through the generosity of the gift to the Institute, gifts totaling $1,929,825 will be made by the University to CEBC. The present value of the outstanding pledge payable as of June 30, 2012 was $894,849. Pledge payments of $165,250 were made in 2012.

18. Leases

The University has entered into both operating and capital leases for facilities, equipment, and vehicles. The lease terms generally range from one month to 22 years with options to renew at varying times:

Rent expense under operating leases:	2012	2011
Duplicating and other equipment	$ 990,022	$ 1,048,620
Parking space	856,139	854,535
Mass transit	644,899	801,983
Facilities	1,028,484	733,474
Other	214,852	116,339
Total	$ 3,734,396	$ 3,554,951

Assets recorded under capital leases:	2012
Equipment	$ 11,843,219
Less Accumulated depreciation	(6,534,145)
	$ 5,309,074

Minimum lease payment commitments as of June 30, 2012 are as follows:

	Capital Leases	Operating Leases
2013	$ 2,784,792	$ 1,967,299
2014	1,869,925	1,746,612
2015	788,040	1,593,153
2016	95,742	1,568,255
2017		1,048,494
Thereafter through 2034		22,204,205
Total future commitments	5,538,499	30,128,018
Less amount representing interest	(229,425)	
Present value of future minimum lease payments	$ 5,309,074	$ 30,128,018

The University has an operating lease with escalating payments during the lease term which ends in 2034. As a result, a deferred rent payable of $3,814,040 is recorded at June 30, 2012 for the difference between the actual payments and the straight-line rent expense.

The capital lease obligation, and deferred rent payable, are included within deposits and other liabilities in the Statement of Financial Position.

19. 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.

The University is self-insured with respect to certain workers compensation costs. The University's stop-loss insurance limits the University's liability to $460,000 per incident and $1,345,000 in aggregate per year.

The University has a self-insured health benefit plan that covers active employees who elect to participate. Total claims and stop-loss provision costs, less premium payments from participants, were $7,028,296 and $6,828,597 for the fiscal years ending June 30, 2012 and 2011, respectively. The University carries stop-loss insurance coverage that limits the University's claim liability to $200,000 for each individual on an annual basis, with an aggregate claim liability of $13,553,000 for 2012.

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 Revenue Note shall terminate on February 1, 2016 without regard to any such amounts which may be unpaid at that time.

The University has evaluated subsequent events through October 17, 2012 which is the date that the financial statements were approved and issued.

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