

In the opinion of Bond Counsel, according to present State of Minnesota and federal laws, regulations and rulings, assuming compliance with certain covenants, the interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable income of individuals, estates and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 263(b)(3) of the Internal Revenue Code. (See "TAX EXEMPTION" herein.)



\$8,500,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
Adjustable Demand Revenue Bonds, Series Five-V
(Bethel College & Seminary)

Dated: Date of Issuance

Price: 100%

Due: June 1, 2034

The Bonds will be issued in fully registered form and will be registered initially only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Ownership by the beneficial owners of the Bonds will be evidenced by book-entry only. Principal of, premium, if any, and interest on the Bonds and the purchase price of tendered Bonds will be paid by Wells Fargo Bank, National Association, Minneapolis, Minnesota, as Bond Trustee (the "Bond Trustee"), to DTC. DTC, in turn, will remit such principal, premium, if any, interest and purchase price payments to its participants for subsequent disbursement to the beneficial owners of Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. See "THE BONDS – Book-Entry System."

The Bonds will be issued pursuant to the Trust Indenture dated as of May 1, 2004 (the "Bond Indenture"), from the Minnesota Higher Education Facilities Authority (the "Authority") to the Bond Trustee. Initially, the Bonds will bear interest in a Weekly Mode Period. The interest rates to be borne by the Bonds will be determined and reset by William Blair & Company, L.L.C., as Remarketing Agent. The interest rate mode for the Bonds may be changed from time to time to a Weekly Mode Period, a Monthly Mode Period or an Adjustable Long Period, and under certain circumstances, the Bonds may be converted to bear interest at a Fixed Interest Rate until maturity. Generally, as described herein, the various interest rate modes and periods have different operating features. At any given time, the Bonds may operate in one or more interest rate modes or periods, and while any single Bond may be in only one interest rate mode or period at one time, other Bonds may operate in different interest rate modes or periods at the same time. The Bonds will be subject to optional and mandatory redemption and optional and mandatory tender for purchase prior to maturity as more fully described herein. Owners may not elect to retain their Bonds upon a mandatory tender.

The Bonds will be initially secured by an irrevocable transferable direct pay letter of credit (the "Letter of Credit") issued by

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

The Letter of Credit will permit the Bond Trustee to draw thereunder up to an amount sufficient to pay (i) principal of the Bonds when due upon maturity, optional or mandatory redemption, or acceleration, (ii) the principal portion of the Tender Price of any Bonds upon optional or mandatory tender for purchase and (iii) up to 51 days' interest on the Bonds (at a maximum rate of 12% per annum) as described herein. The stated expiration date of the Letter of Credit will be June 1, 2008.

THE BONDS ARE BEING OFFERED SOLELY ON THE BASIS OF THE LETTER OF CREDIT AND THE FINANCIAL STANDING OF ALLIED IRISH BANKS, PL.C., NEW YORK BRANCH, AND ARE NOT BEING OFFERED ON THE BASIS OF THE FINANCIAL STANDING OF BETHEL COLLEGE & SEMINARY (THE "COLLEGE") OR THE AUTHORITY, OR ANY OTHER SECURITY.

The Bonds will be limited obligations of the Authority, payable solely from amounts drawn under the Letter of Credit or any Alternate Letter of Credit then in effect, and from amounts derived from the Loan Agreement dated as of May 1, 2004, (the "Loan Agreement"), between the College and the Authority.

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

This Official Statement is limited to a description of the terms of the Bonds while bearing interest in the Weekly Mode Period, the Monthly Mode Period or the Adjustable Long Period. This Official Statement does not provide information concerning the Bonds in the Fixed Rate Period. Purchasers of Bonds remarketed in the Fixed Rate Period should not rely on the information contained in this Official Statement, but instead should review the disclosure document available at the time of such remarketing for applicable interest rate modes and security provisions.

The Bonds are offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriter, subject to, among other things, the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A. Duluth, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by its counsel, Eastlund Solstad Cade & Hutchinson, Ltd., Savage, Minnesota, for the Bank by its internal Irish counsel and by its special U.S. counsel, Schiff Hardin LLP, Chicago, Illinois, and for the Underwriter by its special counsel, Gardner Carton & Douglas LLP, Chicago, Illinois. Delivery of the Bonds is expected to take place through the facilities of DTC on or about May 20, 2004.

William Blair & Company

The date of this Official Statement is May 18, 2004

† See "Rating" herein.

This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, broker, sales representative or other person has been authorized to give any information or to make any representations in connection with the offering of the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the College, the Underwriter or the Bank. The information set forth in this Official Statement under the captions "THE AUTHORITY" and "LITIGATION - The Authority" has been obtained from the Authority. The information in this Official Statement concerning DTC has been obtained from DTC. All other information in this Official Statement has been obtained from the College, the Bank and other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Authority or the Underwriter. The Authority has not reviewed or approved any information in this Official Statement except information relating to the Authority under the captions "THE AUTHORITY" and "LITIGATION - The Authority." The 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 matters described herein since the date hereof. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the registered owners of the Bonds.

THE BONDS AND THE LETTER OF CREDIT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. ANY REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES 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.

Forwarding-Looking Statements

This Official Statement contains disclosures which contain “forwarding-looking statements.” Forward-looking statements include all statements that do not relate solely to historical or current fact, and can be identified by use of words like “may,” “believe,” “will,” “expect,” “project,” “estimate,” “anticipate,” “plan,” or “continue.” These forward-looking statements are based on the current plans and expectations of the College and are subject to a number of known and unknown uncertainties and risks, many of which are beyond the College’s control, that could significantly affect current plans and expectations and the College’s future financial position and results of operations. These factors include, but are not limited to, (i) the competitive nature of higher education, (ii) changes in federal, state or local regulations affecting higher education, (iii) the ability to attract and retain qualified management and other personnel, (iv) liabilities and other claims asserted against the College, (v) changes in accounting standards and practices, (vi) changes in general economic conditions, (vii) the availability and terms of capital to fund future and ongoing capital expenditure needs, (viii) changes in business strategy or development plans, (ix) delays in receiving tuition payments, (x) the ability to implement initiatives and realize decreases in administrative, supply and infrastructure costs, (xi) the outcome of pending and any future litigation, (xii) the College’s compliance with appropriate laws, regulations, policies and procedures relating to the College’s status as a tax-exempt organization, and (xiii) the ability to achieve expected levels of enrollment and control operating costs. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of the College. Investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Official Statement, including *APPENDIX A* hereto.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

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Dr. Kathryn Balstad Brewer	Researcher and Consultant New Brighton, Minnesota
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Timothy M. Medd (Ex Officio)	Audit Manager, Minnesota Higher Education Services Office Saint Paul, Minnesota
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Mollie N. Thibodeau	CFRE, Fund Raising Consultant Duluth, Minnesota

Marianne Remedios, Executive Director

Bond Counsel
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Financial Advisor
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\$8,500,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
ADJUSTABLE DEMAND REVENUE BONDS, SERIES FIVE-V
(BETHEL COLLEGE & SEMINARY)

INTRODUCTION

The purpose of this Official Statement is to set forth certain information in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its \$8,500,000 aggregate principal amount of Adjustable Demand Revenue Bonds, Series Five-V (Bethel College & Seminary) (the "Bonds"). The definitions of certain capitalized terms used in this Official Statement can be found in *APPENDIX C* hereto.

The Bonds are being issued pursuant to the provisions of Section 136A.25 to 136A.42, Minnesota Statutes, as Amended (the "Act") and a Trust Indenture, dated as of May 1, 2004 (the "Bond Indenture"), from the Authority to Wells Fargo Bank, National Association, Minneapolis, Minnesota, as Bond Trustee (the "Bond Trustee"). The Bonds are being issued to fund a loan under the Loan Agreement, dated as of May 1, 2004 (the "Loan Agreement"), between the Authority and Bethel College & Seminary (the "College"). The proceeds of the Bonds, together with funds provided by the College, will be used (i) to pay or reimburse the College for the costs of acquiring, constructing, furnishing and equipping a student housing facility with approximately 288 beds in approximately 48 suites, including appurtenant site improvements (the "Project"), (ii) to pay interest on the Bonds during the construction period of the Project, and (iii) to pay the costs of issuing the Bonds, including the costs of credit enhancement. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Bond Trustee has accepted the duties of Paying Agent and Tender Agent for the Bonds under the Bond Indenture.

Concurrently with the issuance of the Bonds, the College will cause Allied Irish Banks, p.l.c., New York Branch (the "Bank") to issue an irrevocable transferable direct pay letter of credit (the "Letter of Credit") to the Bond Trustee for the benefit of the Owners of the Bonds. The Letter of Credit will be issued in an amount equal to the aggregate principal amount of the Bonds outstanding, plus an amount equal to 51 days' accrued interest thereon computed at the rate of 12% per annum and based upon a 365-day year. The Bond Trustee is required under the Bond Indenture to draw upon the Letter of Credit to pay (i) principal of and interest on the Bonds when due whether on scheduled principal or interest payment dates, upon redemption of all or part of the Bonds or upon acceleration of the maturity of the Bonds and (ii) the principal and interest portion of the Tender Price of the Bonds upon optional or mandatory tender for purchase that have not been remarketed. In order to evidence the obligation of the College, among other things, to reimburse the Bank for honoring drawings made on the Letter of Credit, the Bank and the College have entered into a Reimbursement Agreement, dated as of May 1, 2004 (the "Reimbursement Agreement").

The Bonds will be limited obligations of the Authority, payable solely from amounts drawn under the Letter of Credit or an Alternate Letter of Credit and from Loan Repayments by the College pursuant to the Loan Agreement.

In order to accomplish the remarketing of tendered Bonds, William Blair & Company, L.L.C. will act as remarketing agent for the Bonds (the "Remarketing Agent"), and the College and the Remarketing Agent have entered into a Remarketing Agreement dated as of May 1, 2004 (the "Remarketing Agreement").

This Official Statement, including the Appendices, contains brief descriptions of, among other things, the Authority, the College, the Bank, the Bonds, the Bond Indenture, the Loan Agreement and the Reimbursement Agreement. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Bonds are qualified in their entirety by reference to the form of Bond included in the Bond Indenture. Until the issuance and delivery of the Bonds, copies of the Bond Indenture, the Loan Agreement, the Reimbursement Agreement and the other documents described in this Official Statement may be obtained at the offices of William Blair & Company, L.L.C. in Chicago, Illinois (the “Underwriter”). Copies of these documents may be obtained from the Bond Trustee after the delivery of the Bonds.

THE COLLEGE

The College, founded in 1871, is a Minnesota nonprofit corporation. The College is the fourth largest private institution of higher education in the State of Minnesota on the basis of enrollment, with a total enrollment of over 2,900 full-time and part-time students. The College is a coeducational institution offering undergraduate and graduate degree-granting programs, with a 231-acre campus located in Arden Hills, Minnesota and additional facilities located in San Diego, California and multiple sites on the East Coast. For further information concerning the College, see *APPENDIX A*, “Introduction” and “Description and Accreditations” and *APPENDIX B* hereto.

THE COLLEGE MAKES NO REPRESENTATION HEREIN CONCERNING ITS PRESENT OR FUTURE OPERATIONAL OR FINANCIAL CONDITION. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD NOT BASE THEIR DECISION AS TO WHETHER TO PURCHASE BONDS ON THE CREDITWORTHINESS OF THE COLLEGE BUT, RATHER, SHOULD BASE SUCH DECISION ON THE CREDITWORTHINESS OF THE BANK. SEE “RISK FACTORS – ENFORCEABILITY OF THE LETTER OF CREDIT.” THE PROPERTY OF THE COLLEGE DOES NOT SECURE THE BONDS.

RISK FACTORS

Set forth below are certain risk factors that should be considered before any investment in the Bonds is made. These risk factors should not be considered definitive or exhaustive.

The Bank

There is no assurance that the credit rating of the Bank will continue at its current level. A decline in the credit rating of the Bank or the issuer of an Alternate Letter of Credit could result in a decline in any rating that may be assigned to the Bonds from time to time. Such a decline could in turn affect the market price and marketability of such Bonds. For information concerning the Bank, see “ALLIED IRISH BANKS, P.L.C., NEW YORK BRANCH” included as *APPENDIX E* hereto.

Enforceability of the Letter of Credit

Section 105 of the United States Bankruptcy Code empowers a bankruptcy court to issue such orders as are necessary or appropriate to carry out the provisions of the Bankruptcy Code. Court decisions discussing the enforceability of letters of credit indicate that it is possible that a bankruptcy court acting pursuant to Section 105 or other equitable powers under the Bankruptcy Code could enjoin a drawing by the Bond Trustee under the Letter of Credit or any Alternate Letter of Credit or the payment by the Bond Trustee to Bondholders of amounts drawn under the Letter of Credit or any Alternate Letter of Credit under various circumstances, including the bankruptcy or insolvency of, or a similar event with respect to, the College or an affiliate of the College.

The Letter of Credit also will not, and is not intended to, protect Bondholders from events affecting the Bank or its creditworthiness, including, without limitation, the bankruptcy or insolvency of the Bank.

Adequacy of Revenues

As noted elsewhere, the Bonds will be payable solely from amounts drawn under the Letter of Credit or any Alternate Letter of Credit then in effect and from amounts derived from the Loan Agreement. The ability of the College to make payments under the Loan Agreement is dependent upon the generation by the College of revenues in the amounts necessary for the College to pay the principal of, premium, if any, and interest on the Bonds, as well as other operating and capital expenses. The realization of future revenues and expenses are subject to, among other things, the capabilities of the management of the College, government regulation, demographic factors and future economic and other conditions that are unpredictable and that may affect revenues and payment of principal of, premium, if any, and interest on the Bonds. No representation or assurance can be made that revenues will be realized by the College in amounts sufficient to make the required payments with respect to debt service on the Bonds and other indebtedness of the College. See “SECURITY FOR THE BONDS.” **THE BONDS ARE BEING OFFERED SOLELY ON THE BASIS OF THE LETTER OF CREDIT AND THE FINANCIAL STANDING OF THE BANK AND NOT ON THE BASIS OF THE FINANCIAL STANDING OF THE COLLEGE.**

Construction and Completion Risks

It is anticipated that the proceeds from the sale of the Bonds, together with anticipated investment earnings thereon and other funds expected to be available, will be sufficient to complete the construction and equipping of the Project. However, the estimated costs of the Project are currently based upon conceptual plans and changes in plans, timing or scope of the Project could result in changes in costs of the Project. Completion of the Project is also subject to the usual risks associated with construction projects, including but not limited to delays in issuance of necessary approvals or permits, strikes, shortages of materials and adverse weather conditions. Cost overruns may occur and could result in insufficient moneys to complete the Project, thereby materially adversely affecting the financial condition of the College. There is no assurance that the Project will be completed within the College’s current cost or time estimates.

Possible Changes in Tax Status

The possible modification or repeal of certain existing federal income or state tax laws or other loss by the College of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of the College and thereby its revenues. The College has obtained a letter from the Internal Revenue Service determining that it is an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). As an exempt organization, the College is subject to a number of requirements affecting its operations. The failure of the College to remain qualified as an exempt organization would affect the funds available for payments to be made under the Loan Agreement.

Failure of the College or the Authority to comply with certain requirements of the Code, or adoption of amendments to the Code to restrict the use of tax-exempt bonds for facilities such as those being financed with the Bonds proceeds, could cause interest on the Bonds to be included in the gross income of Bondholders or former Bondholders for federal income tax purposes. See “TAX EXEMPTION.”

Limited Obligations

The Bonds are special, limited obligations of the Authority and shall be payable solely from the revenues pledged under the Bond Indenture, as described herein. The Bonds are not secured by any other obligation of the Authority or any pledge of any moneys raised by taxation, and do not represent or constitute a debt or pledge of the faith or credit of the Authority or the State of Minnesota or any political subdivision or agency or instrumentality thereof. No holder of any Bond has the right to compel any exercise of the taxing power of the State of Minnesota or any political subdivision thereof to pay the Bonds. The Authority has no taxing power.

Additional Indebtedness

There is no assurance that the ability of the College to make the necessary payments to repay amounts owed under the Loan Agreement may not be materially and adversely affected upon the incurrence of additional indebtedness.

Enforceability of Remedies

The remedies available to the Bond Trustee, the Authority and the Owners of the Bonds upon an Event of Default under the Loan Agreement or the Bond Indenture are in many respects dependent upon judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the United States Bankruptcy Code, the remedies specified by the Loan Agreement and the Bond Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity and by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

ESTIMATED SOURCES AND USES OF FUNDS*

Set forth below is a summary of the estimated sources and uses of the funds for the Project, including the proceeds of the Bonds:

Estimated Sources of Funds

Bond Proceeds	\$8,500,000
Estimated Investment Earnings on Bond Proceeds**	42,000
Funds of the College	<u>5,800,000</u>
Total Sources of Funds	<u>\$14,342,000</u>

Estimated Uses of Funds

Project Costs	\$13,500,000
Capitalized Interest	456,000
Letter of Credit Fees	77,400
Bond Issuance Costs***	<u>308,600</u>
Total Uses of Funds	<u>\$14,342,000</u>

* *De minimis* rounding adjustments.

** Assumes an average investment rate of 1.0% on Bond proceeds on deposit in the Construction Account.

*** "Bond Issuance Costs" include legal and professional fees, Underwriter's discount and other miscellaneous expenses. Amounts in excess of 2% of the Bond proceeds will be paid from funds of the College.

The Project

A portion of the net proceeds of the Bonds, together with interest earnings thereon, will be used to pay a portion of the costs of the Project. The balance of the costs of the Project is expected to be paid with funds from the College. The Project consists of the acquisition, construction, furnishing and equipping of a student housing facility with approximately 288 beds in approximately 48 suites, including appurtenant site improvements, to be located on the Main Campus (as defined in *APPENDIX A* hereto). For more information on the College's facilities, see *APPENDIX A*, "Facilities" hereto.

SECURITY FOR THE BONDS

General

At the time of issuance of the Bonds, the Authority and the Bond Trustee will enter into the Bond Indenture, and the Authority and the College will enter into the Loan Agreement. The Bonds will be limited obligations of the Authority, payable solely from amounts drawn under the Letter of Credit or any Alternate Letter of Credit then in effect and from amounts derived from the Loan Agreement.

Moneys shall be drawn by the Bond Trustee under the Letter of Credit or Alternate Letter of Credit then in effect (i) to make principal payments on the Bonds secured by such Letter of Credit or Alternate Letter of Credit when due upon maturity, optional or mandatory redemption or acceleration, (ii) to pay the principal portion of the Tender Price of such Bonds upon optional or mandatory tender for purchase and (iii) to pay up to 51 days' interest on such Bonds (calculated as though the Bonds bore interest at a rate of 12% per annum on the basis of a 365-day year), all as described under the subcaption "The Letter of Credit" below. Under certain circumstances, the Letter of Credit or any Alternate Letter of Credit then in effect with respect to the Bonds may expire, terminate or be canceled, or be reduced in stated amount, and is not required to be replaced with an Alternate Letter of Credit. See "The Letter of Credit" below, and "THE BONDS - Mandatory Tender -- LOC Termination Tender Date." Payments under the Letter of Credit will depend upon the ability of the Bank to honor its obligations under that Letter of Credit. The Bonds are being marketed solely on the basis of the credit standing of the Bank. See "RISK FACTORS" herein and *APPENDIX E* hereto.

The Bonds will also be secured by an assignment by the Authority of its rights under the Loan Agreement (with certain limited exceptions) to the Bond Trustee pursuant to the Bond Indenture. The payments under the Loan Agreement will be required to be sufficient to pay the principal of, premium, if any, and interest on the Bonds when due. In addition, the College will be required under the Loan Agreement to pay or provide for the payment of the Tender Price for the Bonds upon optional or mandatory tender for purchase.

THE COLLEGE MAKES NO REPRESENTATION HEREIN CONCERNING ITS PRESENT OR FUTURE OPERATIONAL OR FINANCIAL CONDITION. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD NOT BASE THEIR DECISION AS TO WHETHER TO PURCHASE BONDS ON THE CREDITWORTHINESS OF THE COLLEGE BUT, RATHER, SHOULD BASE SUCH DECISION ON THE CREDITWORTHINESS OF THE BANK, WHICH HAS ISSUED A LETTER OF CREDIT SECURING THE BONDS. SEE "SECURITY FOR THE BONDS – THE LETTER OF CREDIT" AND "RISK FACTORS – ENFORCEABILITY OF THE LETTER OF CREDIT." THE PROPERTY OF THE COLLEGE DOES NOT SECURE THE BONDS.

The Letter of Credit

At the time of issuance of the Bonds, the College will cause the Bank to issue the Letter of Credit to the Bond Trustee in an original amount equal to the aggregate original principal amount of the Bonds plus interest thereon for a period of 51 days at the assumed rate of 12% per annum calculated on the basis of a 365 day year (the "Original Stated Amount"). The Letter of Credit will be an irrevocable, unsecured obligation of the Bank, which will have a stated expiration date of June 1, 2008, unless terminated earlier or extended. So long as the Letter of Credit is effective (i.e., prior to the Termination Date, as hereinafter defined), the Bond Trustee will be required to draw under the Letter of Credit, in accordance with the terms thereof, amounts sufficient to pay (i) accrued interest on the Bonds on an Interest Payment Date (an "Interest Drawing"), (ii) principal amount of and accrued interest on the Bonds in respect of any optional or mandatory redemption (a "Redemption Drawing"), provided that, in the event the date of redemption or purchase coincides with an Interest Payment Date, the Redemption Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iii) the Tender Price of Bonds tendered pursuant to the terms of the Bond Indenture for purchase on a Tender Date to the extent such Bonds have not been successfully remarketed or for which the Tender Price has not been received by the Remarketing Agent or the Tender Agent, as appropriate, by 10:15 A.M., New York time, on the Tender Date (a "Liquidity Drawing"), provided that in the event the Tender Date coincides with an Interest Payment Date, the Liquidity Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iv) to pay principal of and accrued interest in respect of Bonds the payment of which has been accelerated pursuant to the Bond Indenture (an "Acceleration Drawing"), or (v) if the Letter of Credit has been extended and is in effect on such date, to pay the principal amount of Bonds outstanding on June 1, 2034 (a "Stated Maturity Drawing"); provided, however, none of the foregoing drawings shall be made under the Letter of Credit for payment of the principal or Tender Price of or interest on Bank Bonds, Bonds registered in the name of the College or the Foundation ("Obligor Bonds") or Bonds bearing interest in a Fixed Rate Period or an Adjustable Long Period.

The Available Amount (as hereinafter defined) of the Letter of Credit will be reduced automatically by the amount of any drawing thereunder; provided, however, that the amount of any Interest Drawing, less the amount of the reduction in the Available Amount of the Letter of Credit attributable to interest as specified in a certificate of the Bond Trustee (because of a reduction in the outstanding principal amount of Bonds) shall be automatically reinstated effective the seventh Business Day from the date of such drawing unless the Bond Trustee receives notice prior to the close of business on the sixth Business Day following the date of any Interest Drawing that the Bank has not been reimbursed in full for any such drawing or any other Event of Default under the Reimbursement Agreement has occurred and as a consequence thereof the Available Amount attributable to such Interest Drawing will not be so reinstated, in which case, the Bond Trustee is required to accelerate the Bonds. After payment by the Bank of a Liquidity Drawing, the Available Amount will be automatically reduced by an amount equal to the Original Purchase Price (as hereinafter defined) of any Bonds (or portions thereof) purchased pursuant to said drawing. Prior to the Conversion Date, in the event of the repayment or remarketing of any Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, the Available Amount under the Letter of Credit will be automatically reinstated concurrently upon receipt of the Original Purchase Price thereof by the Bank, or the Bond Trustee or the Tender Agent on behalf of the Bank, in an amount equal to the Original Purchase Price of such Bonds or portions thereof so repaid or remarketed, except that the Bank, in its sole discretion, may refuse to so reinstate the Available Amount of the Letter of Credit if there shall have occurred and be continuing an Event of Default or Potential Default under the Reimbursement Agreement. The Bank will provide confirmation to the Bond Trustee of any such reinstatement.

The "Original Purchase Price" of Bonds shall mean the principal amount of any Bonds purchased with the proceeds of a Liquidity Drawing plus the amount of accrued interest on such Bonds paid with the

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

The “Termination Date” of the Letter of Credit is defined as the earliest to occur of the close of business of the Bank on: (i) June 1, 2008, or such later date to which the expiration date has been extended, (ii) the date which is fifteen (15) days following the receipt by the Bank of a certificate of the Bond Trustee in the form prescribed in the Letter of Credit to the effect that either (a) no Bonds remain outstanding, (b) all drawings required to be made under the Bond Indenture and available under the Letter of Credit have been made and honored, (c) an Alternate Letter of Credit has been issued in accordance with the Bond Indenture, Loan Agreement and Reimbursement Agreement or (d) the Conversion Date for all outstanding Bonds has occurred; (iii) the date on which an Acceleration Drawing is honored and (iv) the date which is twenty (20) days following receipt by the Bond Trustee of a written notice from the Bank notifying the Bond Trustee that an Event of Default has occurred under the Reimbursement Agreement and that the Bank is terminating the Letter of Credit.

Alternate Letter of Credit

Subject to the terms of the Reimbursement Agreement, the College may cause the Letter of Credit or any Alternate Letter of Credit applicable to any Bond then in effect to be replaced with an Alternate Letter of Credit subject to the provisions described herein and in the Bond Indenture; provided that the replacement may take place only if there is delivered to the Bond Trustee and the Authority an opinion of Bond Counsel to the effect that the exclusion from federal gross income of the Owners of the interest on such Bond would not be impaired by reason of such replacement. Under certain circumstances, the replacement of the Letter of Credit with an Alternate Letter of Credit may result in the Bonds being subject to mandatory tender for purchase. See “THE BONDS—Mandatory Tender—LOC Termination Tender Date.”

The College may permit such Letter of Credit or any Alternate Letter of Credit to expire or terminate or have its stated amount reduced, without providing a replacement therefor, subject to such provisions for mandatory tender for purchase. Each Alternate Letter of Credit shall provide that it may be cancelled, terminated or reduced in stated amount prior to its stated expiration date only by the College or the bank issuing the Alternate Letter of Credit upon not less than 30 days’ prior written notice thereof to the Bond Trustee.

The College has covenanted in the Loan Agreement to maintain a Letter of Credit or Alternate Letter of Credit for any Bonds in a Weekly Mode Period, Monthly Mode Period or Adjustable Long Period.

The College may exercise any of its rights described above if and only if the College has given notice (and such notice is, in the case of the College’s rights described in the first paragraph above, accompanied by a commitment of the issuer or the form of the Alternate Letter of Credit that it will be in place prior to the time such Letter of Credit is replaced), thereof to the Remarketing Agent, the Bond Trustee, any Rating Agency then rating such Bonds, and the Bank not less than 30 days prior to the effective date of the cancellation, termination, expiration or reduction in stated amount (so as no longer to secure such Bonds), as the case may be, then under consideration; provided that each such notice shall also be accompanied by a written statement from each Rating Agency then rating such Bonds as to the

effect of such cancellation, termination, expiration or reduction in stated amount is anticipated to have on the rating or ratings of such Rating Agency then assigned to such Bonds.

If at any time there shall have been delivered to the Bond Trustee (i) an Alternate Letter of Credit, (ii) a Favorable Opinion with respect to the delivery of the Alternate Letter of Credit and (iii) written evidence from each Rating Agency having a rating in effect for the Bonds proposed to be secured by an Alternate Letter of Credit that such Rating Agency has reviewed the proposed Alternate Letter of Credit and that the substitution of the proposed Alternate Letter of Credit will not, by itself, result in (A) a withdrawal of its rating or ratings of the Bonds or (B) the then current rating or ratings assigned to the Bonds being lowered, and if such rating or ratings shall be in effect on the date of such substitution, then the Bond Trustee shall accept such Alternate Letter of Credit. Alternately, if any Rating Agency having a rating in effect for the Bonds finds that the substitution of the proposed Alternate Letter of Credit will, by itself, result in a lowering or withdrawal of the rating or ratings then applicable to the Bonds and the College proposes to substitute such Alternate Letter of Credit for the Letter of Credit or Alternate Letter of Credit then being cancelled, terminating or expiring, and if a Favorable Opinion with respect to the proposed replacement is delivered, then the Bonds shall be subject to mandatory tender for purchase on the LOC Termination Tender Date (as hereinafter defined). The Bond Trustee, on such LOC Termination Tender Date, shall draw on the Letter of Credit or Alternate Letter of Credit then terminating, expiring, being cancelled or being reduced in stated amount or amended to apply to less than all the Bonds, to the extent required by the Bond Indenture.

Additional Indebtedness

As of April 30, 2004, the College had the following indebtedness outstanding: (i) approximately \$20,750,000 in aggregate principal amount of indebtedness due to the issuance in 1998 of the Authority's \$22,865,000 Adjustable Demand Revenue Bonds, Series Four-S (Bethel College & Seminary); (ii) certain bank loans and capital leases in an aggregate amount of \$1,902,760; (iii) a \$4,000,000 revolving line of credit, of which no amount was drawn and outstanding; and (iv) \$147,000 in outstanding demand notes payable. See APPENDIX A "Long-Term Debt" and Notes 6 and 7 to the audited combined financial statements of the College and the Foundation (as defined herein), attached hereto as APPENDIX B.

The Reimbursement Agreement contains certain covenants regarding the incurrence of additional indebtedness by the College and the creation of additional liens on its property. Such covenants are made solely for the benefit of the Bank. If such covenants are met or waived by the Bank, the College may issue additional debt. See "THE REIMBURSEMENT AGREEMENT" herein.

Parity Debt

Payments by the College on the Loan Agreement are on a parity in priority and time to other existing and future indebtedness of the College. See APPENDIX D, "THE LOAN AGREEMENT – Events of Default" hereto.

THE BONDS

The following is a summary of certain provisions of the Bonds. Although certain features of the Bonds described below will remain the same after any conversion to a Fixed Interest Rate, the sole purpose of this section is to describe features of the Bonds prior to conversion to a Fixed Interest Rate. Reference is made to the Bond Indenture and to the summary of certain provisions of the Bond Indenture included in APPENDIX D for a more complete description of the Bonds. The description below is qualified by such references.

General

The Bonds will be dated the date of authentication thereof and, subject to prior redemption, the Bonds will mature on the date specified on the cover page of this Official Statement. The Remarketing Agent at the direction of the College will designate Adjustment Periods and the Rate Determination Dates, Rate Change Dates and Interest Payment Dates for each Bond, as described below. During the Weekly Mode Period or the Monthly Mode Period, the Bonds will be subject to optional and mandatory tender for purchase and to optional and mandatory redemption as hereinafter described.

The Bonds initially will be issued in the Weekly Mode Period.

The Bonds will be issuable as fully registered bonds without coupons in denominations of \$100,000 and any integral multiple of \$5,000 in excess of \$100,000 while in the Weekly Mode Period or the Monthly Mode Period and during any Adjustable Long Period in denominations of \$5,000 or any integral multiple thereof. Except as otherwise specifically provided herein and in the Bond Indenture with respect to the rights of Participants and Beneficial Owners when a Book-Entry System is in effect, the person in whose name any Bond is registered will be deemed and regarded as the absolute Owner thereof for all purposes, and payment of either principal or Tender Price of, premium, if any, or interest on any Bond will be made only to or upon the order of the Owner thereof, or such Owner's legal representative.

The Bonds will be issued originally solely in book-entry form to The Depository Trust Company ("DTC") or its nominee, Cede & Co., to be held in DTC's book-entry only system. Purchases of Bonds may be made only in book-entry form in the denominations set forth above. Except as described under the subcaption "Book-Entry System" below, Beneficial Owners of the Bonds will not receive or have the right to receive physical delivery of Bonds, and will not be or be considered to be the registered owners thereof. Accordingly, each Beneficial Owner must rely upon (i) the procedures of DTC and, if such Beneficial Owner is not a DTC Participant (as defined under the subcaption "Book-Entry System" below), the DTC Participant who will act on behalf of such Beneficial Owner to receive notices (including notices of redemption and mandatory purchase), payments of principal or Tender Price of, premium, if any, and interest on the Bonds, and to exercise voting rights and (ii) the records of DTC and, if such Beneficial Owner is not a DTC Participant, such Beneficial Owner's Participant, to evidence its beneficial ownership of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, references herein to Bondholders, registered owners or Owners of such Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners of such Bonds. The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer beneficial interests in a Bond.

So long as the Bonds are held in the book-entry system described below, the principal and Tender Price of, premium, if any, and interest on, such Bonds will be paid through the facilities of DTC. Otherwise, the principal of and premium, if any, due on the Bonds will be payable upon the presentation and surrender thereof at the Principal Office of the Bond Trustee in Minneapolis, Minnesota or any successor Bond Trustee. Payment of interest on any Bond shall be made to the Owner thereof and shall be made (except for Bank Bonds) (i) by check mailed on an Interest Payment Date for such Bond to the Owner as of the close of business on the Record Date at its address as it appears on the registration books of the Authority maintained by the Bond Trustee or (ii) by wire transfer on an Interest Payment Date for such Bond to the Owner of \$1,000,000 or more in aggregate principal amount as of the close of business on the Record Date, if such Owner shall provide satisfactory written notice to the Bond Trustee not less than 15 days prior to such Interest Payment Date at such wire transfer address as such Owner shall specify (which notice need only be given once by an Owner unless the address to which payment is to be made shall change). Notwithstanding the foregoing, if and to the extent that there shall be a Default in the payment of interest due on such Interest Payment Date, such defaulted interest shall be paid to the Owners

in whose name any such Bonds are registered at the close of business on the fifth Business Day immediately preceding the date of payment of such defaulted interest.

Book-Entry System

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

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

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

Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal, interest and redemption prices on the Bonds (and the purchase price for Bonds) will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Bond Trustee or Authority, on a 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 nor its nominee, Bond Trustee, the College, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption prices to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee, 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 Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer such Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Remarketing Agent's DTC account.

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

The Bond Trustee and the Authority, at the direction and expense of the College, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository).

Once the Authority has requested that holders withdraw securities from DTC, DTC will notify its Participants of such request and such Participants may utilize DTC's withdrawal process to withdraw their Bonds from DTC. In the event a Participant utilizes DTC's withdrawal process, Bond certificates will be printed and delivered.

THE INFORMATION PROVIDED ABOVE HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE BOND TRUSTEE, OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Authority and the Bond Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting.

Under the Bond Indenture, payments made by the Bond Trustee to DTC or its nominee will satisfy the Authority's obligations under the Bond Indenture and the College's obligations under the Loan Agreement, to the extent of the payments so made.

Neither the Authority, the Underwriter, nor the Bond Trustee will have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant with respect to any beneficial ownership interest in any Bond, (ii) the delivery to any DTC Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any notice with respect to any Bond including, without limitation, any notice of redemption, tender, purchase or any event which would or could give rise to a tender or purchase right or option with respect to any Bond, (iii) the payment of any DTC Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on, or the purchase price of, any Bond or (iv) any consent given by DTC as registered owner.

Prior to any discontinuation of the book-entry only system described above, the Bond Trustee and the Authority may treat DTC as, and deem DTC to be, the absolute owner of the Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, premium, if any, and interest on the Bonds, (ii) giving notices of redemption and other matters with respect to the Bonds, (iii) registering transfers with respect to the Bonds and (iv) the selection of Bonds for redemption.

Adjustment Periods (Modes of Operation)

Under the Bond Indenture, the Remarketing Agent may divide the term of any of the Bonds into certain periods of time ("Adjustment Periods"), each to commence on an "Adjustment Date." At any given time, the Bonds may operate in one or more Modes (as defined below), provided that the requirements, certain of which are described below, of the Bond Indenture for entering into such Modes have been satisfied. While any single Bond may operate in only one Mode at any given time, it is not necessary that all of the Bonds operate in the same Mode at the same time. Each Adjustment Period may be either a Weekly Mode Period, a Monthly Mode Period or an Adjustable Long Period, as designated by the Remarketing Agent from time to time. "Mode," with respect to a Weekly Mode Period, a Monthly Mode Period or an Adjustable Long Period, means the method of determining interest rates, Interest Payment Dates, Rate Determination Dates and Rate Change Dates within such Adjustment Period. In addition, the College may elect to convert all or any portion of the Bonds to Bonds bearing a Fixed Interest Rate. Each Adjustment Period must be at least 20 days long.

This description of the Bonds is limited to the terms of the Bonds during the Weekly Mode Period, the Monthly Mode Period and the Adjustable Long Period. This Official Statement does not provide information concerning the Bonds in the Fixed Rate Period. Potential purchasers of Bonds remarketed in the Fixed Rate Period should not rely on the information contained in this Official Statement, but instead should review the disclosure document available at the time of such remarketing for applicable interest rate modes and security provisions.

The Bonds initially will bear interest in a Weekly Mode Period. Thereafter, the Remarketing Agent will designate Adjustment Periods and the Rate Determination Dates, Rate Change Dates and Interest Payment Dates for each Bond. If the Remarketing Agent does not make the designation of an Adjustment Period or an interest rate with respect to any Bond in the manner and within the time periods described below, or if the Favorable Opinion of Bond Counsel and written statements from each Rating Agency then rating the Bonds required for certain changes, as described in the Bond Indenture, is not delivered or is withdrawn, the next Adjustment Period with respect to the Bonds in the Adjustment Period then ending shall be (a) if the preceding Adjustment Period was either a Weekly Mode Period, a Monthly Mode Period or an Adjustable Long Period with Rate Periods of one year or less, such Period shall remain in effect, or (b) if the preceding Adjustment Period was an Adjustable Long Period with Rate Periods of longer than one year, an Adjustable Long Period with one Rate Period of one year and one day shall be in effect, unless a Favorable Opinion is delivered which permits a different Adjustment Period, and, in all cases, until the designation of any Substitute Adjustment Date by the Remarketing Agent pursuant to the Bond Indenture. Bonds that revert to operation (or remain) in such Modes in this manner will remain in such Modes until the designation, if any, of a Substitute Adjustment Date by the Remarketing Agent.

Each Adjustment Date for Bonds in a particular Adjustment Period (unless the immediately preceding Adjustment Period and the current Adjustment Period are both either Weekly Mode Periods or Monthly Mode Periods) will be a Mandatory Tender Date for such Bonds. Bonds in such Adjustment Period are required to be tendered for purchase on such Mandatory Tender Date at the Tender Price therefore. See "THE BONDS - Mandatory Tender."

Under the Bond Indenture, certain written notices are required to be sent to the Owners of Bonds (except Bank Bonds) by first-class mail, and certain Immediate Notices are required to be sent by telephone or electronic transmission. Failure by the Bond Trustee to give notice to Owners of an Adjustment Date or Substitute Adjustment Date causing a mandatory tender, or any defect therein, shall not extend the period for making elections or in any way change the rights, if any, of the Owners of the Bonds to elect to have their Bonds purchased on any Demand Date. Any notice so mailed, or, if Immediate Notice, sent by telephone or electronic transmission, shall be conclusively presumed to have been given, whether or not the Owner receives the notice.

Interest

General. During any Weekly Mode Period or Monthly Mode Period, interest on the Bonds in such Mode will be payable on the first Business Day of each calendar month. In addition, interest also will be payable on each redemption date, Adjustment Date and Mandatory Tender Date, and will be payable as part of the Tender Price on each Demand Date. Interest on the Bonds will accrue from and including the date of the first authentication and delivery of the Bonds until the principal thereof shall have been paid. During any Weekly Mode Period or Monthly Mode Period or Adjustable Long Period with Rate Change Dates occurring less than one year apart, the interest on the Bonds in that Mode for that period will be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed. Otherwise, interest is computed on the basis of a 360-day year consisting of twelve 30-day months.

From and after the date upon which any Bond is to be purchased as described below under the subcaptions “Purchase of Bonds on Demand of a Bondholder” or “Mandatory Tender,” or redeemed as described below under the subcaption “Redemption,” no interest shall accrue on such Bond if sufficient moneys are on deposit with the Tender Agent or the Bond Trustee to pay the applicable purchase or redemption price thereof (including accrued interest, if any).

While the Letter of Credit or any Alternate Letter of Credit is in effect, the Bonds (other than Bank Bonds) may not bear interest at any time at a rate per annum in excess of the rate specified for determining interest coverage in the Letter of Credit or Alternate Letter of Credit, which rate shall not exceed 12% per annum. Bonds that are Bank Bonds as a result of a draw on the Letter of Credit or any Alternate Letter of Credit will bear interest, for the period in which they are Bank Bonds, at the lowest rate then borne by any Bond and, if all Bonds are Bank Bonds, at the rate calculated for Bonds in a Weekly Mode Period.

Weekly Mode Period or Monthly Mode Period. During each Rate Period during a Weekly Mode Period or Monthly Mode Period, the Bonds in such Mode will bear interest at a rate determined in the following manner: on the Rate Determination Date for such Rate Period, the Remarketing Agent, having due regard for prevailing market conditions, will determine the interest rate that, if borne by such Bonds during such Rate Period, would be the interest rate, but would not exceed the interest rate, that would result in the market value of such Bonds on the Rate Change Date being 100% of the principal amount thereof (without regard to accrued interest thereon), and the interest rate so determined will be the interest rate on such Bonds for the Rate Period beginning on the next Rate Change Date.

Notwithstanding the foregoing, if, during any Monthly Mode Period, any Bonds are tendered for purchase on a Tender Date that is not a Rate Change Date and if the Remarketing Agent provides notification to the College, the Tender Agent, the Bank and the Bond Trustee in writing or by telephone promptly confirmed in writing that in its determination the Bonds bearing interest at the Monthly Rate then in effect will not have a market value of 100% of the principal amount thereof (without regard to accrued interest thereon) on the date of such purchase, the Remarketing Agent shall determine, and notify the College, the Tender Agent, the Bank and the Bond Trustee of a new interest rate for such Bonds effective for all Bonds in such Mode for such Rate Period on such date of purchase for the remainder of the Rate Period in which such determination is made (unless subsequently redetermined pursuant to this sentence). Promptly upon receipt of such notice, the Bond Trustee shall notify each Owner whose Bonds are affected by such change of such change in writing.

With respect to each Weekly Mode Period, Rate Determination Dates shall occur weekly, initially on Wednesday of each week (unless such day is not a Business Day, in which case the Rate Determination Date shall be the immediately preceding Business Day), and Rate Change Dates shall occur weekly, initially on Wednesday of each week. With respect to each Monthly Mode Period, Rate Determination Dates shall occur monthly, initially on the first Business Day of each month, and Rate Change Dates shall occur monthly, initially on the first Business Day of each month. On the Rate Determination Date for each Weekly Mode Period and Monthly Mode Period, the Remarketing Agent shall give Immediate Notice to the Bond Trustee and the College of the interest rate for the succeeding period. During a Weekly Mode Period or Monthly Mode Period, the Bond Trustee shall give any Owner of such Bonds, upon the request of such Owner, information in writing regarding the Adjustment Period or Periods and interest rate or rates applicable to such Bonds.

If at any time the Remarketing Agent determines that, in its judgment, such weekly or monthly Rate Determination Dates or Rate Change Dates then in effect have become inappropriate, taking into account general market practice with respect to periodic adjustment of rates on instruments comparable to the Bonds, whether based upon the time of compilation or reporting of any interest rate or financial index or indicator or otherwise, the Remarketing Agent (upon notice as hereinafter provided) may designate a

new schedule of Rate Determination Dates and/or Rate Change Dates to remain in effect until another redetermination of scheduled Rate Determination Dates or Rate Change Dates. The Remarketing Agent shall give written notice of any change in scheduled Rate Determination Dates or Rate Change Dates to the College, the Bond Trustee, the Tender Agent and the Bank, and such change will become effective on the first scheduled Rate Determination Date or Rate Change Date, as the case may be, so designated occurring not less than 14 days following the giving of such notice. Promptly upon receipt of such notice, the Bond Trustee shall notify each Owner whose Bonds are affected by such change of such change in writing. If for any reason an interest rate cannot be determined or become effective in the manner specified above, the interest rate for such Rate Period will be equal to 60% of the Reference Rate on such Rate Determination Date; provided that any remarketed Bonds must be sold for a price of 100% of the principal amount thereof.

Adjustable Long Period. For each Rate Period during an Adjustable Long Period, the Bonds in such Mode shall bear interest at a rate determined in the following manner. The Rate Determination Date and Rate Change Date for each Rate Period shall be a Business Day designated by the Remarketing Agent. On the Rate Determination Date for such Rate Period, the Remarketing Agent, having due regard to prevailing market conditions, will determine the interest rate which, if borne by such Bonds during such Rate Period, would be the interest rate, but would not exceed the interest rate, which would result in the market value of such Bonds on the Rate Change Date being 100% of the principal amount thereof (without regard to accrued interest thereon); and the interest rate so determined shall be the interest rate on such Bonds for such Rate Period.

With respect to the Adjustable Long Period, the Remarketing Agent shall designate a schedule of Rate Determination Dates and Rate Change Dates in accordance with the Bond Indenture. For the Adjustment Date which is the first day of an Adjustable Long Period, and for each Rate Change Date thereafter within such Adjustable Long Period, the Remarketing Agent will give Immediate Notice to the College, the Tender Agent, and the Bond Trustee on each related Rate Determination Date of the interest rate which will be effective commencing on the next Rate Change Date for such Rate Period. Upon receipt of such Immediate Notice, the Bond Trustee shall promptly notify the Owners of such Bonds in writing of the interest rate for such Rate Period.

If for any reason the interest rate cannot be determined or become effective in the manner specified above, the interest rate for such Rate Period shall be 95%, 90%, 80%, 75%, 65% or 60%, respectively, of the 11-Bond Index for the most recent period (as published in The Bond Buyer or any successor publication, or if none are published and available, the published and generally available interest rate index that is, in the judgment of the Remarketing Agent, most comparable to such index) if the length of such Rate Period equals or exceeds fifteen, nine, six, two or one years or is less than one year, respectively; provided, however, that any remarketed Bonds must be sold for a price of 100% of the principal amount thereof. If for any reason the interest rate cannot be determined or become effective in the manner specified above, the interest on Bonds in such Mode for such Rate Period shall be 90%, 75%, 65% or 60% of the Reference Rate on the first Business Day of such Rate Period if the length of such Rate Period equals or exceeds ten years, three years or one year, or is less than one year, respectively; provided, further, that any remarketed Bonds must be sold for a price of 100% of the principal amount thereof. Upon the alternative computation of the interest rate for any Rate Period as described in this paragraph, the Bond Trustee shall give Immediate Notice to each Owner of Bonds in the Adjustable Long Period for which such interest rate computation is then being made, of the interest rate which will apply to such Bonds during such Rate Period.

Purchase of Bonds on Demand of a Bondholder

Each Owner of Bonds (other than Bank Bonds or Bonds owned by the College or any affiliate of the College) in a Weekly Mode Period or Monthly Mode Period will have the right to have such Owner's

Bonds purchased on any Demand Date in the manner described below. Owners of Bonds in an Adjustable Long Period will have no right to demand to have their Bonds purchased.

During any Weekly Mode Period or Monthly Mode Period when a Book-Entry System is in effect, any Bond (other than a Bank Bond) in such Mode shall be purchased, on the demand of the Owner or Beneficial Owner thereof (through its direct Participant in the Depository) at the Tender Price therefor (equal to 100% of the principal amount thereof, plus accrued interest to but not including the Demand Date) on any Demand Date upon irrevocable written notice or irrevocable telephonic notice (subsequently confirmed in writing) to the Tender Agent and the Bond Trustee at their Principal Offices, which notice must be received by the Tender Agent and the Bond Trustee not later than 2:00 P.M., New York time, on any Business Day in order to be effective on that day. Any such notice shall state (i) the principal amount and number of such Bond, the name and the address of such Owner or Beneficial Owner and the taxpayer identification number, if any, of such Owner or Beneficial Owner and (ii) that such Bond is to be purchased on a specified Demand Date. During any Weekly Mode Period or Monthly Mode Period or on the Adjustment Date immediately succeeding such Weekly Mode Period or Monthly Mode Period (if the Adjustment Period then commencing is a Weekly Mode Period or Monthly Mode Period, as the case may be), the Demand Date shall be the first Business Day occurring on or after the seventh calendar day after the effective date of the receipt of such written or telephonic notice by the Tender Agent. Any Owner or Beneficial Owner of Bonds who has so demanded purchase of such Owner's or Beneficial Owner's Bonds shall effect delivery of such Bonds by causing such direct Participant to transfer its interest in the Bonds tendered for purchase equal to such Beneficial Owner's interest therein on the records of the Depository prior to 10:00 A.M., New York time, on the Demand Date specified in the notice. During any Weekly Mode Period or Monthly Mode Period when a Book-Entry System is not in effect, an Owner of a Bond may tender the Bond or portion of Bond by delivering the notice described above in the manner described above, by the time set forth above (which shall include the certificate number of the Bond as well as the name, address and taxpayer identification number of the Owner), and shall also deliver the Bond to the Tender Agent on the Demand Date (with an appropriate transfer of registration form executed in blank) prior to 10:00 A.M., New York time, on the Demand Date specified in the notice. Any telephonic notice received by the Tender Agent pursuant to this paragraph from any person reasonably believed by the Tender Agent to be the Owner or Beneficial Owner of a Bond may be conclusively relied upon by the Tender Agent as a true, irrevocable notice of demand with respect to such Bond. Notwithstanding the foregoing, the Owner or Beneficial Owner of a Bond shall not be entitled to demand purchase of such Owner's or such Beneficial Owner's Bonds as described above if (i) no Letter of Credit or Alternate Letter of Credit is in effect for the Bonds on the Demand Date or (ii) the Bonds have been accelerated in accordance with the Bond Indenture.

Payment of the Tender Price of any Bond optionally tendered for purchase will be made by check or, upon submission of a written request and instructions to the Tender Agent, by wire transfer, but only upon delivery and surrender of the Bond to the Tender Agent on the Demand Date as described above. When the Bonds are held in the Book-Entry System, payment of the purchase price will be made by the Bond Trustee or the Remarketing Agent in accordance with the rules and procedures of the Securities Depository.

Mandatory Tender

General. As more fully described below, when a Book-Entry System is not in effect, the Owners of the Bonds (other than Bank Bonds) in a Weekly Mode Period or a Monthly Mode Period are required to tender their Bonds to the Tender Agent (if the Bonds are not held in the book-entry system) for purchase by 10:00 A.M., New York time, on the following Mandatory Tender Dates: (i) each LOC Termination Tender Date, (ii) the proposed Conversion Date (but only such Bonds subject to such conversion shall be subject to Mandatory Tender on such Conversion Date), (iii) each Adjustment Date unless the immediately preceding Adjustment Period and the current Adjustment Period are both either

Weekly Mode Periods or Monthly Mode Periods, (iv) each Rate Change Date within an Adjustable Long Period, and (v) the date specified by the Bond Trustee as a Mandatory Tender Date pursuant to the Bond Indenture after receipt by the Bond Trustee of written notice from the Bank that an event of default has occurred under the Reimbursement Agreement and that the Bank is terminating the Letter of Credit (the Mandatory Tender Date described in clause (v) is hereinafter referred to as a “Default Tender Date”). On any such Mandatory Tender Date, the Owners of Bonds who duly tender their Bonds for purchase will be paid a Tender Price equal to 100% of the principal amount thereof, plus accrued interest, if any, to but not including the Mandatory Tender Date. When a Book-Entry System is in effect, the requirement for physical delivery of the Bonds under this paragraph shall be deemed satisfied when ownership rights in the Bonds (to the extent of the principal amount tendered for purchase) are transferred by direct Participants on the records of the Depository.

LOC Termination Tender Date. In anticipation of an LOC Termination Tender Date, the Bond Trustee shall give written notice thereof not less than 20 days prior thereto to all Owners of the affected Bonds (except Bank Bonds), by first class mail, postage prepaid, and to the Remarketing Agent, the Bank, the Tender Agent and if the Book-Entry System is in effect, the Depository such notice stating the LOC Termination Tender Date and that all such Outstanding Bonds (except Bank Bonds) will be purchased on the LOC Termination Tender Date by payment of the Tender Price therefor.

An “LOC Termination Tender Date” is (a) the date on which the Letter of Credit or Alternate Letter of Credit then in effect (including any extensions thereof) is replaced with an Alternate Letter of Credit, unless the Bond Trustee shall have received, not less than 30 days prior to such replacement (i) a written statement from each Rating Agency then rating the Bonds to the effect that such replacement of the Letter of Credit or Alternate Letter of Credit then in effect is not anticipated to result in the rating or ratings by such Rating Agency of the Bonds being lowered or withdrawn and (ii) a commitment for or the form of the Alternate Letter of Credit being delivered in substitution for the Letter of Credit or Alternate Letter of Credit then in effect or (b) two Business Days prior to the date on which the Letter of Credit then in effect (including any extensions thereof) is canceled or allowed to terminate or expire without being replaced by an Alternate Letter of Credit, or reduced in stated amount so as to no longer secure the Bonds. The date of any declaration of an “Event of Default” under the Bond Indenture or the date of payment of the principal and accrued interest on Bonds pursuant to an acceleration of the principal and accrued interest under the Bond Indenture shall not be an LOC Termination Tender Date.

The Bond Trustee shall give notice to the Owners of the Bonds by first class mail, postage prepaid, of the proposed substitution of any Alternate Letter of Credit for the Letter of Credit or any Alternate Letter of Credit (that does not result in an LOC Termination Tender Date as described above) not less than 10 days prior to the effective date of such substitution.

Tender Price. The Tender Price for any Bond tendered or required to be tendered on a Demand Date or a Mandatory Tender Date shall be 100% of the principal amount thereof plus accrued interest thereon to but not including the Demand Date or Mandatory Tender Date, except with respect to the tender on an LOC Termination Tender Date of any Bonds in an Adjustable Long Period.

At any time for Bonds in an Adjustable Long Period, the Tender Price on an LOC Termination Tender Date shall be the purchase price (expressed as percentages of the principal amount of Bonds subject to Mandatory Tender for purchase) determined in accordance with the following table plus accrued interest to but not including such LOC Termination Tender Date:

Length of Adjustable Long Period or Period from Currently Occurring LOC Termination Tender Date Until End of Adjustable Long Period	Tender Price (Periods Measured from and including First Day of Such Period)
Greater than 10 years	(i) after first year and for next 4 years – 105% (ii) for next 2 years – 103%; and (iii) after 7 years – 102.5% declining 0.5% per 12 months to 100%
Less than or equal to 10 years and greater than 7 years	(i) after first year and for next 4 years – 103%; and (ii) after 5 years – 101.5% declining 0.5% per 12 months to 100%
Less than or equal to 7 years and greater than 4 years	(i) after first year and for next 2 years – 102.5%; and (ii) after 3 years – 101% declining 0.5% per 12 months to 100%
Less than or equal to 4 years	after first year and prior to maturity – 102.5%

The Tender Price shall be calculated in accordance with the above table. The determination of the length of the period and the corresponding Tender Price shall be made by counting from the currently occurring LOC Termination Tender Date or the first day of the Adjustable Long Period to the end of such period.

Change of Interest Rate in Adjustable Long Period; Remarketing. Upon satisfaction of certain conditions set forth in the Bond Indenture, the Remarketing Agent may determine a new interest rate for any Bonds in an Adjustable Long Period that are subject to mandatory tender for purchase prior to the end of a Rate Period within that Adjustable Long Period, and may remarket such tendered Bonds.

Conversion Date. Subject to the satisfaction of certain conditions and procedures set forth in the Bond Indenture, the interest rate on any Bonds may be converted to a Fixed Interest Rate on any Rate Change Date for such Bonds and the interest rate on any Bank Bonds may be converted to a Fixed Interest Rate at any time. Such conversion shall occur upon receipt by the Bond Trustee of a direction from the College not less than 15 days prior to the Conversion Date specified in such direction.

Upon conversion to a Fixed Interest Rate, such Bonds shall be subject to mandatory tender for purchase on such Conversion Date. The Bond Trustee shall promptly give Immediate Notice of such election by the College to the Owners of all Bonds to be converted that such Bonds will be purchased on the Conversion Date by payment of the Tender Price therefor.

If any condition precedent to the conversion of the interest rate on any Bonds to a Fixed Interest Rate (as provided in the Bond Indenture) shall not occur, such conversion shall not occur and such Bonds shall continue to operate in the Mode that was effective immediately prior to the previously anticipated conversion.

Adjustment Date. In the case of a mandatory tender occurring on an Adjustment Date, the Bond Trustee is required to give written notice as described above under the subcaption “Adjustment Periods (Modes of Operation).”

Default Tender Date. In the case of a mandatory tender occurring on a Default Tender Date, the Bond Trustee shall give immediate written notice to the Owners of the Bonds with respect to the Default Tender Date.

Redemption

Optional Redemption in a Short Period. During any Weekly Mode Period or Monthly Mode Period, the Bonds in such Mode will be subject to redemption, in whole or in part at any time, at the direction of the College during such Weekly Mode Period or Monthly Mode Period on or after the first Interest Payment Date during such Weekly Mode Period or Monthly Mode Period, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date upon receipt by the Bond Trustee not less than 35 days (or such lesser period agreed to by the Bond Trustee) prior to such redemption date of the written consent of the Bank and a written direction from the College in accordance with the Bond Indenture to effect redemption of such Bonds.

Optional Redemption in an Adjustable Long Period. Subject to the limitations set forth below, after the Conversion Date and during any Adjustable Long Period, the related Bonds are subject to redemption at the direction of the College in whole or in part, on any Rate Change Date during an Adjustable Long Period, at the redemption prices (expressed as percentages of the principal amount) set forth in the table below plus accrued interest to the redemption date upon receipt by the Bond Trustee not less than 45 days (or such lesser period agreed to by the Bond Trustee) prior to such redemption date of the written consent of the Bank and a written request from the College stating that it intends to exercise its option to prepay all or a portion of the payments due under the Loan Agreement and thereby effect redemption of such Bonds and, if a Letter of Credit or an Alternate Letter of Credit is in effect for such Bonds and it does not permit draws to pay redemption premium on such Bonds, upon receipt by the Bond Trustee not less than 30 days prior to such redemption date of Eligible Moneys, as defined in the Bond Indenture, sufficient to pay any applicable redemption premium, as follows:

OPTIONAL REDEMPTION SCHEDULE APPLICABLE TO FUTURE ADJUSTABLE LONG PERIODS

Length of Adjustable Long Period	Redemption Price (Periods Measured From and Including First Day of Such Period)
Greater than 15 years	after 8 years – 102.5% declining 0.5% per 12 months to 100%
Less than or equal to 15 years and greater than 10 years	after 7 years – 102% declining 0.5% per 12 months to 100%
Less than or equal to 10 years and greater than 7 years	after 5 years – 101.5% declining 0.5% per 12 months to 100%
Less than or equal to 7 years and greater than 4 years	after 3 years – 101% declining 0.5% per 12 months to 100%
Less than or equal to 4 years	NOT SUBJECT TO OPTIONAL REDEMPTION

Notwithstanding the foregoing, if, due to the expiration, termination, cancellation or reduction in stated amount of the Letter of Credit or Alternate Letter of Credit which results in the establishment of a different LOC Termination Tender Date for the Bonds, then after such LOC Termination Tender Date such Bonds shall be subject to optional redemption in accordance with the Optional Redemption Schedule set forth above but with reference to such LOC Termination Tender Date for purposes of determining length of Rate Period and optional redemption prices as indicated in the above table.

Optional Redemption on Adjustment Dates and Conversion Dates. The Bonds also will be subject to redemption on the Conversion Date therefor and on any Adjustment Date therefor in whole or

in part at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date, upon the receipt by the Bond Trustee of a written direction from the College that it intends to exercise its option to prepay all or a portion of the payments due under the Loan Agreement, and thereby effect redemption of such Bonds. The Bond Trustee must receive such notice not less than 35 days (or such lesser period agreed to by the Bond Trustee) prior to such redemption date (unless the Adjustment Period immediately preceding an Adjustment Date has a duration of less than 45 days, in which case such receipt by the Bond Trustee shall be not later than the first Business Day of such Adjustment Period).

Mandatory Redemption from Excess Bond Proceeds. The Bonds are subject to mandatory redemption in part, on any Interest Payment Date, at the redemption price of 100% of the principal amount thereof plus accrued interest, if any, to the redemption date, in the event the College is obligated to cause redemption of the Bonds in the amount of excess moneys remaining in the Construction Account after the Completion Date in accordance with the Loan Agreement, to the extent of the greatest amount of such excess moneys equal to an Authorized Denomination.

Mandatory Redemption under Reimbursement Agreement. The Reimbursement Agreement requires the College to exercise its option to cause the redemption of the Bonds in principal amounts and on redemption dates agreed to by the Bank and the College, and in accordance with the provisions of the Bond Indenture. Such requirement is only for the benefit of the Bank, and may be waived by the Bank or amended by the Bank and the College.

Notice of Redemption. Notice of the call for any redemption of Bonds (other than Bank Bonds) or any portion thereof (which shall be in Authorized Denominations) pursuant to the Bond Indenture identifying the Bonds or portions thereof to be redeemed, specifying the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue, shall be given by the Bond Trustee by mailing a copy of the redemption notice by first-class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books.

Any redemption notice mailed as described in the prior paragraph will be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, the Bond Trustee will select the Bonds or portions thereof to be redeemed from the Bonds Outstanding and not previously called for redemption, in the following order: (i) Bank Bonds then Outstanding and (ii) any Bonds then eligible for redemption, from such Mode or Modes as the College deems appropriate and fair, provided that if no designation is made by the College pursuant to this clause (ii), the Bonds or portions thereof to be redeemed will be selected in such manner as in the Bond Trustee's discretion it deems appropriate and fair.

Bondholder's Failure to Deliver Bonds

If any Owner of Bonds fails to deliver at the time and place required in the Bond Indenture (i) Bonds subject to a demand for purchase or mandatory tender or (ii) Bonds with respect to which principal thereof, premium, if any, and interest thereon shall have become due, whether at maturity, on a Mandatory Tender Date or on a date fixed for redemption or otherwise, if sufficient moneys are on deposit with the Tender Agent or the Bond Trustee to pay the applicable Tender Price or redemption price thereof (including accrued interest, if any), such Bonds will constitute Undelivered Bonds. From and after such date, all liability of the Authority to the Owners of such Undelivered Bonds shall cease, determine and be completely discharged and it shall be the duty of the Bond Trustee to hold moneys on deposit for the benefit of the Owners of such Undelivered Bonds in a separate segregated fund. Moneys

in such fund will not be invested and will be held without liability for interest thereon for the benefit of the Owners of such Undelivered Bonds. Any moneys so deposited and held by the Bond Trustee not applied to the payment of such Undelivered Bonds within two years after the date on which such Undelivered Bonds became due shall be paid by the Bond Trustee to the College upon the written direction of the College. Thereafter, Owners of such Undelivered Bonds shall be entitled to look only to the College for payment, and then only to the extent of the amount so repaid, and the College shall not be liable for any interest thereon and shall not be regarded as a Bond Trustee of such money.

Substitute Adjustment Dates

The Remarketing Agent may designate a Substitute Adjustment Date for any Bonds during any Weekly Mode Period or Monthly Mode Period, in lieu of the next scheduled Adjustment Date for Bonds in such Period, which Substitute Adjustment Date for such Bonds shall be considered the next succeeding Adjustment Date for such Bonds for all purposes of the Bond Indenture unless an LOC Termination Tender Date occurs before such Substitute Adjustment Date. Such designations must comply with the limitations set forth in the Bond Indenture. The Remarketing Agent will evidence each such designation as provided in the Bond Indenture. Upon receipt of such notice from the Remarketing Agent, the Bond Trustee, at least ten days prior to such Substitute Adjustment Date, shall notify each Owner of Bonds (other than Bank Bonds) affected thereby of the Substitute Adjustment Date in accordance with the Bond Indenture.

THE REIMBURSEMENT AGREEMENT

General

The College will enter into the Reimbursement Agreement with the Bank, which provides for the issuance of the Letter of Credit and for the reimbursement of the Bank for draws upon the Letter of Credit. In connection with the Bank's issuance of the Letter of Credit, the College, the Bond Trustee and the Bank will also enter into a Pledge and Security Agreement, dated as of May 1, 2004 (the "Pledge Agreement"). The Reimbursement Agreement, together with the Letter of Credit, also sets forth the various other conditions, obligations, representations, covenants, events of default and miscellaneous provisions applicable to the Bank and the College. The following is a summary of certain of the provisions of the Reimbursement Agreement; it does not purport to be comprehensive or definitive and reference is made to the Reimbursement Agreement itself for a complete recital of its terms. Reference is made to information under the caption "SECURITY FOR THE BONDS - The Letter of Credit" for a summary of the conditions and termination provisions of the Letter of Credit. The amount available under the Letter of Credit is subject to reductions and reinstatements, depending on the amounts and types of payments made by the Bank under the Letter of Credit and reimbursements of such payments thereafter made by the College. In the Reimbursement Agreement, the Bank agrees with the College to reinstate amounts drawn under the Letter of Credit in certain circumstances.

Certain Covenants, Representations and Warranties of the College

The College will covenant in the Reimbursement Agreement, among other things, to: preserve and maintain its corporate existence and continue its business operations in the ordinary course and maintain its existence as an organization described in Section 501(c)(3) of the Code; comply in all material respects with all applicable laws; maintain insurance covering such risks ordinarily insured against by other owners or users of such properties in similar businesses; pay all taxes except those being contested in good faith; keep proper books and records and permit the Bank to examine such books and records; maintain and preserve all of its properties; furnish to the Bank certain financial and other reports and information; not enter into or consent to any amendments of the Bonds, the Bond Indenture, the Loan Agreement, the Letter of Credit, the Pledge Agreement, certain other specified documents entered into in

connection with the Bonds or any other agreement or instrument relating thereto (the “Related Documents”) without the consent of the Bank; maintain all licenses and other approvals from appropriate federal and state authorities; comply with all terms and agreements contained in the Related Documents; and satisfy certain financial covenants.

The covenants of the College made pursuant to the Reimbursement Agreement are solely for the benefit of the Bank. The Bank may waive any such covenants and any other provisions of the Reimbursement Agreement and may agree with the College to amend certain covenants or provisions. The Owners of the Bonds will have no rights or obligations as a result of such covenants or provisions or any amendments or waivers thereof. Covenants of the College relating to any letter of credit that the Bank may issue as a replacement or substitute for or as an extension of the Letter of Credit may vary significantly from those described above.

As required by the Reimbursement Agreement, Bethel College and Seminary Foundation (the “Foundation”) will guaranty the payment of the College’s obligations under the Reimbursement Agreement pursuant to a Guaranty dated as of May 1, 2004 (the “Foundation Guaranty”), from the Foundation to the Bank.

The Reimbursement Agreement will contain certain representations and warranties of the College concerning certain factual, financial and legal matters. Reference is made to the Reimbursement Agreement for a complete recital of these representations and warranties.

Events of Default and Remedies

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

- a) any representation or warranty made by the College or the Foundation in the Reimbursement Agreement, the Letter of Credit, the Bond Indenture, the Bonds, the Loan Agreement, the Remarketing Agreement, the Bond Purchase Agreement or this Official Statement (the “Related Documents”) or in any certificate, document, instrument or financial or other statement contemplated by or made or delivered pursuant to or in connection therewith, shall prove to have been incorrect, incomplete or misleading in any material respect when made;
- b) any default, event of default or “Event of Default” on the part of the College shall have occurred under the Related Documents (as defined therein);
- c) failure of the College to pay to the Bank any obligations of the College to the Bank under the Reimbursement Agreement when and as due;
- d) the Reimbursement Agreement or the other Related Documents to which the College is a party cease for any reason (other than release by the Bank) to be valid and binding obligations of the College and in full force and effect, or if the College shall assert that it is not liable under the Reimbursement Agreement or any other Related Documents to which it is a party or the Foundation Guaranty ceases for any reason (other than release by the Bank) to be a valid and binding obligation of the Guarantor and in full force and effect, or the Guarantor shall assert that it is not liable under the Foundation Guaranty;
- e) default in the due observance or performance of the College or the Guarantor of any other term, covenant or agreement set forth (i) in certain sections of the Reimbursement Agreement or the Foundation Guaranty and continuation of such default for 30 days or (ii) under the Pledge Agreement or certain other sections of the Reimbursement Agreement;

- f) the College or the Guarantor shall (i) not pay, or admit in writing its inability to pay, its debts generally as they become due or suspend payment of its obligations, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, conservator, liquidator or similar official for it or any substantial part of its property, (iv) institute any voluntary proceeding seeking to have entered against it an order for relief under the Bankruptcy Code of 1978, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshaling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, or (v) take any action in furtherance or any of the foregoing purposes;
- g) a custodian, receiver, trustee, conservator, liquidator or similar official shall be appointed for the College or the Guarantor or any substantial part of the property of the College or the Guarantor, and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of 60 or more days;
- h) a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors seeking in respect of the College or the Guarantor an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, or the like of the College or the Guarantor or of all or any substantial part of the assets of the College or the Guarantor, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by the College or the Guarantor in good faith, the same shall (i) nevertheless result in the entry of an order for relief or in any such adjudication or appointment or (ii) continue undismissed, or pending and unstayed, for any period of 60 consecutive days;
- i) a material adverse change shall occur in the College's condition (financial or otherwise), operations or prospects, or the College shall cease or threaten to cease to carry on the business it carries on at the date of the Reimbursement Agreement or any substantial part thereof;
- j) default shall occur under any evidence of indebtedness of the College or Guarantor for borrowed money in an aggregate outstanding principal amount in excess of \$500,000 issued, assumed or guaranteed by the College or the Guarantor or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such indebtedness (whether or not such maturity is in fact accelerated), or any such indebtedness shall (subject to any period of any grace provided for the payment thereof) not be paid when and as due (whether by lapse of time, acceleration or otherwise);
- k) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of \$500,000 shall be entered or filed against the College or Guarantor or against any of the property of the College or Guarantor and remain unpaid, unvacated, unbonded or unstayed for a period of 30 days;
- l) the Foundation shall breach any provision of the Foundation Guaranty;
- m) the College or the Foundation shall cease, for any reason, to be affiliated with the Baptist General Conference; or

- n) a breach, default, event of default, “Default” or “Event of Default”, or similar event, shall occur and be continuing under any other agreement between the College and the Bank or under any other obligation owed by the College to the Bank.

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

- a) by notice to the College, declare all Letter of Credit obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, provided that upon the occurrence of an Event of Default under paragraphs (f), (g), and (h) above, such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);
- b) give notice of the occurrence of an Event of Default to the Bond Trustee, thereby causing the Letter of Credit to terminate 20 days after receipt of such notice by the Bond Trustee;
- c) pursue any rights and remedies it may have under the Related Documents;
- d) by notice to the College increase the fee rate on the Letter of Credit to 2.90% per annum, provided that in the case of an Event of Default under paragraphs (f), (g), and (h) above, the fee rate shall immediately increase to 3.90% per annum without the giving of such notice; or
- e) pursue any other action available at law or in equity.

THE REMARKETING AGREEMENT

As described herein, purchase of the Bonds may be required under certain circumstances prior to the scheduled maturity of the Bonds. In order to facilitate such purchase, the College and the Remarketing Agent will enter into the Remarketing Agreement.

Pursuant to the Remarketing Agreement, the Remarketing Agent will agree to use its best efforts to remarket Bonds (i) if a Bondholder has tendered Bonds for purchase on a Demand Date pursuant to the demand feature described under the caption “THE BONDS - Purchase of Bonds on Demand of a Bondholder,” (ii) if any Bonds are subject to any mandatory tender as described under the caption “THE BONDS - Mandatory Tender” and (iii) if the Bonds become Bank Bonds pursuant to the Bond Indenture. The Remarketing Agent’s responsibilities and obligations will be subject to various conditions and terms set forth in the Remarketing Agreement. Under the terms of the Remarketing Agreement, the Remarketing Agent may be removed or replaced by the College upon direction to the Authority upon 30 days’ written notice to the Remarketing Agent, the Authority, the Bond Trustee and the Bank and the Remarketing Agent may resign upon 30 days’ written notice to the College, the Authority, the Bond Trustee and the Bank. The Remarketing Agent will receive compensation based upon the principal amount of the Outstanding Bonds.

The Remarketing Agent at all times shall be construed to be acting as an agent for and on behalf of the College. It is the express intention of the College and the Remarketing Agent that no purchase, sale or transfer of any Bonds, pursuant to the Remarketing Agreement, shall constitute or be construed to be the extinguishment of any Bonds or the indebtedness represented thereby or the reissuance of any Bonds or the refunding of any indebtedness represented thereby. The Remarketing Agent, in its individual capacity, either as principal, agent or through any affiliate, may in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action that any Bondholder may be entitled to take with like effect as if it did not act in any capacity under the Remarketing Agreement. The Remarketing Agent, in

its individual capacity, either as principal, agent, or through any affiliate, may also engage in or be interested in financial and other transactions with the College.

ACCOUNTS

Summary

The Bond Indenture will provide for the creation of certain trust accounts into which the proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement and moneys from draws under the Letter of Credit or any Alternate Letter of Credit are to be deposited. These accounts include a Construction Account, a Purchase Fund, a Bond and Interest Sinking Fund Account, and a Reserve Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account and the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Bond Trustee from the College as Loan Repayments, proceeds of remarketing or proceeds from draws under the Letter of Credit or any Alternate Letter of Credit are to be deposited into the Bond and Interest Sinking Fund Account and used, to the extent needed, to redeem or pay the principal of and interest on or the Tender Price of the Bonds when due as described in more detail below.

Construction Account

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

Purchase Fund

The Purchase Fund shall be a trust fund held by the Tender Agent as agent for the Bond Trustee and three separate accounts will be established to be designated the "Remarketing Account," the "LOC Purchase Account," and the "College Account." Funds in each account will not be commingled with funds from the other accounts or from any other source.

Any moneys received by the Tender Agent from purchasers of remarketed Bonds (other than the Bank acting pursuant to the Reimbursement Agreement) shall be deposited in the Remarketing Account of the Purchase Fund. Any moneys received by the Tender Agent from the Bond Trustee as a result of a draw on the Letter of Credit or Alternate Letter of Credit shall be deposited in the LOC Purchase Account of the Purchase Fund. Any moneys received by the Tender Agent from the College to be applied in connection with the purchase of tendered Bonds by the College shall be deposited in the College Account of the Purchase Fund.

The Tender Agent shall deposit into the Remarketing Account of the Purchase Fund any amounts received by the Tender Agent from the remarketing of Bonds by the Remarketing Agent pursuant to the terms of the Remarketing Agreement. If the Tender Agent notifies the College that there are not sufficient moneys on deposit with the Tender Agent to provide for the purchase of all Bonds required to be purchased on a Tender Date, the Tender Agent shall give Immediate Notice to the Bank and the Bond Trustee of the amount of such deficiency (the "Deficit Amount") and request the Bond Trustee to draw on

the Letter of Credit or Alternate Letter of Credit in an amount equal to the Deficit Amount. If the Tender Agent fails to receive the full amount of the Deficit Amount on such Tender Date from moneys obtained as a result of draws on the Letter of Credit or Alternate Letter of Credit, the Tender Agent shall give Immediate Notice to the College on such Tender Date of the Deficit Amount. On such Tender Date, the College shall deliver or cause to be delivered to the Tender Agent, for deposit into the College Account of the Purchase Fund, moneys in an amount equal to the portion of the Deficit Amount not delivered to the Tender Agent.

Moneys in the Purchase Fund shall be applied, on each Tender Date, as follows:

(1) Moneys in the Remarketing Account of the Purchase Fund shall be used by the Tender Agent on behalf of the Bond purchasers designated by the Remarketing Agent to purchase Bonds required to be purchased on such Tender Date, and shall be so applied to the Tender Price thereof, to the extent of such moneys.

(2) To the extent the amount of moneys in the Remarketing Account is insufficient to pay the purchase price of all Bonds required to be purchased on such Tender Date, moneys in the LOC Purchase Account of the Purchase Fund shall be used by the Tender Agent on behalf of the College to purchase Bonds required to be purchased on such Tender Date, and shall be so applied to the Tender Price thereof, to the extent of such moneys.

(3) To the extent the aggregate amount of moneys in the Remarketing Account and moneys in the LOC Purchase Account, on the Tender Date are insufficient to pay the Tender Price of all Bonds required to be purchased on such Tender Date, Eligible Moneys as defined in the Bond Indenture in the College Account of the Purchase Fund shall be used by the Tender Agent on behalf of the College to purchase Bonds which the College has requested be purchased on such Tender Date, and shall be so applied to the Tender Price thereof, to the extent of such moneys.

(4) To the extent the aggregate amount of moneys described in the above paragraphs are insufficient to pay the Tender Price of all Bonds required to be purchased on such Tender Date, any other moneys (other than Eligible Moneys) available to the Tender Agent shall be used by the Tender Agent on behalf of the College to purchase Bonds which the College has requested be purchased on such Tender Date, and shall be so applied to the Tender Price thereof, to the extent of such moneys; provided that moneys described in this paragraph will not be commingled with moneys from any other source to make such purchase. If the Letter of Credit or Alternate Letter of Credit is in effect for the Bonds, the Bond Trustee shall promptly notify the Owners of all Bonds purchased with moneys described in this paragraph that such Bonds were purchased with funds that are not Eligible Moneys; and the payment of the Tender Price of such Bonds may be avoidable as preferential payments pursuant to the provisions of Section 547 of Title 11 of the United States Code should the Authority or the College become a debtor in any proceeding commenced thereunder.

Bond and Interest Sinking Fund Account

There shall be established within the Bond and Interest Sinking Fund Account separate interest accounts to be known, respectively, as the "Interest Account," the "LOC Interest Account" and the "Non-LOC Interest Account."

1. Interest Account. All payments of interest under the Loan Agreement, except payments pertaining to Bonds which are not secured by a Letter of Credit or any Alternate Letter of Credit, shall be deposited as and when received by the Bond Trustee in the Interest Account.

If a Letter of Credit or any Alternate Letter of Credit is then in effect for the Bonds and a draw for interest has been made, any funds remaining on deposit in the Interest Account on any day on which a payment of interest is due, after payment in full of all interest due on the Bonds, shall be transferred by the Bond Trustee to the Bank to the extent the Bank has not already been reimbursed with funds transferred from the LOC Interest Account, in the amount necessary to reimburse the Bank for the interest portion of the draw on the Letter of Credit or Alternate Letter of Credit.

2. LOC Interest Account. All proceeds of interest drawings under the Letter of Credit or any Alternate Letter of Credit then in effect for the Bonds received in connection with any payment of interest on any Interest Payment Date for the Bonds shall be deposited in the LOC Interest Account as and when received by the Bond Trustee and shall be applied by the Bond Trustee solely to pay interest on the Bonds as described below.

For so long as the Letter of Credit or any Alternate Letter of Credit is in effect for the Bonds, payments of interest on Bonds secured by the Letter of Credit or any Alternate Letter of Credit shall be made, to the extent available, from Eligible Moneys on deposit in the LOC Interest Account.

On the Business Day prior to the day a payment of interest is due on the Bonds and subject to the provisions of the Bond Indenture, the Bond Trustee shall make a drawing under the Letter of Credit or any Alternate Letter of Credit in an amount equal to the interest due on such Interest Payment Date on the Bonds. Any funds remaining on deposit in the LOC Interest Account on any day on which a payment of interest is due, after payment in full of all interest due on the Bonds on such date and excluding funds deposited pursuant to a draw relating to the next interest payment date, shall be transferred by the Bond Trustee to the Bank to reimburse the Bank for a portion of the draw relating to interest on the Letter of Credit or any Alternate Letter of Credit.

3. Non-LOC Interest Account. All payments of interest under the Loan Agreement pertaining to Bonds which are not secured by the Letter of Credit or any Alternate Letter of Credit shall be deposited in the Non-LOC Interest Account as and when received by the Bond Trustee and shall be applied by the Bond Trustee solely to pay interest on Bonds which are not secured by the Letter of Credit or any Alternate Letter of Credit.

There shall also be established three separate principal accounts within the Bond and Interest Sinking Fund Account to be known, respectively, as the "Principal Account," the "LOC Principal Account" and the "Non-LOC Principal Account."

1. Principal Account. All payments of principal under the Loan Agreement except payments pertaining to the Bonds which are not secured by the Letter of Credit or any Alternate Letter of Credit shall be deposited as and when received by the Bond Trustee in the Principal Account.

The Bond Trustee shall, on the first day of each April (or, if such first day is not a Business Day, then on the first Business Day thereafter) and on June 1, 2034, deposit in the Principal Account from any moneys received by the Bond Trustee from the College, an amount equal to the difference, if any, between (a) the then applicable Principal Account Requirement (as defined below) and (b) the amount of moneys then on deposit in the Principal Account and not previously allocated to the payment or redemption of the Bonds.

Moneys on deposit in the Principal Account shall be used by the Bond Trustee to pay principal on the Bonds as it becomes due; provided that if the Letter of Credit or any Alternate Letter of Credit is in effect for the Bonds, any funds remaining on deposit in the Principal Account on each day on which a payment of principal is due after payment in full of all principal due on the Bonds on such date shall be transferred by the Bond Trustee to the Bank to the extent the Bank has not already been reimbursed with

funds transferred from the LOC Principal Account, in the amount necessary to reimburse the Bank for the portion of the draw relating to principal on the Letter of Credit or any Alternate Letter of Credit.

2. LOC Principal Account. All proceeds of drawings under the Letter of Credit or Alternate Letter of Credit then in effect for the Bonds to pay the principal of the Bonds at maturity, upon optional or mandatory redemption or upon acceleration shall be deposited in the LOC Principal Account as and when received by the Bond Trustee and shall be applied by the Bond Trustee solely to pay such principal on the Bonds.

For so long as the Letter of Credit or any Alternate Letter of Credit is in effect for the Bonds, payments of principal on Bonds secured by the Letter of Credit or any Alternate Letter of Credit shall be made, to the extent available, from Eligible Moneys on deposit in the LOC Principal Account.

On the fourth Business Day prior to the day on which Bonds are to be paid and subject to the provisions of the Bond Indenture, the Bond Trustee shall make a drawing under the Letter of Credit or Alternate Letter of Credit in an amount equal to the principal amount then required to be paid on the Bonds. Any funds remaining on deposit in the LOC Principal Account on any day on which a payment of principal is due after payment in full of all principal due on the Bonds on such date and excluding funds deposited pursuant to a draw relating to the next interest payment date, shall be transferred by the Bond Trustee to the Bank to reimburse the Bank for a portion of the draw relating to principal on the Letter of Credit or Alternate Letter of Credit .

3. Non-LOC Principal Account. All payments of principal and premium, if any, under the Loan Agreement pertaining to Bonds which are not secured by a Letter of Credit or any Alternate Letter of Credit shall be deposited as and when received by the Bond Trustee in the Non-LOC Principal Account and shall be applied by the Bond Trustee solely to pay principal and premium, if any, on the Bonds at maturity, upon optional or mandatory redemption or upon acceleration. The “Principal Account Requirement” for the Bonds, if any, shall be the principal amount payable on the final maturity date of the Bonds, unless a serial maturity and/or mandatory sinking fund redemption schedule is established for all or a portion of the Bonds in a Fixed Rate Period, in which case it shall be the amounts due on the dates determined pursuant to said schedule.

Reserve Account

Until the Bonds are converted to a Fixed Interest Rate, the Reserve Requirement is zero and there shall be no deposit required into the Reserve Account.

General Bond Reserve Account

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

THE AUTHORITY

General

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 State Senate. A representative of the Minnesota Higher Education Services Office and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

Marianne T. Remedios has been the Executive Director of the Authority since May 1, 2000.

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$800 million. The Authority has had 139 issues (including refunded and retired issues) totaling over one billion dollars, of which approximately \$570,000,000 is outstanding as of May 1, 2004. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities, day-care centers, and other structures or facilities required or useful for the instruction of students, or conducting of research, in the operation of an institution of higher education.

While the Authority retains broad powers to oversee planning and construction, it is current policy to permit the institution almost complete discretion with respect to these matters.

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority then outstanding, including payment of any redemption premium thereon and any interest accrued or to accrue to the earliest or any subsequent date of redemption.

The operations of the Authority are financed solely from fees paid by the participating institutions; it has no taxing power.

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

THE BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA NOR CONSTITUTE A DEBT FOR WHICH THE FAITH AND CREDIT OF

THE AUTHORITY OR THE STATE OF MINNESOTA, OR THE TAXING POWERS OF THE STATE, ARE PLEDGED. THE AUTHORITY HAS NO TAXING POWERS.

LITIGATION

The Authority

There is not now pending or, to the knowledge of the Authority, threatened any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the knowledge of the Authority, threatened that in any manner questions the right of the Authority to enter into the Bond Purchase Agreement, the Bond Indenture or the Loan Agreement or to secure the Bonds in the manner provided in the Bond Indenture and the Act.

The College

No action, suit, proceeding or investigation at law or in equity, before or by any court, any governmental agency or any public board or body is pending or, to the College's knowledge, threatened affecting the validity of the Bond Purchase Agreement, the Bond Indenture, the Bonds, the Loan Agreement, the Reimbursement Agreement or the Letter of Credit or contesting the corporate existence or powers of the College. In the opinion of the College, no litigation or proceedings are pending or, to the knowledge of the College, threatened against the College that would have a material adverse impact on the financial position of the College, except litigation in which the probable recoveries and the estimated costs and expenses of defense, in the opinion of the College, will be entirely within the applicable insurance policies of the College (subject to applicable deductibles) or self-insurance reserves.

CERTAIN LEGAL MATTERS

Legal matters related to the authorization and issuance of the Bonds are subject to the approval of Fryberger, Buchanan, Smith & Frederick, P.A. Duluth, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by its counsel, Eastlund Solstad Cade & Hutchinson, Ltd., Savage, Minnesota; for the Bank by its internal Irish counsel and by its special U.S. counsel, Schiff Hardin LLP, Chicago, Illinois; and for the Underwriter by its special counsel, Gardner Carton & Douglas LLP, Chicago, Illinois.

FINANCIAL ADVISOR

The Authority has retained Springsted Incorporated, Public Finance Advisors, of Saint Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. The Financial Advisor has relied upon College 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 is 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

Under a bond purchase agreement (the “Bond Purchase Agreement”) entered into among the Authority, the College and the Underwriter, the Bonds are being purchased at an aggregate price of \$8,375,000 with no accrued interest. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Bond Purchase Agreement.

The College has agreed to indemnify the Underwriter and the Authority against certain civil liabilities, including certain liabilities arising out of any incorrect statements or information or omission in or for this Official Statement, and to contribute with respect to payments that the Underwriter may be required to make in respect thereof.

FINANCIAL STATEMENTS

Included as part of *APPENDIX B* to this Official Statement are the audited combined financial statements of the College and the Foundation as of and for the year ended May 30, 2003, together with the related report thereof of PricewaterhouseCoopers LLP, independent accountants (the “Accountants”). *APPENDIX B* also includes certain additional information. The Foundation has no obligation to make any debt service payments on the Bonds and the Foundation’s assets are not pledged as security for the Bonds. See “THE REIMBURSEMENT AGREEMENT” herein.

RATING

Moody’s Investors Service (“Moody’s”), has assigned the Bonds a rating of “Aa3/VMIG 1”, contingent on the issuance of the Letter of Credit. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. Such rating reflects only the views of Moody’s, and an explanation of the significance of such rating may be obtained from Moody’s. The Authority, the College and the Bank have furnished to Moody’s information and materials in order to secure a rating for the Bonds, including certain information and materials that have not been included in this Official Statement. Once assigned, there is no assurance that any rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by Moody’s if, in Moody’s judgment, circumstances so warrant. Any downward revision or withdrawal of a rating assigned to the Bonds may have an adverse effect on the market price of the Bonds.

TAX EXEMPTION

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

The Loan Agreement and the Bond Indenture contain provisions (the “Tax Covenants”) including covenants of the Authority and the College, pursuant to which, in the opinion of Bond Counsel, such

requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at the Bond Closing, in the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, under present laws and rulings: interest on the Bonds is not includable in gross income for federal income tax purposes or in the taxable income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is includable in “adjusted current earnings” for purposes of computing the federal alternative minimum taxable income of corporations and is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

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

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

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

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

SECONDARY MARKET DISCLOSURE

Because the payments of principal or Tender Price of and interest on the Bonds only will be derived from draws under the Letter of Credit or an Alternate Letter of Credit then in effect, and from payments made by the College under the Loan Agreement, the Authority has determined that the financial condition of the Authority is not material to any investment decision with respect to the Bonds. No financial information with respect to the Authority is included in this Official Statement and the Authority does not presently intend to furnish any continuing information with respect to it or the Bonds.

Rule 15c2-12 (“Rule 15c2-12”) under the Securities Exchange Act of 1934, as amended, generally requires that “obligated persons” such as the College provide (i) continuing disclosure on an annual basis of financial information and operating data and (ii) notices of certain specified events that could affect the credit underlying the payment obligations of municipal securities. Offerings of municipal securities that are issued in minimum denominations of \$100,000 and are subject to purchase on the

demand of the Holder, such as will be the case with respect to the Bonds while bearing interest in the Weekly Mode Period or the Monthly Mode Period or while bearing interest in any Adjustable Long Period of 270 days or less, are exempt from these requirements. If the Bonds are remarketed in a mode other than the Weekly Mode Period, the Monthly Mode Period or any Adjustable Long Period of 270 days or less, the College may in the future become subject to the continuing disclosure obligations of Rule 15c2-12.

MISCELLANEOUS

The references herein to the Act, the Bond Indenture, the Loan Agreement, the Letter of Credit, the Reimbursement Agreement and the Remarketing Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. For full and complete statements of such provisions reference is made to the Act and said documents which will be on file at the office of the Bond Trustee.

The agreements of the Authority with the Owners of the Bonds will be fully set forth in the Bond Indenture, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. So far as any statements in this Official Statement involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

APPENDICES A, B, C, D, E and F are integral parts of this Official Statement and should be read in their entirety. The information contained in *APPENDIX E* regarding the Bank was provided by the Bank and has not been verified by the Underwriter, the Authority or the College.

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APPENDIX A

BETHEL COLLEGE & SEMINARY

The information provided in this Appendix A was provided by Bethel College & Seminary

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BETHEL COLLEGE & SEMINARY

THE COLLEGE

Introduction

Bethel College & Seminary (the “College”) is located in the City of Arden Hills, Minnesota, approximately 10 minutes from downtown Minneapolis and St. Paul. The College was first established as an institution of higher education in 1871 in Chicago, Illinois, moving to St. Paul, Minnesota in 1884. The College began its four-year liberal arts program in 1947. In 1972, the College moved from its former campus in St. Paul to its current 231-acre site in Arden Hills. The College’s steady growth to over 2,900 undergraduate students has made it the fourth largest private college in Minnesota, according to the Minnesota Private College Research Foundation.

It is the official policy and commitment of the College not to discriminate on the basis of race, color, national or ethnic origin, age, sex, or disability in its educational programs, admissions, or employment practices.

Description and Accreditations

The College is comprised of an undergraduate liberal arts college, a graduate program and a seminary, all located on the same campus, but with separate facilities (the “Main Campus”), plus another seminary campus in San Diego (“Bethel Seminary San Diego”) and multiple teaching sites on the East Coast (“Bethel Seminary of the East”). The College is accredited by the North Central Association of Colleges and Schools, the Council on Social Work Education (at the undergraduate level), the Commission on Collegiate Nursing and the Commission on Accreditation of Allied Health Education Programs. Undergraduate teacher preparation programs leading to licensure for pre-kindergarten, kindergarten, elementary, and secondary teaching, as well as graduate programs leading to licensure in special education and middle school teaching are approved by the Minnesota Board of Teaching. The nursing program is approved by the Minnesota Board of Nursing.

The academic program at the College is enriched by its membership and participation in the following programs: the Minnesota Private College Fund, the Minnesota Private College Council, the Christian College Consortium, the Council for Christian Colleges and Universities, the Upper Midwest Association for Intercultural Education, the Institute of Holy Land Studies, and the AuSable Institute of Environmental Studies.

U.S. News and World Report: America’s Best Colleges ranked the College among the top 20 comprehensive master’s level universities in the Midwest. For the past decade, Bethel has been highly ranked within its peer group by *U.S. News and World Report*.

Governance

In August of 1996, the College became a Minnesota nonprofit corporation, an action coinciding with a reorganization of the Baptist General Conference (“BGC”), an Illinois nonprofit corporation of which the College had been a department. The College is a separate 501(c)(3)

nonprofit corporation. The College is governed by a 38-member Board of Trustees. Except for two representatives of the district executive ministers council, members of the Board of Trustees are elected or confirmed by delegates from the churches of the BGC meeting in biennial session. The College's president and the president of the BGC are ex-officio members of the Board of Trustees. The Board of Trustees meets three times a year to carry out its responsibilities.

Board of Trustees

<u>Name/Title</u>	<u>Term Ending</u>	<u>Profession</u>	<u>State</u>
Dr. Thomas G. Addington	2006	President, Cornerstone Companies	AR
Bruce W. Anderson	2004	Division Manager, Marketing, Moody Bible Institute	IL
Dr. Leith C. Anderson*	2008	Senior Pastor, Wooddale Church	MN
Rollie H. Anderson*	2008	EVP, Anderson Trucking Service, Inc.	MN
Wade T. Anderson, Vice Chair*	2004	Gray, Plant, Mooty, Mooty & Bennett, P.A.	MN
Philip J. Bauer	2004	Retired CEO, Tasty Baking Co.	PA
Dr. David T. Bjork*	2006	Fergus Falls Medical Group	MN
Donald H. Bodel	2008	President, Kingston Associates, Inc.	IL
Dr. George K. Brushaber	ex officio	President, Bethel College & Seminary	MN
Larry A. Carlson, Secy.*	2006	President, Arden Foundation	MN
Charles "Denny" Ford	2006	Wright, Ford, Browning & Young, Certified Public Accountants, Inc.	CA
Richard J. Gabriel	2006	President, Heritage Container	CA
Dr. Donald D. Gerig	2004	Senior Associate, Overseas Council Int'l.	IN
John D. Griffith*	2006	Senior Vice President, Property Development, Target Corporation	MN
Darryl D. Hanson	2006	Retired Corporate Executive, Wells Fargo and GuideOne Insurance Group	IA
Bobbi Hersch*	2004	Former Partner, KPMG Health Care Advisory Services Practice	MN
Merri Lee Hipp*	2004	Missionary Equipper, Mission Moving Mountains	MN
Rev. Paul H. Hubley	2005	Executive Minister, Northeast Baptist Conference	MA
Wayland E. Jensen	2004	Chairman/CEO, Jensen Window Corporation	IL
Alan V. Johnson	2004	Regional President, Wells Fargo Bank, National Association	OR
Don H. Johnson	2004	President, Johnson Company	TX
Dr. Truett M. Lawson*	2004	Executive Minister, Minnesota Baptist Conference	MN
Daniel A. Lindh*	2008	President/ CEO, Presbyterian Homes and Services	MN
Robert J. Mann*	2004	CEO, StarTec Iron LLC	MN

* *Member of Executive Committee.*

<u>Name/Title</u>	<u>Term Ending</u>	<u>Profession</u>	<u>State</u>
Kathleen J. Nelson*	2006	Regional Director, Airport Affairs, Northwest Airlines, Inc.	MN
Michelle M. Obleton	2008	Waukegan Community Church, Staff	IL
Hon. Mary E. Pawlenty	2008	Judge, State of Minnesota, First Judicial District	MN
Dr. Dwight E. Perry	2004	Professor of Pastoral Studies, Moody Bible Institute	IL
Dr. Donald E. Phillips	2008	Retired Corporate Executive, Pitman-Moore, Inc.	IL
Anthony O. Pratt	2008	Executive Director, OBUSTY	NY
David C. Price	2008	Retired Corporate Executive, Price Industries, Inc.	CA
Dr. Gerald R. Sheveland	ex officio	President, Baptist General Conference	IL
Dr. James D. Smith, III	2006	Adjunct Professor, University of San Diego and Bethel Seminary	CA
George H. Soltero	2006	Assistant Federal Public Defender, District of Arizona	AZ
Dr. G. Jean Swopes	2006	Chair of Board/Director, Lions Math & Science Junior Academy	IL
Ann L. Tschetter	2008	Co-owner, Thermo King of Sioux Falls	SD
Ronald A. Tschetter, Chair*	2004	Retired Corporate Executive, RBC Dain Rauscher, Inc.	MN
Jerry K. Twogood*	2006	Retired Corporate Executive, Deluxe Corporation	MN

* *Member of Executive Committee.*

Alan Johnson is employed by Wells Fargo Bank, National Association, the Bond Trustee for the Bonds and the Series Four-S Bonds (described herein). The Hon. Mary Pawlenty is the spouse of Minnesota Governor Tim Pawlenty, whose office is responsible for approving the issuance of the Bonds under federal tax law. Neither of these interested Members has taken part in any deliberation, action or vote of the College concerning the companies or offices with which they are affiliated.

Bethel Administration

George K. Brushaber, President: Dr. Brushaber has served as the College's President since 1982 and was Dean of the College from 1975 to 1982. He has been involved in academic administration in diverse capacities since receiving his M.A. in religion from Wheaton College in 1961. Dr. Brushaber also holds a Master of Divinity and a Ph.D. in Epistemology and Metaphysics from Boston University. He has served with various Christian organizations throughout his career and is currently Chair of the Board of Senior Editors of *Christianity Today* and founding editor of *Christian Scholars Review*.

James H. Barnes III, Executive Vice President and Provost of the College: Dr. Barnes joined the College in 1995. His prior educational service included 15 years as Vice President for Student Development at Messiah College, four years on the residence life staff at Wheaton College, and four years as teacher and administrator at the Black Forest Academy in Germany. Dr. Barnes received a B.S. in Mathematics from Wheaton College, an M.A. in educational counseling from

the University of Connecticut, and the Ed.D. in college student personnel work from Loyola University-Chicago.

Paul L. H. Olson, Executive Vice President for Institutional Advancement: Mr. Olson joined the College in this position in September 2002. In this role, he oversees the departments of Alumni and Parent Services, Communications and Marketing, Development, and the Bethel College and Seminary Foundation. Mr. Olson holds an M.B.A. from the University of St. Thomas, a B.A. in mathematics from Macalester College, and is currently enrolled in the Executive Doctorate in Higher Education Management (Ed.D.) program at the University of Pennsylvania. Currently, Mr. Olson serves as a board member and advisor for several companies and nonprofit organizations.

James R. Thomann, Executive Vice President for Business Affairs: Mr. Thomann joined the College in this role in September 1998. He oversees the Business Office, Human Resources, Institutional Services, and Information Technology Services. Prior to assuming his current position at the College, he was a senior financial manager at a large nonprofit institution in Chicago, Illinois for more than eight years. In 1990, Mr. Thomann left public accounting after more than 20 years of specialization in the nonprofit sector. He is a graduate of the University of Cincinnati, was a practicing C.P.A. for over 20 years and is currently pursuing a master's degree in Public Services Management at DePaul University.

Ronald R. Harris, Senior Vice President for Capital Resource Development: Dr. Harris was appointed to this position in late 2003 and is responsible for major gift development. He was the Vice President of Development, Alumni & Parent Relations, a position he held from 1993-2003. Prior to that, Dr. Harris was the Dean of Faculty Growth & Assessment at the College. He is a former faculty member in the Colleges of Business at Montana State University, California State University-Pomona and Southwestern Technical College. He has administrative experience as a department head, director and dean. Dr. Harris holds a Doctorate in Business and Education Administration from Montana State University, a Masters in Business from Mankato State University and a Bachelor of Arts degree from the College.

Leland V. Eliason, Executive Vice President and Provost of Seminary: Dr. Eliason rejoined the College as Executive Vice President and Dean of Seminary in 1994. Before serving as the Senior Pastor for Whittier Area Baptist Fellowship (1983-1994), Dr. Eliason worked for a decade as Assistant to the Dean and Director of Field Education at the Bethel Theological Seminary. Dr. Eliason received a B.A. from the College and a B.D. from Bethel Theological Seminary. He also has earned S.T.M. and Th.D. degrees. As part of his dedication to community service, Dr. Eliason has undertaken several mission trips to areas including Cameroon, Ethiopia, Brazil and the Philippines; he is also a speaker for Overseas Crusade International.

Facilities

The 231-acre Main Campus borders Lake Valentine in Arden Hills. The majority of the original campus buildings were constructed in the 1970s. Much of the campus is interconnected by a system of skyways, tunnels and breezeways, providing access in all weather conditions. Multi-

use buildings provide centers for the sciences, humanities, physical education, learning resources and the arts.

In 1994, the Lundquist Community Life Center (the “CLC”) was completed. The CLC includes Benson Great Hall, a 1,700 seat auditorium. The CLC also provides classroom facilities and a general information area which provides a “front door” for the campus. In 1999, Heritage Hall, a 264-bed residence facility was completed along with additions to science and academic buildings.

The Bethel Learning Resource Center collection includes over 150,000 volumes, and students have computerized access to nine other Twin Cities libraries through membership in the Cooperating Libraries in Consortium, the Twin Cities’ private college inter-library loan group.

The College’s Sports and Recreation Center was constructed in 1984. In 1997, the College constructed a new football and soccer complex. In 2003, the College completed the Ona Orth Athletic Complex which includes a women’s softball field, a soccer field, and six intercollegiate level tennis courts.

In addition to the Main Campus, in 1977 the College established an extension campus, Bethel Seminary San Diego, in San Diego, California. Bethel Seminary San Diego offers post-graduate theological study with four degree programs taught by 24 faculty members. Bethel Seminary San Diego’s operations are consolidated with the College’s. In 1990, a \$2 million seminary complex was completed for Bethel Seminary San Diego. This facility houses offices, classrooms, a student center and library facilities with more than 75,000 volumes.

Bethel Seminary San Diego is accredited by the Association of Theological Schools and the North Central Association of Colleges and Schools. Current enrollment is 226 students.

Bethel Seminary of the East offers classes at four locations in the Northeast: Dresher, Pennsylvania; Auburn, Massachusetts; Flushing, New York; and metropolitan Washington, D.C. Bethel Seminary of the East is also accredited by the Association of Theological Schools and the North Central Association of Colleges and Schools. In each area, classes are held in local churches. Current enrollment is 124 students.

College Faculty and Academic Programs

More than 70% of College faculty members hold a terminal degree (Doctorate or equivalent). As of fall 2003, there were 178 full-time College faculty members and 122 part-time College faculty members. The faculty-student ratio is currently one to sixteen. There is no denominational prerequisite nor any participatory religious requirements for faculty or staff membership. The College subscribes to the Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

The College offers 76 undergraduate academic programs within 64 majors and 11 graduate majors. In addition to course work in a selected major, all undergraduate students must take 50 semester credit hours in the General Education Program. The General Education Program is a group of common courses intended to develop the following skills in its students: (i) the ability to think and work cross-culturally; (ii) marketable skills for a service and information, rather

than a manufacturing, society; (iii) interpersonal skills; (iv) a knowledge of Western roots; and (v) a background in Christianity.

The College operates on an early semester calendar with two 15-week semesters and a three-week Interim in January. A minimum of 122 credits are required for graduation.

**BETHEL COLLEGE
(EXCLUDES SEMINARY)
STATISTICAL SUMMARY**

	Academic Year				
	1999-00	2000-01	2001-02	2002-03	2003-04
Fall Enrollment					
Undergraduate Program	2,380	2,456	2,504	2,560	2,688
Center for Continuing Studies	352	205	200	218	232
Total Undergraduates	2,732	2,661	2,704	2,778	2,920
Graduate Programs	262	301	291	319	392
Total College and Graduate Enrollment	2,994	2,962	2,995	3,097	3,312
Matriculation Ratio (Enrolled/Accepted)	52.1%	56.6%	63.7%	50.2%	52.7%
Selectivity Ratio (Accepted/Applications)	78.9%	76.8%	65.9%	78.8%	82.2%
Average SAT Score	1,166	1,171	1,183	1,198	1,170
Average ACT Score	24.0	24.3	24.3	24.9	24.1
High School Class Rank Percentile	75.4	74.0	75.1	78.2	74.9
Faculty Full-time Equivalent	144.4	149.1	148.1	156.8	*
% of Entering Class from Top 20% of High School Class	52.5	48.0	46.8	57.4	50.3
FTE Students/FTE Faculty	17.2	16.6	17.9	16.1	*
Tuition	\$15,300	\$15,900	\$16,780	\$17,700	\$18,700
Percentage Increase	--	3.92%	5.50%	5.50%	5.65%

* Data was not available as of the date of this Official Statement.

- **Student Enrollment (Excludes Seminary)**

The College enrolled 3,312 students in the fall of 2003, the highest enrollment in the College's history. The Fall 2003 undergraduate (headcount) enrollment in the day school increased to 2,688 students, up 128 students (5%) from 2002. This increase was the result of improved retention and an increase in new freshmen. There was also an increase in undergraduate continuing studies enrollment and an increase in graduate program enrollment.

Fall 2003 headcount enrollment by category compared with previous years is as follows:

	Fall 1999	Fall 2000	Fall 2001	Fall 2002	Fall 2003
New Freshmen	622	647	666	610	705
Transfers	136	145	96	152	149
Re-Admits	49	40	45	51	44
Sub-Total New	807	832	807	813	898
Continuing	1,573	1,624	1,697	1,747	1,790
TOTAL	2,380	2,456	2,504	2,560	2,688
Center for Continuing Studies	352	205	200	218	232
TOTAL UNDERGRADUATE	2,732	2,661	2,704	2,778	2,920
Graduate Programs	262	301	291	319	392
GRAND TOTAL	2,994	2,962	2,995	3,097	3,312

The College's 2,688 undergraduate students (headcount) enrolled for Fall 2003 represent a wide range of national and international cultures and 30 religious denominations. Approximately 43% of the undergraduate students are from outside the Twin Cities metropolitan area, and approximately 30% are from outside the State of Minnesota.

Full-Time Equivalent ("FTE") enrollment for the past five years is set forth below:

	Fall 1999	Fall 2000	Fall 2001	Fall 2002	Fall 2003
Undergraduate FTEs	2,650	2,615	2,666	2,737	2872
Graduate FTEs	262	301	291	319	392
Total FTEs	2,912	2,916	2,957	3,056	3,264

Applications, Acceptances and Enrollments (Undergraduate Only)

	Fall 1999	Fall 2000	Fall 2001	Fall 2002	Fall 2003
Total applicants	1,962	1,914	1,924	2,058	2,074
Total accepted	1,548	1,469	1,267	1,621	1,704
Enrolled	807	832	807	813	898
Ratios					
Applied to Accepted	78.9%	76.8%	65.9%	78.8%	82.2%
Applied to Enrolled	41.1	43.5	41.9	39.5	43.3
Accepted to Enrolled	52.1	56.6	63.7	50.2	52.7

Bethel Theological Seminary Enrollment

Enrollment By Degree – Fall 2003

<u>Degree Program</u>	<u>Main Campus</u>	<u>Bethel Seminary San Diego</u>	<u>Bethel Seminary of the East</u>	<u>Total</u>
Masters	667	226	124	1,017
Doctoral	88	--	--	88
Total	755	226	124	1,105

Enrollment History (Headcount)

	<u>Fall 1999</u>	<u>Fall 2000</u>	<u>Fall 2001</u>	<u>Fall 2002</u>	<u>Fall 2003</u>
Main Campus	624	654	706	763	755
Bethel Seminary San Diego	172	202	200	208	226
Bethel Seminary of the East	--	--	--	91	124
Total	796	856	906	1,062	1,105
Total FTE	643	667	701	822	833

Overview of College Teaching Faculty (a)

	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
FT Teaching Faculty	143	146	147	157	168
PT Teaching Faculty	124	142	146	150	165
Total Teaching Faculty	267	288	293	307	333
Total FTE Faculty	144.4	149.1	148.1	156.8	*
Total Student Enrollment	2,380	2,456	2,504	2,560	2,688
Total FTE Students (b)	2,295	2,410	2,466	2,519	2,640
FT Faculty/FT Student Ratio	1/15.9	1/16.2	1/16.5	1/15.8	*
FTE Faculty/FTE Students	1/15.9	1/16.6	1/16.6	1/16.1	*

(a) Excludes faculty on sabbatical; includes one-year replacement instructors and private music instructors.

(b) FTE's exclude Center for Graduate and Continuing Studies' students.

(*) Data was not available as of the date of this Official Statement.

Retirement Plans

The College has a defined benefit pension plan which covers substantially all full-time employees of the College. Benefits are based on years of service and each employee's highest average compensation during five consecutive years of employment. The College's policy is to

annually fund pension cost accrued. For further information concerning the plan’s status as of May 31, 2003, see *APPENDIX B*—Note 8.

The College also has a noncontributory defined contribution retirement plan which covers substantially all full-time employees of the College. The College contributes amounts, determined by management, based on a participant’s annual compensation level. Expense for this plan was \$1,046,632 and \$1,033,918 during fiscal years 2003 and 2002, respectively.

The College’s plans are considered “church plans” under the Employee Retirement Income Security Act of 1974 (“ERISA”). The plans are generally exempt from the provisions of ERISA unless management makes an election for the plans to be subject its regulations. Management currently does not intend to make such an election.

Tuition and Fees (Excludes Seminary)

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

	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Undergraduate (full-time) per academic year					
Tuition and Fees	\$15,300	\$15,900	\$16,780	\$17,800	\$18,700
Room	3,140	3,320	3,520	3,680	3,790
Full Board	<u>2,270</u>	<u>2,340</u>	<u>2,440</u>	<u>2,520</u>	<u>2,590</u>
Total	\$20,710	\$21,560	\$22,740	\$24,000	\$25,080

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.

Comparison of Undergraduate Charges for Minnesota Private Colleges (2004-2005)*

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

* These are "standard," fulltime, academic year charges for new entering students in the fall of 2004. Several colleges have differential tuition for upper-level students or other policies that result in some variation across class levels and students.

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

Source: *Minnesota Private College Council.*

Financial Aid

Approximately 82% of the full-time students enrolled receive scholarships or grants from the College. The following table is a five-year summary of financial aid from College and non-College sources. These figures include both need-based and merit-based financial aid:

	1999-00	2000-01	2001-02	2002-03	2003-04*
Unrestricted Institutional Scholarships and Grants	\$8,002,645	\$8,932,183	\$9,503,656	\$9,928,731	\$11,486,650
Endowed and Restricted Gift Institutional Scholarships	582,864	617,146	679,448	699,577	483,284
Federal Pell and SEOG Grants	1,295,068	1,384,883	1,423,465	1,477,005	1,632,220
Minnesota State Grants	2,715,793	2,892,307	2,723,419	2,490,996	2,361,840
Other Scholarships and Grants	991,770	1,170,120	1,193,033	1,173,399	1,331,368
Total Scholarships and Grants	13,588,140	14,996,639	15,523,021	15,769,708	17,295,362
Student Loans	9,756,241	10,308,621	11,060,126	12,361,306	14,383,562
Student Work	1,559,149	1,550,774	1,858,295	1,789,738	2,000,000
Total Financial Aid	\$24,903,530	\$26,856,034	\$28,441,442	\$29,920,752	\$33,678,924

* Figures for the 2003-04 academic year are preliminary and subject to revision.

Fundraising

Over the past three fiscal years, the College has averaged annual contributions of approximately \$7 million. The College has successfully completed fundraising campaigns for a variety of specific purposes. Recent major capital campaigns include those for the Pipe Organ (\$1.6 million) and the Ona Orth Sports Complex (\$1.7 million). Both of these projects have been included.

The College is currently involved in the leadership phase of a major comprehensive campaign, the "New Century Campaign." Included in this fundraising campaign are resources for a new student life building (\$30 million), a new residence hall (\$6 million), endowment (\$20 million) and annual fund (\$16.5 million). A portion of the Project is expected to be financed with funds raised through the New Century Campaign. It is anticipated that the New Century Campaign will enter its public phase in early 2005.

The College has not pledged the receipt of any gifts to payment of the Bonds.

Bethel College and Seminary Foundation

Bethel College and Seminary Foundation (the “Foundation”) was established in 1971 to manage the College’s endowment and to provide investment management and trust services to individuals and families with ties to the College. The Foundation’s services include investment management, retirement income management, trust management, charitable gift planning and asset management (real estate, businesses, farms, stocks, and bonds). More than 100 individuals and families use the Foundation for the investment and management of all or a portion of their assets. The Foundation provides estate planning for the ultimate distribution of those assets to other individuals and to the College, their church or other organizations. The Foundation seeks to maintain the flexibility individuals need to meet a diversity of circumstances and needs. The Foundation, as of the end of its fiscal year on April 30, 2003, had assets under management of approximately \$40,200,000. **Revenues and assets of the Foundation are not available for payment of the Bonds.** The Foundation has guaranteed the College’s obligations under the Reimbursement Agreement. See “THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT – The Reimbursement Agreement” in this Official Statement.

Gifts and Grants

The College reports gifts and grants in accordance with FASB 116. Gifts are recorded as pledges are received:

<u>Fiscal Year</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
1999	\$4,568,344	\$1,260,926	\$594,900	\$6,424,170
2000	4,655,273	1,200,917	472,408	6,328,598
2001	5,879,469	746,992	688,549	7,315,010
2002	5,955,527	1,668,949	316,054	7,940,530
2003	5,566,456	1,424,996	1,831,585	8,823,037

Endowment Funds

The endowment funds and deferred gift funds (excluding those of the Foundation) listed below are shown at market value:

<u>Fiscal Year</u>	<u>Endowment Funds</u>	<u>Gift Annuity Funds</u>	<u>Total Funds</u>
1999	\$15,719,480	\$1,596,114	\$17,315,594
2000	16,498,054	1,738,650	18,236,704
2001	14,814,025	1,678,375	16,492,400
2002	13,284,619	2,103,410	15,388,029
2003	15,078,216	2,676,178	17,754,394

As of March 31, 2004, the market value of the College’s endowment was approximately \$16,700,000.

Statement of Financial Activity for Fiscal Years 1999-2003

The following table sets forth the College's statement of activities and changes in net assets for the fiscal years ended May 31, 1999 through 2003, excluding the Foundation.

BETHEL COLLEGE & SEMINARY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS For the Years Ended May 31,

Operating Revenues and Net Assets Released from Restrictions:	1998-99	1999-00	2000-01	2001-02	2002-03
Tuition and instructional fees net of internally funded aid	\$29,493,183	\$31,409,192	\$33,492,419	\$36,432,527	\$40,338,408
Auxiliary services	10,630,694	12,189,420	12,859,626	13,777,540	13,929,961
Contributions, gifts, and bequests	3,516,598	3,476,043	4,413,050	4,751,676	4,955,939
Grants, primarily federal financial aid	874,977	1,010,829	1,302,290	1,053,677	474,552
Endowment Income	502,162	554,204	550,636	599,421	499,836
Other sources, primarily student charges	2,330,152	4,661,840	3,721,644	4,221,158	4,197,539
Investment income, net	787,288	295,073	335,891	102,946	124,984
Baptist General Conference gift	176,769	168,401	164,129	150,174	135,968
Net assets released from restriction	1,067,049	635,163	531,745	719,465	599,100
Total Operating Revenues and Net Assets Released from Restrictions	49,378,872	54,400,165	57,371,430	61,808,584	65,256,287
Expenses:					
Instruction	17,474,966	19,462,894	21,809,539	24,186,673	25,874,351
General Operating:					
Academic Support	5,998,082	6,426,911	7,096,016	7,141,544	6,216,278
Institutional Support	11,602,642	11,293,372	11,229,388	12,101,850	15,027,568
Public Service	597,938	711,346	722,098	790,565	822,137
Student Services	3,628,448	3,906,601	4,367,571	4,870,387	5,079,058
Auxiliary Services	9,793,327	10,710,716	11,918,150	12,784,606	12,442,066
Total Expenses	49,095,403	52,511,840	57,142,762	61,875,625	65,461,458
Change in Net Assets Before Excess (deficit) of Endowment Earnings over Spending Rate	283,469	1,888,325	228,668	(67,041)	(205,171)
Excess (deficit) of Endowment Earnings over Spending Rate	124,679	306,166	(1,879,234)	(1,705,152)	(1,069,206)
Change in Net Assets	408,148	2,194,491	(1,650,566)	(1,772,193)	(1,274,377)
Net Assets at the Beginning of the Year	32,633,976	33,042,124	35,236,615	33,586,049	32,271,598*
Net Assets at the end of the Year	\$33,042,124	35,236,615	\$33,586,049	\$31,813,856	\$30,997,221

* See Note 1, May 31, 2003 audited financial statements in Appendix B of this Official Statement.

Long-Term Debt

The College has the following long-term debt outstanding as of April 30, 2004:

- (a) Minnesota Higher Education Facilities Authority, Adjustable Demand Revenue Bonds, Series Four-S, issued in June 1998 in the amount of \$22,865,000. \$10,495,000 of the bonds are callable variable rate bonds due April 2028. The balance of the bonds have interest rates of 4.2% to 5.1% per annum and are due in annual installments of \$390,000 to \$945,000 to April 2019. The April 30, 2004 outstanding balance was \$20,750,000.
- (b) Allied Irish Bank (AIB) Loan, borrowed in June 1998, in the original amount of \$1,800,000. The proceeds were used to retire a term note with US Bank National Association which had financed a portion of the Community Life Center. The interest rate on the AIB loan is 6.65% per annum and the loan is due in equal monthly installments of \$15,612, with a balloon payment of \$825,199 due June 2008. The April 30, 2004 outstanding balance was \$1,279,416.
- (c) US Bank Energy Management Loan borrowed in January 1999 in the original amount of \$560,000, with interest at 5.7% per annum due in equal monthly installments of \$6,136 to December 2008. The April 30, 2004 outstanding balance was \$307,793.
- (d) Various capital leases for computer equipment, science and office equipment, and furniture, payable at various interest rates with final installments due in March 2008. The April 30, 2004 aggregate outstanding balance was \$335,551.

As of April 30, 2004, the total long-term debt outstanding, adjusted to include the Series Five-V Bonds, is \$31,172,760.

APPENDIX B

AUDITED COMBINED FINANCIAL STATEMENTS

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Bethel College and Seminary and Bethel College and Seminary Foundation

**Combined Financial Statements and
Additional Information**

May 31, 2003

**Bethel College and Seminary
and Bethel College and
Seminary Foundation**

**Combined Financial Statements
May 31, 2003**

**Bethel College and Seminary and
Bethel College and Seminary Foundation
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Report of Independent Auditors

To the Board of Trustees of
Bethel College and Seminary

In our opinion, the accompanying combined statement of position and the related combined statements of activities and change in net assets and cash flows present fairly, in all material respects, the financial position of Bethel College and Seminary and Bethel College and Seminary Foundation (collectively known as “Bethel”) (an affiliate of the Baptist General Conference, an Illinois not-for-profit corporation) at May 31, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Bethel’s management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative totals have been derived from Bethel’s May 31, 2002, financial statements; and in our report dated August 23, 2002, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



August 22, 2003

**Bethel College and Seminary and
Bethel College and Seminary Foundation
Combined Statement of Position
May 31, 2003, with Summarized Comparative Totals Year Ended May 31, 2002**

	2003			Total	2002 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Assets					
Cash and cash equivalents	\$ (191,599)	\$ 4,027,488	\$ 273,587	\$ 4,109,476	\$ 3,039,176
Receivables, net	4,731,108	688,419		5,419,527	4,996,625
Student loans	3,068,830			3,068,830	3,258,984
Inventories	679,242			679,242	698,757
Prepays and other assets	401,811			401,811	1,036,892
Investments, at market	8,690,233	3,169,855	14,690,264	26,550,352	25,354,948
Interest in trust assets		2,642,852	839,148	3,482,000	4,164,000
Interfund (payable) receivable	(1,319,581)	1,117,197	202,384		
Property and equipment, net	54,839,437			54,839,437	53,763,652
Total assets	<u>\$ 70,899,481</u>	<u>\$ 11,645,811</u>	<u>\$ 16,005,383</u>	<u>\$ 98,550,675</u>	<u>\$ 96,313,034</u>
Liabilities					
Accounts payable	\$ 2,600,372			\$ 2,600,372	\$ 1,959,656
Accrued interest	174,520			174,520	177,710
Accrued salaries and vacation	2,230,799			2,230,799	1,932,604
Demand notes payable, uncollateralized	147,000			147,000	147,000
Grant deposits refundable	212,621			212,621	756,893
Student deposits and advance registration fees	1,044,323			1,044,323	708,661
Deferred tuition revenue	1,087,373			1,087,373	1,644,653
Liability for self insurance	580,727			580,727	469,449
Gift annuity contracts		\$ 1,856,143	\$ 202,384	2,058,527	1,486,713
Long-term debt	23,419,346			23,419,346	23,639,157
Perkins loans refundable	2,642,621			2,642,621	2,655,384
Total liabilities	<u>34,139,702</u>	<u>1,856,143</u>	<u>202,384</u>	<u>36,198,229</u>	<u>35,577,880</u>
Net Assets					
Unrestricted					
General unrestricted	1,611,488			1,611,488	1,158,924
Net investment in plant	35,525,245			35,525,245	36,002,061
Unspent endowment (deficit) earnings	(376,954)			(376,954)	910,654
Total unrestricted	<u>36,759,779</u>			<u>36,759,779</u>	<u>38,071,639</u>
Temporarily restricted		9,789,668		9,789,668	9,450,402
Permanently restricted			15,802,999	15,802,999	13,213,113
Total net assets	<u>36,759,779</u>	<u>9,789,668</u>	<u>15,802,999</u>	<u>62,352,446</u>	<u>60,735,154</u>
Total liabilities and net assets	<u>\$ 70,899,481</u>	<u>\$ 11,645,811</u>	<u>\$ 16,005,383</u>	<u>\$ 98,550,675</u>	<u>\$ 96,313,034</u>

The accompanying notes are an integral part of these combined financial statements.

**Bethel College and Seminary and
Bethel College and Seminary Foundation
Combined Statement of Activities and Changes in Net Assets
Year Ended May 31, 2003, with Summarized Comparative Totals Year Ended
May 31, 2002**

	2003			Total	2002 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues and other additions					
Tuition and instructional fees, net of institutionally funded aid of \$12,384,687 and \$11,973,389 for 2003 and 2002, respectively	\$ 40,338,408			\$ 40,338,408	\$ 36,432,527
Contributions, gifts and bequests	4,751,609			4,751,609	3,885,287
Grants, primarily federal and state financial aid	474,552			474,552	1,053,677
Auxiliary services	13,929,961			13,929,961	13,777,540
Endowment income	499,836			499,836	599,421
Other sources, primarily student charges	4,197,539			4,197,539	4,221,158
Investment income, net	124,984			124,984	102,946
Baptist General Conference	135,968			135,968	150,174
Net assets released from restrictions	599,100	\$ (599,100)			
Total revenues, gains and other support	<u>65,051,957</u>	<u>(599,100)</u>		<u>64,452,857</u>	<u>60,222,730</u>
Expenditures and other deductions					
Instructional	25,874,351			25,874,351	24,186,673
General operating					
Academic support	6,216,278			6,216,278	7,141,544
Institutional support	15,027,568			15,027,568	12,101,850
Public service	822,137			822,137	790,565
Student services	5,079,058			5,079,058	4,870,387
Auxiliary services	12,442,066			12,442,066	12,784,606
Total expenditures	<u>65,461,458</u>			<u>65,461,458</u>	<u>61,875,625</u>
Net deficit from operating activities	(409,501)	(599,100)		(1,008,601)	(1,652,895)
Nonoperating activities					
Contributions, gifts and bequests	167,944	1,424,996	\$ 1,831,585	3,424,525	2,512,883
Endowment income					118,548
Change in gift annuity		(278,901)		(278,901)	(58,858)
Other sources	(14,942)	(581)		(15,523)	(22,756)
Undistributed endowment losses	(1,069,206)			(1,069,206)	(1,705,152)
Investment loss	(289,831)			(289,831)	(132,050)
Change in present value of remainder interest in trusts		(682,000)		(682,000)	(112,000)
Net (deficit) surplus from nonoperating activities	<u>(1,206,035)</u>	<u>463,514</u>	<u>1,831,585</u>	<u>1,089,064</u>	<u>600,615</u>
(Decrease) increase in net assets	(1,615,536)	(135,586)	1,831,585	80,463	(1,052,280)
Net assets					
Beginning of year	<u>38,375,315</u>	<u>9,925,254</u>	<u>13,971,414</u>	<u>62,271,983</u>	<u>61,787,434</u>
End of year	<u>\$ 36,759,779</u>	<u>\$ 9,789,668</u>	<u>\$ 15,802,999</u>	<u>\$ 62,352,446</u>	<u>\$ 60,735,154</u>

The accompanying notes are an integral part of these combined financial statements.

**Bethel College and Seminary and
Bethel College and Seminary Foundation
Combined Statement of Cash Flows
Years Ended May 31, 2003 and 2002**

	2003	2002
Cash flows from operating activities		
Change in net assets	\$ 80,463	\$ (1,052,280)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,618,386	2,724,174
Cash contributions with donor restrictions	(2,640,975)	(1,510,839)
Net realized/unrealized loss on investments	3,869,734	3,056,370
Increase in interest in trust assets	682,000	112,000
Change in operating assets and liabilities		
Prepays and other assets	635,081	(807,384)
Receivables	88,295	(799,259)
Inventories	19,515	(80,174)
Accounts payable	615,589	(391,776)
Accrued faculty salaries and interest	295,005	184,125
Student deposits and advance registration fees	335,662	(30,013)
Gift annuity contracts	564,023	246,105
Deferred tuition revenue	(557,280)	950,644
Perkins loans refundable	(12,763)	(13,927)
Liability for self insurance	111,278	41,328
Grant deposits refundable	(544,272)	(451,817)
Net cash provided by operating activities	<u>6,159,741</u>	<u>2,177,277</u>
Cash flows from investing activities		
Purchase of property and equipment	(3,464,674)	(3,222,931)
Proceeds from sale of investments	12,576,088	4,631,396
Purchase of investments	(16,742,667)	(5,246,117)
Net cash used in investing activities	<u>(7,631,253)</u>	<u>(3,837,652)</u>
Cash flows from financing activities		
Long-term debt borrowings	436,990	
Payments on long-term debt	(656,801)	(698,652)
Cash contributions with donor restrictions	2,640,975	1,510,839
Net cash provided by financing activities	<u>2,421,164</u>	<u>812,187</u>
Net increase (decrease) in cash and cash equivalents	949,652	(848,188)
Cash and cash equivalents		
Beginning of year	3,159,824	3,887,364
End of year	<u>\$ 4,109,476</u>	<u>\$ 3,039,176</u>
Supplemental data		
Interest paid	\$ 1,144,986	\$ 1,195,517

The accompanying notes are an integral part of these combined financial statements.

**Bethel College and Seminary and
Bethel College and Seminary Foundation
Notes to Combined Financial Statements
May 31, 2003**

1. Organization

Bethel College and Seminary (the "Institution") is a Minnesota not-for-profit corporation. The Institution is controlled by a 35-member Board of Trustees who are approved by the delegates from the churches of the Baptist General Conference ("Conference").

Bethel College and Seminary and Bethel College and Seminary Foundation (collectively known as "Bethel") is required to combine within its financial statements the net assets of entities which meet certain control considerations. Accordingly, the financial statements of the Institution include the accounts of the Bethel College and Seminary Foundation ("Foundation"). The Foundation was established by the Institution's Board of Trustees for the purpose of enhancing the financial strength of the Institution by supporting endowment growth, facilitating major noncash gifts and encouraging major gifts through its deferred gift program. In addition, the Foundation provides accounting and management services for the Institution's long-term investments. The members of the Board of Trustees of the Foundation are ratified by the Board of Trustees of the Institution. All significant intercompany accounts and transactions have been eliminated in combination. Collectively, the two entities are referred to herein as Bethel.

During the June 30, 1997 fiscal year, the Institution entered into a management agreement with Seminary of the East ("Seminary"). The agreement established a joint venture which is presently administered by a four member management team consisting of two representatives from each organization. The management team has been assigned complete responsibility for all operations of the Seminary, including academic, administration and financial, management, and development.

The joint venture has been operating successfully, and the Seminary and the Institution completed a formal merger effective July 1, 2002.

Due to the merger effective July 1, 2002, not all prior year amounts will agree to prior year as the ending balance for the Seminary of the East at June 30, 2002, was added to the beginning fund balance of Bethel at June 1, 2002.

2. Summary of Significant Accounting Policies

Accrual Basis

The financial statements of Bethel have been prepared on the accrual basis of accounting.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Bethel and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted long-lived net assets consist primarily of property and equipment, long-term debt and assets held by the Foundation.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Bethel and/or the passage of time.

**Bethel College and Seminary and
Bethel College and Seminary Foundation
Notes to Combined Financial Statements
May 31, 2003**

- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they may be maintained permanently by Bethel. Generally, the donors of these assets permit Bethel to use all, or part of, the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Investment income, gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Temporarily restricted net assets for which donor-imposed restrictions are met in the current reporting period are reclassified to unrestricted net assets and reported as assets released from restrictions. Net assets which have no donor-imposed restrictions are recognized as revenues in the period received.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity.

Income and realized and unrealized net gains on investments of endowment and similar funds are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of income; and
- As increases in unrestricted net assets in all other cases.

The Institution utilizes a total return concept in managing its endowment investments. Income and realized and unrealized net gains on endowment and similar funds in excess of the spending rate are recorded as undistributed endowment earnings.

The Institution's endowment spending policy authorizes spending of all nonscholarship endowment income of one-half of the average three-year realized return (interest and dividend income and realized investment gains and losses) on endowments, not to exceed 7.5 percent. The spending rate policy for scholarship endowments is to distribute 6.5 percent of the current fair market value of the endowment assets annually.

**Bethel College and Seminary and
Bethel College and Seminary Foundation
Notes to Combined Financial Statements
May 31, 2003**

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended May 31, 2002, from which the summarized information was derived.

Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment nature, including:

- permanently restricted private gifts which are invested in perpetuity,
- temporarily restricted private gifts which use is restricted
- change in gift annuity contracts and change in present value of remainder interest in trusts
- endowment investment earnings reinvested, and restricted as to use,
- endowment investment earnings above the spending policy, and
- investment income from the Foundation.

Cash and Cash Equivalents

Cash and cash equivalents consist of money market funds and certificates of deposit managed by the Institution to be used for Bethel's short-term needs, with maturities at the time of purchase of three months or less, and are recorded at cost, which approximates market value.

Student Loans

Student loans consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements. It is not practicable to estimate the fair value of these receivables since they contain federally-mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition.

Inventories

Inventories consist of books, clothing, and other bookstore merchandise held for resale and are stated at the lower of cost or market with cost determined by the first-in, first-out or specific identification method.

Investments

Investments in securities are stated at quoted market. Investments in real estate are stated at cost or at estimated fair value at the date of gift. Changes in market values are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are determined using the average cost method and recorded based on trade dates.

**Bethel College and Seminary and
Bethel College and Seminary Foundation
Notes to Combined Financial Statements
May 31, 2003**

Interest in Trust Assets

Bethel is the ultimate beneficiary of certain funds held in trust by the Foundation. The Foundation, as a trustee, has entered into various trust agreements which provide that the trustee shall make specified annual payments to the grantors or other income beneficiaries. Upon the death of the grantors or other designated beneficiaries, the remaining assets in the trusts shall be disposed of by the Foundation in accordance with the terms of the agreements.

Bethel's interest is recorded at present value, calculated based on a formula involving (a) specified annual payments to the grantors or other income beneficiaries, (b) mortality of grantors or beneficiaries, (c) assumed investment return (8 percent at the end of fiscal years 2003, 2002 and 2001) and (d) a present value factor reflecting a risk-weighted rate at the date of the gift, 6 percent for trusts established during fiscal year 2003 and forward, 8 percent for trusts established during fiscal years 1998 through 2002 and 10 percent for trusts established during previous fiscal years. These assets are classified as either permanently or temporarily restricted, depending on donor-imposed restrictions for the use of the funds upon maturity of the trust.

Bethel does not record any net interest in trusts which are revocable or in which it does not have a defined remainder interest.

Interfund (Payable) Receivable

The interfund loan between net asset categories accrues interest at 6.5 percent and both principal and interest are payable on demand.

Property and Equipment

Property and equipment are stated at cost, except those received as gifts or bequests which are stated at estimated fair market value at the date of gift. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (30-50 years), land improvements (15 years), equipment (5-10 years), and library books (15-25 years).

Gift Annuity Contracts

Gift annuity contracts represent Bethel's liability under annuity contracts with donors. The liability is established at the time of the contribution using actuarial tables and revalued at the end of each fiscal year. Actuarial gains and losses resulting from the annual re-evaluation of annuity obligations are included in other sources and reflected as temporarily restricted or permanently restricted, consistent with the method used to initially record the contributions.

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 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.

**Bethel College and Seminary and
Bethel College and Seminary Foundation**
Notes to Combined Financial Statements
May 31, 2003

Concentration of Credit Risk

Approximately 90 percent of Bethel's nonreal estate investments are managed and held by SEI Trust and the majority of Bethel's cash and cash equivalents are concentrated in one bank. The investment viability and return of funds held by these institutions is dependent on, among other factors, the financial results of the underlying issuers.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations*. This statement establishes standards for accounting for obligations associated with the retirement of tangible long-lived assets. The standard is required to be adopted by the Institution beginning on June 1, 2003. Management is currently assessing the impact this pronouncement will have upon the Institution's operations.

3. Receivables

Receivables as of May 31, 2003 and 2002, are as follows:

	2003	2002
Student tuition and fees	\$ 3,646,050	\$ 3,708,325
Pledges, net of allowance of \$40,773 and \$106,575, respectively	647,855	448,124
Other	1,510,264	1,170,894
	<u>5,804,169</u>	<u>5,327,343</u>
Less: Allowance for doubtful accounts	(384,642)	(330,718)
	<u>\$ 5,419,527</u>	<u>\$ 4,996,625</u>

Pledges are expected to be collected between one and five years as of May 31, 2003 and 2002.

4. Investments

Investments consist of the following at May 31, 2003 and 2002:

	2003		2002	
	Cost	Market	Cost	Market
Certificates of deposit and money market funds	\$ 2,485,391	\$ 2,485,393	\$ 2,334,349	\$ 2,334,349
Stocks, principally common and equity mutual funds	14,893,839	16,093,655	18,112,157	14,629,388
Bonds, notes and debt mutual funds	4,246,601	4,331,439	4,789,576	4,727,531
Real estate	3,494,001	3,494,001	3,499,001	3,499,001
Other	145,864	145,864	164,679	164,679
Total investments	<u>\$ 25,265,696</u>	<u>\$ 26,550,352</u>	<u>\$ 28,899,762</u>	<u>\$ 25,354,948</u>

**Bethel College and Seminary and
Bethel College and Seminary Foundation**
Notes to Combined Financial Statements
May 31, 2003

The components of investment earnings are summarized below:

	2003	2002
Investment income	\$ 2,510,697	\$ 2,040,083
Net realized and unrealized losses	<u>(3,869,734)</u>	<u>(3,056,370)</u>
	<u>\$ (1,359,037)</u>	<u>\$ (1,016,287)</u>

5. Property, Plant and Equipment

Property and equipment as of May 31, 2003 and 2002, are as follows:

	2003	2002
Land and land improvements	\$ 6,514,014	\$ 5,649,749
Buildings and building improvements	65,604,309	64,930,343
Furniture and equipment	17,744,409	17,049,821
Construction in progress	<u>3,378,509</u>	<u>1,826,875</u>
	93,241,241	89,456,788
Less: Accumulated depreciation	<u>(38,401,804)</u>	<u>(35,693,136)</u>
	<u>\$ 54,839,437</u>	<u>\$ 53,763,652</u>

6. Bank Line of Credit and Demand Notes Payable

Bethel has a \$4,000,000 revolving credit agreement with a bank. This agreement expires on February 28, 2004. Significant covenants under this agreement require the maintenance of specified net asset and debt to net asset ratios. Interest on the outstanding balance is payable monthly at 0.5 percent below the bank's reference (prime) rate (4.25 percent and 4.75 percent at May 31, 2003 and 2002, respectively). At May 31, 2003 and 2002, there were no amounts outstanding.

Bethel has other uncollateralized demand notes payable outstanding of \$147,000 at May 31, 2003 and 2002. These notes bear interest rates which range from 5 percent to 8 percent.

**Bethel College and Seminary and
Bethel College and Seminary Foundation
Notes to Combined Financial Statements
May 31, 2003**

7. Long-Term Debt

Long-term debt payable consists of the following at May 31, 2003 and 2002:

	2003	2002	Collateral
Minnesota Higher Education Facilities Authority, Adjustable Demand Revenue Bonds, Series Four-S, 4.2 percent to 5.1 percent due in annual installments of \$390,000 to \$945,000 to April 2019 and \$10,495,000 of callable variable rate bonds due April 2028	\$ 21,210,000	\$ 21,650,000	Letter of credit, Allied Irish Bank
Allied Irish Bank Loan, 6.65 percent due in equal monthly installments of \$15,612, with a balloon payment of \$825,199 due June 2008	1,363,116	1,458,569	
USBank Energy Management loan, 5.7 percent due in equal monthly installments of \$6,136 to January 2009	<u>357,469</u>	<u>408,783</u>	Energy management equipment
Total long-term debt	<u>22,930,585</u>	<u>23,517,352</u>	
Capitalized lease obligations and notes payable, various interest rates, due in monthly installments to January 2005	<u>488,761</u>	<u>121,805</u>	Computer equipment, office equipment and generator equipment
	<u>\$ 23,419,346</u>	<u>\$ 23,639,157</u>	

Maturities of long-term debt, including scheduled interest payments on capitalized lease obligations, for the next five years aggregate:

Fiscal Year	Long-term Debt	Capital Lease Obligations	Total
2004	\$ 779,271	\$ 74,921	\$ 854,192
2005	727,386	55,682	783,068
2006	738,032	31,164	769,196
2007	723,890	31,163	755,053
2008	1,520,878	15,582	1,536,460
Thereafter	<u>18,743,767</u>	<u>18,743,767</u>	<u>18,743,767</u>
	23,233,224	208,512	23,441,736
Less: Cumulative scheduled interest payments on capitalized lease obligations		<u>(22,390)</u>	<u>(22,390)</u>
	<u>\$ 23,233,224</u>	<u>\$ 186,122</u>	<u>\$ 23,419,346</u>

**Bethel College and Seminary and
Bethel College and Seminary Foundation
Notes to Combined Financial Statements
May 31, 2003**

Minnesota Higher Education Facilities Authority Adjustable Demand Revenue Bonds, Series Four-S (the "Bonds") are collateralized by an irrevocable transferable, direct pay, seven-year letter of credit delivered by Allied Irish Banks, p.l.c. ("Allied"). In connection with the letter of credit, Allied entered into an agreement with the Foundation to guarantee Bethel's obligation. Terms of the letter of credit agreement require the Bethel to comply with various covenants, including the maintenance of a 1.1 to 1.0 debt service coverage ratio.

The USBank Energy Management loan term require Bethel to comply with various covenants, including the maintenance of total unrestricted net assets greater than \$32,000,000.

8. Retirement Plans

Bethel has a defined benefit pension plan which covers substantially all full-time salaried employees of Bethel and certain other eligible employees of the Conference. Benefits are based on years of service and each employee's highest average compensation during five consecutive years of employment. Bethel's policy is to annually fund pension cost accrued.

Bethel has adopted FASB Statement No. 132, *Employers' Disclosures about Pension and Other Postretirement Benefits*. The following information was prepared in accordance with the standard.

The following illustrates the status of the pension plan at May 31, 2003 and 2002:

	2003	2002
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 36,992,453	\$ 33,200,124
Service cost	1,705,765	1,494,651
Interest cost	2,747,309	2,547,094
Benefits paid	(1,603,652)	(1,447,048)
Actuarial loss	7,587,804	1,197,632
Benefit obligation at end of year	<u>\$ 47,429,679</u>	<u>\$ 36,992,453</u>
Change in Plan Assets		
Fair value of plan assets at beginning of year	\$ 31,811,570	\$ 33,096,079
Employer contributions	773,509	1,011,498
Benefits paid	(1,603,652)	(1,447,048)
Actual return on plan assets	(398,284)	(848,959)
Fair value of plan assets at end of year	<u>\$ 30,583,143</u>	<u>\$ 31,811,570</u>

**Bethel College and Seminary and
Bethel College and Seminary Foundation**
Notes to Combined Financial Statements
May 31, 2003

	2003	2002
Funded status	\$ (16,846,536)	\$ (5,180,883)
Unrecognized net transition asset	(191,864)	(292,847)
Unrecognized prior service cost	396,130	465,208
Unrecognized net actuarial loss	<u>16,120,307</u>	<u>4,991,073</u>
Accrued benefit cost recognized in the combined balance sheet	<u>\$ (521,963)</u>	<u>\$ (17,449)</u>
Components of Net Periodic Benefit Costs		
Service cost	\$ 1,705,765	\$ 1,494,651
Interest cost	2,747,309	2,547,094
Expected return on plan assets	(3,143,146)	(3,010,449)
Amortization of unrecognized transition asset	(100,983)	(100,983)
Amortization of unrecognized prior service cost	<u>69,078</u>	<u>69,078</u>
Net periodic benefit cost	<u>\$ 1,278,023</u>	<u>\$ 999,391</u>

Actuarial assumptions used are approximately:

	2003	2002
Discount rate	7.25 percent	7.25 percent
Expected return on plan assets	9.00 percent	9.00 percent
Rate of compensation increase	5.00 percent	5.00 percent

Bethel also has a noncontributory defined contribution retirement plan which covers substantially all employees. Bethel contributes amounts, determined by management, based on participants' annual compensation level. Expense for this plan was \$1,046,632 and \$1,033,918 during fiscal years 2003 and 2002, respectively.

Bethel's plans are considered "church plans" under the Employee Retirement Income Security Act of 1974 ("Act"). The plans are generally exempt from the provisions of the Act unless management makes an election to come within its regulations. Management currently does not intend to make that election.

9. Income Taxes

Bethel qualifies as a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and similar statutes of Minnesota law. Accordingly, income taxes have not been recorded in the accompanying financial statements. Bethel is subject to unrelated business income tax on certain rental income and income generated from the Community Life Center and summer rental of dormitories. Bethel has no obligation for unrelated business income tax.

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ADDITIONAL INFORMATION

Report of Independent Auditors on Additional Information

To the Board of Trustees of
Bethel College and Seminary

Our report on the audit of the combined financial statements of Bethel College and Seminary and Bethel College and Seminary Foundation as of May 31, 2003, and for the year then ended appears on page 1. This audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



August 22, 2003

**Bethel College and Seminary and
Bethel College and Seminary Foundation
Detail Schedule of Activities and Changes in Net Assets
Year Ended May 31, 2003, with Summarized Comparative Totals Year Ended May 31, 2002**

	2003						2002 Total	
	General	Long-Lived Assets	Release From Temporarily Restricted	Total	Temporarily Restricted	Permanently Restricted		Total
Revenues and other additions								
Tuition and instructional fees, net of internally funded aid of \$12,384,687 and \$11,973,389 for 2003 and 2002, respectively	\$ 40,338,408			\$ 40,338,408			\$ 40,338,408	\$ 36,432,527
Contributions, gifts and bequests	4,404,080	\$ 347,529		4,751,609			4,751,609	3,885,287
Grants, primarily federal and state financial aid	474,552			474,552			474,552	1,053,677
Auxiliary services	13,929,961			13,929,961			13,929,961	13,777,540
Endowment income	499,836			499,836			499,836	599,421
Other sources, primarily student charges	4,183,135	14,404		4,197,539			4,197,539	4,221,158
Investment income, net	31,214	93,770		124,984			124,984	102,946
Baptist General Conference gift	135,968			135,968			135,968	150,174
Net assets released from restrictions			\$ 599,100	599,100	\$ (599,100)			
Total revenues, gains and other support	<u>63,997,154</u>	<u>455,703</u>	<u>599,100</u>	<u>65,051,957</u>	<u>(599,100)</u>		<u>64,452,857</u>	<u>60,222,730</u>
Expenditures and other deductions								
Instructional	25,275,855	568,081	30,415	25,874,351			25,874,351	24,186,673
General operating								
Academic support	5,861,185	223,633	131,460	6,216,278			6,216,278	7,141,544
Institutional support	14,752,436	185,077	90,055	15,027,568			15,027,568	12,101,850
Public service	797,914	10,282	13,941	822,137			822,137	790,565
Student services	4,509,343	236,486	333,229	5,079,058			5,079,058	4,870,387
Auxiliary services	11,095,123	1,346,943		12,442,066			12,442,066	12,784,606
Total expenditures	<u>62,291,856</u>	<u>2,570,502</u>	<u>599,100</u>	<u>65,461,458</u>			<u>65,461,458</u>	<u>61,875,625</u>
Net surplus (deficit) from operating activities	1,705,298	(2,114,799)		(409,501)	(599,100)		(1,008,601)	(1,652,895)
Nonoperating activities								
Contributions, gifts and bequests		167,944		167,944	1,424,996	\$ 1,831,585	3,424,525	2,512,883
Endowment income								118,548
Change in Gift Annuity					(278,901)		(278,901)	(58,858)
Other sources		(14,942)		(14,942)	(581)		(15,523)	(22,756)
Undistributed endowment earnings		(1,069,206)		(1,069,206)			(1,069,206)	(1,705,152)
Investment income		(289,831)		(289,831)			(289,831)	(132,050)
Change in present value of remainder interest in trusts					(682,000)		(682,000)	(112,000)
Allocation among unrestricted funds								
Plant facilities allocation	(945,565)	945,565						
Long-term debt reduction	(656,801)	656,801						
Allocation for equipment replacement								
Net (deficit) surplus from nonoperating activities	<u>(1,602,366)</u>	<u>396,331</u>		<u>(1,206,035)</u>	<u>463,514</u>	<u>1,831,585</u>	<u>1,089,064</u>	<u>600,615</u>
Increase (decrease) in net assets	102,932	(1,718,468)		(1,615,536)	(135,586)	1,831,585	80,463	(1,052,280)
Net assets								
Beginning of year	1,508,558	36,866,757	-	38,375,315	9,925,254	13,971,414	62,271,983	61,787,434
End of year	<u>\$ 1,611,490</u>	<u>\$ 35,148,289</u>	<u>\$ -</u>	<u>\$ 36,759,779</u>	<u>\$ 9,789,668</u>	<u>\$ 15,802,999</u>	<u>\$ 62,352,446</u>	<u>\$ 60,735,154</u>

**Bethel College and Seminary and
Bethel College and Seminary Foundation
Statement of Position – College, Excluding the Activities of Bethel College and Seminary Foundation
May 31, 2003, with Summarized Comparative Totals Year Ended May 31, 2002**

	2003						2002 Total
	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	
	General	Long-Lived Assets	Total				
Assets							
Cash and cash equivalents	\$ 4,075,854	\$ (4,882,074)	\$ (806,220)	\$ 4,027,488	\$ 273,587	\$ 3,494,855	\$ 2,426,090
Inventories	679,242		679,242			679,242	698,757
Prepays and other assets	401,811		401,811			401,811	1,036,892
Receivables, net	7,891,502	1,932,605	9,824,107	688,419	1,536,698	12,049,224	10,274,927
Investments, at market	1,196,249	126,965	1,323,214	3,169,855	13,153,566	17,646,635	17,652,427
Interfund (payable) receivable		(1,319,581)	(1,319,581)	1,117,197	202,384		
Property and equipment, net		54,839,437	54,839,437			54,839,437	53,763,652
Total assets	<u>\$ 14,244,658</u>	<u>\$ 50,697,352</u>	<u>\$ 64,942,010</u>	<u>\$ 9,002,959</u>	<u>\$ 15,166,235</u>	<u>\$ 89,111,204</u>	<u>\$ 85,852,745</u>
Liabilities							
Demand notes payable, uncollateralized	\$ 147,000		\$ 147,000			\$ 147,000	\$ 147,000
Accrued interest	174,520		174,520			174,520	177,710
Accounts payable	2,405,459		2,405,459			2,405,459	1,767,086
Accrued faculty salaries	2,230,799		2,230,799			2,230,799	1,932,604
Grant deposits refundable	212,621		212,621			212,621	756,893
Student deposits and advance registration fees	1,044,323		1,044,323			1,044,323	708,661
Deferred tuition revenue	1,087,373		1,087,373			1,087,373	1,644,653
Liability for self insurance	580,727		580,727			580,727	469,449
Gift annuity contracts				\$ 1,856,143	\$ 202,384	2,058,527	1,486,713
Long-term debt		\$ 23,419,346	23,419,346			23,419,346	23,639,157
Perkins loans refundable	2,642,621		2,642,621			2,642,621	2,655,384
Total liabilities	<u>10,525,443</u>	<u>23,419,346</u>	<u>33,944,789</u>	<u>1,856,143</u>	<u>202,384</u>	<u>36,003,316</u>	<u>35,385,310</u>
Net Assets							
Unrestricted							
General unrestricted	<u>3,719,215</u>	<u>27,654,960</u>	<u>31,374,175</u>			<u>31,374,175</u>	<u>31,015,214</u>
Temporarily restricted, non endowments				<u>6,655,497</u>		<u>6,655,497</u>	<u>5,012,134</u>
Endowments							
Principal				491,319	14,963,851	15,455,170	12,373,965
Unspent endowment earnings		(376,954)	(376,954)			(376,954)	910,654
Total endowment		<u>(376,954)</u>	<u>(376,954)</u>	<u>491,319</u>	<u>14,963,851</u>	<u>15,078,216</u>	<u>13,284,619</u>
Total net assets	<u>3,719,215</u>	<u>27,278,006</u>	<u>30,997,221</u>	<u>7,146,816</u>	<u>14,963,851</u>	<u>53,107,888</u>	<u>50,467,435</u>
Total liabilities and net assets	<u>\$ 14,244,658</u>	<u>\$ 50,697,352</u>	<u>\$ 64,942,010</u>	<u>\$ 9,002,959</u>	<u>\$ 15,166,235</u>	<u>\$ 89,111,204</u>	<u>\$ 85,852,745</u>

**Bethel College and Seminary and
Bethel College and Seminary Foundation
Statement of Activities – College, Excluding the Activities of Bethel College and Seminary Foundation
Year Ended May 31, 2003, with Summarized Comparative Totals Year Ended May 31, 2002**

	2003						2002 Total	
	General	Long-Lived Assets	Release From Temporarily Restricted	Total	Temporarily Restricted	Permanently Restricted		Total
Revenues and other additions								
Tuition and instructional fees, net of internally funded aid of \$12,384,687 and \$11,973,389 for 2003 and 2002, respectively	\$ 40,338,408			\$ 40,338,408			\$ 40,338,408	\$ 36,432,527
Contributions, gifts and bequests	4,608,410	\$ 347,529		4,955,939			4,955,939	4,751,676
Grants, primarily federal and state financial aid	474,552			474,552			474,552	1,053,677
Auxiliary services	13,929,961			13,929,961			13,929,961	13,777,540
Endowment income	499,836			499,836			499,836	599,421
Other sources, primarily student charges	4,183,135	14,404		4,197,539			4,197,539	4,221,158
Investment income, net	31,214	93,770		124,984			124,984	102,946
Baptist General Conference gift	135,968			135,968			135,968	150,174
Net assets released from restrictions			\$ 599,100	599,100	\$ (599,100)		-	
Total revenues, gains and other support	64,201,484	455,703	599,100	65,256,287	(599,100)		64,657,187	61,089,119
Expenditures and other deductions								
Instructional	25,275,855	568,081	30,415	25,874,351			25,874,351	24,186,673
General operating								
Academic support	5,861,185	223,633	131,460	6,216,278			6,216,278	7,141,544
Institutional support	14,752,436	185,077	90,055	15,027,568			15,027,568	12,101,850
Public service	797,914	10,282	13,941	822,137			822,137	790,565
Student services	4,509,343	236,486	333,229	5,079,058			5,079,058	4,870,387
Auxiliary services	11,095,123	1,346,943		12,442,066			12,442,066	12,784,606
Total expenditures	62,291,856	2,570,502	599,100	65,461,458			65,461,458	61,875,625
Net surplus (deficit) from operating activities	1,909,628	(2,114,799)		(205,171)	(599,100)		(804,271)	(786,506)
Nonoperating activities								
Contributions, gifts and bequests					1,424,996	\$ 1,831,585	3,256,581	1,985,003
Endowment income								118,548
Change in Gift Annuity					(278,901)		(278,901)	(58,858)
Other sources					(581)		(581)	5,987
Undistributed endowment earnings		(1,069,206)		(1,069,206)			(1,069,206)	(1,705,152)
Investment income								
Change in present value of remainder interest in trusts								
Allocation among unrestricted funds								
Plant facilities allocation	(945,566)	945,566						
Long-term debt reduction	(656,801)	656,801						
Allocated reserve for equipment replacement								
Net (deficit) surplus from nonoperating activities	(1,602,367)	533,161		(1,069,206)	1,145,514	1,831,585	1,907,893	345,528
Increase (decrease) in net assets	307,261	(1,581,638)		(1,274,377)	546,414	1,831,585	1,103,622	(440,978)
Net assets								
Beginning of year	3,411,955	28,859,643	-	32,271,598	6,600,402	13,132,266	52,004,266	50,908,413
End of year	\$ 3,719,216	\$ 27,278,005	\$ -	\$ 30,997,221	\$ 7,146,816	\$ 14,963,851	\$ 53,107,888	\$ 50,467,435

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APPENDIX C
DEFINITIONS OF CERTAIN TERMS

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DEFINITIONS OF CERTAIN TERMS

“Account” or “Accounts” means one or more of the Accounts or Funds created under the Indenture.

“Act” means Sections 136A.25 to 136A.42, Minnesota Statutes, as amended.

“Adjustable Long Period” means any Adjustment Period other than a Short Period. There shall be no Demand Dates during an Adjustable Long Period.

“Adjustment Date” means with respect to each Bond, (i) the date or dates specified in the Official Statement, (ii) each LOC Termination Tender Date and (iii) any other date so designated by the Remarketing Agent in the manner set forth in the Indenture, including any Substitute Adjustment Date. Each Adjustment Date is also a Rate Change Date.

“Adjustment Period” means with respect to each Bond, the period beginning on the date of the initial authentication and delivery of such Bond and ending at 12:00 Midnight, Chicago time, on the applicable date specified in the Official Statement (unless the interest rate on such Bond has been converted to the Fixed Interest Rate or a Substitute Adjustment Date has occurred) and, thereafter, each period beginning on an Adjustment Date for such Bond and ending on the day before the next Adjustment Date for such Bond. No Adjustment Period shall be for a duration of less than 20 days. Unless and until the Remarketing Agent affirmatively designates a different Adjustment Period and all other conditions relating to such designation are satisfied as specified in the Indenture, if the preceding Adjustment Period for such Bond was a Weekly Mode Period, a Monthly Mode Period or an Adjustable Long Period, such period shall remain in effect.

“Alternate Letter of Credit” means, after expiration, termination or cancellation of the Letter of Credit with respect to any Bond, one or more letters of credit or other facilities (other than the Letter of Credit) of any Person, including any confirming letter of credit, line of credit, insurance policy, surety bond, bond purchase agreement, guaranty or other instrument, providing credit and/or liquidity support for (i) the principal of (whether upon maturity, redemption or acceleration) and interest on the Bonds when due and/or (ii) the Tender Price with respect to such Bonds tendered or required to be tendered for purchase pursuant to the Indenture. No Alternate Letter of Credit may have a stated expiration date of less than the lesser of (i) 12 months from the date of issuance or delivery thereof or (ii) the maturity of the Bonds.

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

“Authorized Institution Representative” means the President or any Executive Vice President or any other person at the time designated to act on behalf of the College by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the College by the Chair or the Secretary of its Board of Trustees of the College. Such certificate may designate an alternate or alternates.

“Authorized Investments” means investments authorized by law for moneys in the accounts created under the Indenture and described in Section 8.05 thereof.

“Bank” means (i) Allied Irish Banks, p.l.c., acting through its New York Branch, while the Letter of Credit is in effect or any obligations remain outstanding under the Reimbursement Agreement, and its successors and (ii) at any time that an Alternate Letter of Credit is in effect, the issuer or issuers (acting through an agent) of such Alternate Letter of Credit, and its successors.

“Bank Bond” means any Bond purchased upon an optional or mandatory tender for purchase with a draw on the Letter of Credit or Alternate Letter of Credit and delivered to the Bank or, if the Book-Entry System is in effect, the beneficial ownership of which is registered in the name of the Bank, or such agent or nominee as the Bank shall direct, as collateral security in favor of the Bank pursuant to the Reimbursement Agreement, until such time as such Bond is remarketed pursuant to the Remarketing Agreement or the Bank is reimbursed by the College for such draw on the Letter of Credit or Alternate Letter of Credit pursuant to the Reimbursement Agreement.

“Board of Trustees” means the Board of Trustees of the College, and includes any Executive Committee or any other committee authorized to act for such board.

“Bond and Interest Sinking Fund Account” means the Bond and Interest Sinking Fund Account established under the Indenture into which the Authority and the Trustee shall deposit certain moneys for payment of principal of and interest on the Bonds.

“Bond Resolution” means the Series Resolution of the Authority adopted on May 19, 2004, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

“Bonds” means the Minnesota Higher Education Facilities Authority Adjustable Demand Revenue Bonds, Series Five-V (Bethel College & Seminary).

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

“Business Day” means any day other than (i) a Saturday, Sunday, (ii) a day on which commercial banks in New York, New York or Chicago, Illinois or the city or cities in which are located the Principal Office of the Trustee and the office of the Bank at which demands for payment

under the Letter of Credit or any Alternate Letter of Credit are to be presented, are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

“College” means Bethel College & Seminary, a Minnesota nonprofit corporation, its successors and assigns, as owner and operator of the Institution.

“College Account” means the account so designated which is created and established in the Purchase Fund pursuant to the Indenture.

“Construction Account” means the Construction Account established under the Indenture for deposit of certain Bond proceeds and other funds to be used for the payment of Project Costs.

“Conversion Date” means the date upon which any Bond begins to bear interest at the Fixed Interest Rate as provided in the Indenture.

“Default” or “event of default” means any of those events defined as events of default in the Indenture, Loan Agreement or Reimbursement Agreement, as the context requires, which has not been cured.

“Demand Date” means a date upon which any Owner or Beneficial Owner of the Bonds bearing interest in a Weekly Mode Period or a Monthly Mode Period demands to have any such Bonds purchased in accordance with the Indenture.

“Depository” or “DTC” means The Depository Trust Company in New York, New York, its successors or assigns, or any other person who shall be a Holder of all Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, College and Trustee to act as the Depository; provided that 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” means a Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that interest on the Bonds is includable in the gross income of the recipient under Section 103 of the Internal Revenue Code, related sections and regulations thereunder, as in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement. A determination that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

“Eligible Moneys” means so long as a Letter of Credit or Alternate Letter of Credit secures the Bonds (a) proceeds of the Bonds, (b) moneys drawn under the Letter of Credit or an Alternate Letter of Credit which are either (i) applied directly to the payment of the principal of or interest on the Bonds when due or to the payment of the Tender Price of the Bonds when due, or (ii) if not so applied, are held in a separate and segregated subaccount under the Indenture until so applied, (c) moneys which have been on deposit with the Trustee as agent and bailee for the Bondholders for 123 days during which and prior to which no petition in bankruptcy is pending or has been filed by

or against the College or the Authority under the United States Bankruptcy Code, (d) proceeds from the remarketing of Bonds pursuant to the Remarketing Agreement (or any underwriting or purchase agreement permitted by the Indenture) to any Person other than the College or the Authority, (e) proceeds from any refunding bonds, (f) moneys which are derived from any other source (including moneys drawn under any Alternate Letter of Credit) if the Trustee has received an unqualified opinion of recognized bankruptcy counsel acceptable to the Trustee and to any Rating Agency then maintaining a rating of the Bonds to the effect that payment of such amounts to Bondholders would not constitute avoidable preferences pursuant to the provisions of the United States Bankruptcy Code, and (g) investment income derived from the investment of the foregoing types of moneys; provided that such proceeds, moneys or income shall not be deemed to be Eligible Moneys or available for payment of the Bonds if, among other things, an injunction, restraining order or stay is in effect preventing such proceeds, moneys or income from being applied to make such payment and, if no Letter of Credit or Alternate Letter of Credit secures the Bonds, any moneys on deposit with the Trustee thereunder.

“Event of Default” means an Event of Default described in the Indenture, Loan Agreement or Reimbursement Agreement, as the context requires, which has not been cured.

“Favorable Opinion” means an opinion of Bond Counsel delivered to the Authority and the Trustee, to the effect that a specific action proposed to be taken is authorized by the Indenture and will not adversely affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

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

“Fiscal Year” means the College’s fiscal year, and shall initially mean the 12-month period commencing on June 1 in each year.

“Fixed Interest Rate” means the fixed annual interest rate on any Bond established in accordance with the Indenture.

“Fixed Rate Period” means the remaining term to maturity or earlier mandatory redemption of any Bond after conversion of the interest rate on such Bond to the Fixed Interest Rate.

“General Bond Reserve Account” means the General Bond Reserve Account created pursuant to the General Bond Resolution.

“General Bond Resolution” means the General Bond Resolution adopted by the Authority on October 31, 1972, and any amendments thereto.

“Government Securities” means (i) direct non-callable obligations of the United States of America and (ii) direct non-callable, non-prepayable obligations as to which the timely payment of principal and interest is fully guaranteed by the United States of America.

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

“Immediate Notice” means notice by telephone, telex, electronic mail or telecopier to such address as the addressee shall have directed in writing, promptly followed by written notice by first class mail postage prepaid.

“Indebtedness” means (i) all indebtedness, whether or not represented by bonds, debentures, notes or other securities, for the repayment of money borrowed, (ii) all deferred indebtedness for the payment of the purchase price of property or assets purchased, (iii) all guaranties, endorsements, assumptions and other contingent obligations in respect of, or to purchase or to otherwise acquire, indebtedness of others, (iv) all indebtedness secured by any mortgage, pledge or lien existing on property owned, subject to such mortgage, pledge or lien, whether or not indebtedness secured thereby shall have been assumed.

“Indenture” or “Bond Indenture” means the Trust Indenture between the Authority and the Trustee, dated as of May 1, 2004, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

“Institution” means the Bethel College & Seminary, a Minnesota institution of higher education headquartered in the City of Arden Hills, Minnesota owned and operated by the College.

“Interest Account” means the account so designated which is created and established in the Bond and Interest Sinking Fund Account pursuant to the Indenture.

“Interest Payment Date” means (i) each Adjustment Date; (ii) each Mandatory Tender Date; (iii) for Bonds in a Weekly Mode Period or Monthly Mode Period, the first Business Day of each calendar month beginning June 1, 2004; (iv) for Bonds in an Adjustable Long Period, each Rate Change Date, each April 1 and October 1 and June 1, 2034; (v) after the Conversion Date for any Bond, each April 1 and October 1 and June 1, 2034 with respect to such Bond; or (vi) each optional or mandatory redemption date.

“Internal Revenue Code” means the Internal Revenue Code of 1986 and amendments thereto.

“Issue” means the Bonds.

“Issue Date” means the date on which the Bonds are delivered to the original purchasers thereof upon original issuance.

“Letter of Credit” means that certain Irrevocable Direct Pay Letter of Credit to be dated the date of initial delivery of the Bonds, from the Bank in favor of the Trustee, issued at the request and for the account of the College, as the same may from time to time be transferred, assigned, reissued, extended or reduced in stated amount in accordance with its terms and the terms of the Reimbursement Agreement. No draws are permitted under the Letter of Credit for payment of the principal or Tender Price of or interest on the Bank Bonds, Bonds registered in the name of the College or Bethel College and Seminary Foundation or Bonds bearing interest in a Fixed Rate Period or an Adjustable Rate Period.

“Loan Agreement” means the Loan Agreement between the Authority and the College dated May 1, 2004, as from time to time amended or supplemented, relating to the Bonds.

“Loan Repayments” means the Loan Repayments under the Loan Agreement.

“LOC Interest Account” means the account so designated which is created and established in the Bond and Interest Sinking Fund Account pursuant to the Indenture.

“LOC Principal Account” means the account so designated which is created and established in the Bond and Interest Sinking Fund Account pursuant to the Indenture.

“LOC Purchase Account” means the account so designated which is created and established in the Purchase Fund pursuant to the Indenture.

“LOC Termination Tender Date” means (a) the date on which the Letter of Credit or Alternate Letter of Credit then in effect (including any extensions thereof) is replaced with an Alternate Letter of Credit, unless the Trustee receives, not less than 30 days prior to such replacement, (i) a written statement from each Rating Agency then rating the Bonds to the effect that such replacement of the Letter of Credit or Alternate Letter of Credit then in effect is not anticipated to result in the rating or ratings by such Rating Agency of the Bonds being lowered or withdrawn and (ii) a commitment for or the form of the Alternate Letter of Credit being delivered in substitution for the Letter of Credit or Alternate Letter of Credit then in effect or (b) two Business Days prior to the date on which the Letter of Credit then in effect (including any extensions thereof) is canceled or allowed to terminate or expire without being replaced by any Alternate Letter of Credit, or reduced in stated amount so as to no longer secure the Bonds. The date of any declaration of an “event of default” under the Indenture or the date of payment of the principal and accrued interest on the Bonds shall not be an LOC Termination Tender Date.

“Mandatory Tender Date” means each date on which Owners and Beneficial Owners are required to tender their Bonds for purchase as described in “THE BONDS—Mandatory Tender.”

“Mode,” with respect to a Weekly Mode Period, Monthly Mode Period or Adjustable Long Period, means the method of determining interest rates, Interest Payment Dates, Rate Determination Dates and Rate Change Dates within such Adjustment Period.

“Monthly Mode Period” means any Adjustment Period during which the interest rate on any Bonds is determined on a monthly basis as set forth in the Indenture.

“Non-LOC Interest Account” means the account so designated which is created and established in the Bond and Interest Sinking Fund Account pursuant to the Indenture.

“Non-LOC Principal Account” means the account so designated which is created and established in the Bond and Interest Sinking Fund Account pursuant to the Indenture.

"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 12.03 of the Indenture pertaining to Bonds held by the Authority and the College) 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 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; (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 Sections 2.07, 2.08 and 6.01 of the Indenture pertaining to replacement of Bonds; and (iv) Undelivered Bonds.

“Paying Agent” means the Trustee serving as paying agent for the Bonds.

“Permitted Encumbrances” means, 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 College, and (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

"Person" means any natural person, corporation, joint venture, limited liability company, cooperative, partnership, trust or unincorporated organization, government or governmental body or agency, political subdivision or other legal entity, as in the context may be appropriate.

“Principal Account” means the account so designated which is created and established in the Bond and Interest Sinking Fund Account pursuant to the Indenture.

“Project” means the Project described in this Official Statement.

“Project Buildings” mean the facilities acquired, improved or constructed with proceeds of the Bonds, including investment earnings.

“Project Costs” means costs properly payable from the Construction Account for improvement, acquisition, construction, and equipping of the Project.

“Project Equipment” means all fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds, including investment earnings.

“Project Facilities” means the Project Site, the Project Buildings, and the Project Equipment as the same may at any time exist.

“Project Site” means the land on which any of the Project Buildings are or will be located or otherwise to be improved as part of the Project, described in Exhibit A to the Loan Agreement.

“Purchase Fund” means the Purchase Fund which is established by the Trustee with the Tender Agent pursuant to the Indenture.

“Rate Change Date” means the date the interest rate on a Bond changes; specifically (i) during any Weekly Mode Period, the day of the week (initially, Wednesday) designated as such by the Remarketing Agent from time to time, (ii) during any Monthly Mode Period, the day of the month (initially, the first Business Day of the month) designated as such by the Remarketing Agent from time to time, (iii) a Demand Date during a Monthly Mode Period on which any Bonds are actually delivered in accordance with the requirements of the Indenture, (iv) during any Adjustable Long Period, the date(s) specified in the notice delivered to the Trustee and (v) each Adjustment Date.

“Rate Determination Date” means for each Adjustment Period, the date the interest rate on a Bond is determined; specifically (i) during any Weekly Mode Period, the day of the week (initially, Wednesday) designated as such by the Remarketing Agent from time to time, before the Rate Change Date for the related Rate Period, (ii) during any Monthly Mode Period, (A) the day of the month (initially, the first Business Day of the month) designated as such by the Remarketing Agent from time to time, (B) a Demand Date during a Monthly Mode Period on which any Bonds are actually delivered in accordance with the requirements of the Indenture, and (C) on any other Business Day, and (iii) during any Adjustable Long Period, the date(s) specified in the notice delivered to the Trustee in accordance with the Indenture. If any Rate Determination Date during a Short Period is not a Business Day, the Rate Determination Date shall be the immediately preceding Business Day.

“Rate Period” means each period specified by the Remarketing Agent, commencing on a Rate Change Date to and including the day before the next Rate Change Date.

"Rating Agency" means any nationally recognized credit rating agency that has an outstanding credit rating assigned to the at the request of the College.

"Record Date" means with respect to any Interest Payment Date, the fifteenth day before such Interest Payment Date, or, if such day shall not be a Business Day, the immediately preceding Business Day, except that during a Short Period, "Record Date" means the Business Day before such Interest Payment Date.

"Reference Rate" means the interest rate per annum announced from time to time by the Trustee, as its prime or reference rate.

"Reimbursement Agreement" means (i) the Reimbursement Agreement dated as of May 1, 2004, between the College and the Bank and the Pledge and Security Agreement relating to the obligation of the College to reimburse the Bank for moneys drawn on the Letter of Credit, and (ii) with respect to any Alternate Letter of Credit, the agreement or instrument between the College and the issuer or issuers of such Alternate Letter of Credit and any related Pledge Agreement which governs the rights, duties and obligations of such parties, in each case as each such agreement may be amended or supplemented.

"Remarketing Account" means the account so designated which is created and established in the Purchase Fund pursuant to the Indenture.

"Remarketing Agent" means William Blair & Company, L.L.C., a limited liability company, or any successor or successors appointed and serving in such capacity pursuant to the Indenture.

"Remarketing Agreement" means the Remarketing Agreement dated as of May 1, 2004, between the College and the Remarketing Agent, including any amendments thereto; and any other written agreement among the Authority and/or the College and any Remarketing Agent describing the responsibilities of the Remarketing Agent.

"Reserve Account" means the Reserve Account established under the Indenture.

"Reserve Requirement" means, the debt service reserve requirement, if any, established by the Trustee and the College at the time of conversion of any of the Bonds to a Fixed Interest Rate but in no event exceeding the lesser of (a) the maximum amount of principal and interest coming due on the Bonds to be converted in the then current or any future Bond Year, or (b) 10% of the principal amount of the Bonds to be converted or (c) 125% of average annual debt service of the Bonds to be converted.

"Series Five-V Bonds" means the Minnesota Higher Education Facilities Authority Adjustable Demand Revenue Bonds, Series Five-V (Bethel College & Seminary).

"Short Period" means a Weekly Mode Period or a Monthly Mode Period.

“Substitute Adjustment Date” means any date designated by the Remarketing Agent in accordance with the Indenture.

“Tender Agent” means the Tender Agent appointed in accordance with the Indenture (initially the Trustee), and any successor Tender Agent appointed thereunder.

“Tender Date” means a Demand Date or a Mandatory Tender Date.

“Tender Price” means the applicable purchase price for the Bonds on a Demand Date or a Mandatory Tender Date (including any premium payable upon mandatory tender).

“Trust Estate” means 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.

“Trustee” or “Bond Trustee” means the trustee at the time serving as such under the Indenture.

“Undelivered Bond” means (i) Bonds subject to purchase on a Tender Date for which sufficient moneys are on deposit with the Trustee or the Tender Agent to pay the applicable Tender Price thereof, as provided in the Indenture, but which Bonds have not been presented to the Tender Agent on such Tender Date as required and (ii) Bonds (other than Bonds described in (i) above) which are not presented to the Trustee for payment when the principal thereof and premium, if any, and interest thereon shall have become due, either at maturity or on the date fixed for redemption or otherwise, and for which sufficient moneys are on deposit with the Trustee to pay such principal, premium, if any, and interest thereon in accordance with the Indenture.

“Underwriter” means William Blair & Company, L.L.C., a limited liability company, as original purchaser of the Bonds.

“Weekly Mode Period” means any Adjustment Period during which the interest rate on any Bonds is determined on a weekly basis as set forth in the Indenture.

APPENDIX D

SUMMARY OF DOCUMENTS -
THE LOAN AGREEMENT AND THE INDENTURE

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The College represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than December 31, 2005 subject only to “force majeure,” as provided in the Loan Agreement. The College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized “project” under the Act or will adversely affect the tax exempt status of interest on the Bonds and an opinion of counsel to such effects is furnished. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds in the Construction Account.

Loan Repayments

Under the Loan Agreement, the College agrees to make Loan Repayments in amounts and at times sufficient to provide for payment in full of all principal of and interest on the Bonds when due. To provide for such payments the College covenants to pay for the account of the Authority in the following amounts, subject to certain credits relating to investment earnings:

- (a) Into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on the next succeeding Interest Payment Date and the

amount payable as principal on the Bonds on the next succeeding principal payment date; and

- (b) Forthwith, into the Bond and Interest Sinking Fund Account, as required, the amount of any deficiency in the event the funds on deposit in the Bond and Interest Sinking Fund Account are for any reason insufficient to pay principal, premium (if any) and interest on the Bonds then due (whether at maturity, or by redemption or acceleration of maturity in event of default); and
- (c) On and after each Conversion Date, into the Reserve Account forthwith any amounts which may then be required to be deposited therein by Section 8.02 of the Indenture.

Without limiting the generality of the foregoing covenant to make payments, the College agrees to make or cause to be made payments to the Trustee (or, at the direction of the Trustee, to the Tender Agent) as follows:

- (i) with respect to any Outstanding Bonds, no later than 10:00 A.M. (Chicago time), on each Business Day on which interest on such Bonds is payable, a sum equal to the interest to be paid on such Outstanding Bonds on such day; and
- (ii) with respect to any Outstanding Bonds, no later than 10:00 A.M. (Chicago time), on each Business Day on which principal and premium, if any, of such Bonds is payable upon mandatory tender or optional redemption, maturity or acceleration, a sum equal to the principal of such Outstanding Bonds which will become due and payable on such day; and
- (iii) no later than 2:30 P.M. (Chicago time), on each Demand Date and Mandatory Tender Date with respect to any Bonds, a sum equal to the Tender Price for such Bonds to be purchased on such Demand Date or Mandatory Tender Date;

provided, that the obligation of the College to make any such payment (a) pursuant to (i) or (ii) above shall be deemed to be satisfied and discharged to the extent moneys are available therefor in the Bond and Interest Sinking Fund Account (other than in the LOC Interest Account or the LOC Principal Account thereof as specified in the Indenture), and (b) pursuant to (iii) above shall be deemed to be satisfied and discharged to the extent moneys are available therefor in the Purchase Fund; and provided, further, that if no Letter of Credit or Alternate Letter of Credit is in effect, the payments due by the College pursuant to clauses (i), (ii), and (iii) above under this heading shall be due and payable one Business Day prior to the due date specified in such clauses.

There is reserved to the College 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 College 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 College 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 College agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501 (c)(3) of the Code.

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, the College 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. The College may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities, so long as the tax-exempt status of the Bonds will not be affected thereby and such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture or the Act, and the College shall remain fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made.

Title to Property and Liens

Except for Permitted Encumbrances, the College will not permit any liens to be established or to remain against the Project Facilities including any mechanics’ liens for labor or materials furnished in connection with the acquisition and construction of the Project or with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided the College 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 College 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 College shall promptly pay all such items.

Taxes and Other Governmental Charges

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

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

- (a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Facilities, with a deductible amount of up to \$250,000.
- (b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of \$5,000,000 and aggregate for each year of \$5,000,000 with a deductible amount of up to \$250,000 per occurrence and against liability for property damage in the minimum amount for each occurrence of \$100,000.
- (c) Workers' compensation insurance (including self-insurance) in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College.

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

The College is required to furnish to the Trustee annually a certificate of insurance compliance. Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the College at least thirty days before the cancellation or modification becomes effective.

Removal or Release of Project Equipment and Building Equipment

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

- (a) the College 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 College may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the College pays a sum equal to the then value of such Project Equipment as determined by an independent engineer selected by the College, 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 released was less than \$25,000, such release without substitution and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an independent engineer upon such showing by the College as may be satisfactory to the Trustee; and
- (c) the College may remove any Building Equipment without substitution therefor provided that such removal will not materially impair the character or revenue producing significance or value of the Project Facilities.

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or in connection with (c) above, the depreciated book value of Building Equipment, to be substituted, removed or released equals or exceeds \$25,000 the College 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 College 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 College 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 College in connection with the sale of the Bonds.

Existence and Accreditation of College and Institution

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

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

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued on behalf of or for the benefit of the College and all organizations under common management or control with the College (other than qualified hospital bonds and other than tax exempt bonds issued after August 5, 1997 as part of an issue 95% or more of the net proceeds of which are to be used to finance capital expenditures incurred after such date), within the meaning of Section 145 of the Internal Revenue Code, does not exceed \$150,000,000. Under the Loan Agreement, in no event will the College affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect

of any such transaction would be to adversely affect the tax-exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the College or such other resulting entity, and all organizations under common management or control with the College or such resulting entity (other than qualified hospital bonds and other than tax exempt bonds issued after August 5, 1997 as part of an issue 95% or more of the net proceeds of which are to be used to finance capital expenditures incurred after such date), within the meaning of Section 145 of the Internal Revenue Code.

Institution to be Nonsectarian

Except for the Seminary portion of the Institution, which is separable from the general undergraduate and graduate programs for which the Project Facilities have been or are to be completed, the College 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 College 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.

Other Covenants

The College further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of religion (except with respect to the Seminary), race, color, creed or national origin in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Services Offices, subject to the right of contest. The College agrees to indemnify the Authority from losses arising from certain representations made by the College 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 College 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 College shall fail to make any Loan Repayment when due and the available moneys on deposit in the Bond and Interest Sinking Fund Account or Reserve Account, as the case may be, on a Bond principal or interest payment date are insufficient to pay when due principal, premium, if any, and interest on the Bonds; or
- (b) If the College shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or
- (c) On or after the Conversion Date, if the College shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement, if any is so required, provided failure to comply with such requirement shall not become an Event of Default unless the College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or
- (d) Any Event of Default under the Indenture shall occur and be continuing; or
- (e) Unless waived by the Bank, if the College fails to perform (unless as a result of a cause or event not reasonably within the control of the College), any other covenant, condition or agreement on its part under the Loan Agreement or any representation or warranty by the College proves untrue in any material respect as of the date of the making thereof and the College fails to remedy such default within thirty (30) days after notice from the Trustee, unless the nature of the default is such that it cannot be remedied within the 30-day period and the Trustee grants an extension of time and the College diligently pursues corrective action; or
- (f) If the College 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 College; or
- (g) If a court of competent jurisdiction shall enter an order, judgment or decree against the College in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the College or of the whole or any substantial part of the property of the College and such order, judgment or decree shall not be vacated or set aside or stayed within ninety days from the date of the entry thereof; or

- (h) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the College or of the whole or any substantial part of the property of the College, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control; or
- (i) If the Bank notifies the Trustee in writing that an event of default as defined in the Reimbursement Agreement has occurred and that the Bank is terminating the Letter of Credit.
- (j) If the College defaults in the payment of any principal of or interest on Indebtedness, the outstanding aggregate principal of which is \$500,000 or more, and any applicable period of grace with respect thereto has elapsed, unless such default has been waived by the holder or holders of such Indebtedness.

Remedies on Default

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

- (a) Subject to the Bank's right of consent, the Trustee may declare all or any amount of Loan Repayments thereafter to become due under and payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.
- (b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due under the Loan Agreement.
- (c) Subject to the Bank's right of consent, the Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement or the Indenture in accordance with the provisions thereof.

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied as provided in Section 10.05 of the Indenture, a description of which appears in this Appendix D under the heading "THE INDENTURE—Application of Moneys."

Amendments

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

THE INDENTURE

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

Granting Clauses

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

- (a) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority’s annual fee and rights to indemnity and reimbursement;
- (b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be created and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and
- (c) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the College or by anyone in behalf of them or with their written consent, to the Trustee.

Accounts

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

Trustee’s Right to Payment

The Trustee shall have a lien, with right of payment prior to payment of interest on or principal of the Bonds, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against

any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee). The Trustee has no lien upon or right to receive payment of any fees, expenses or other amounts from the Purchase Fund or amounts drawn or deemed to have been drawn under the Letter of Credit or Alternate Letter of Credit or the proceeds of remarketing the Bonds.

Covenants of the Authority

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

Draws Under Letter of Credit or Alternate Letter of Credit

The Trustee will pay when due the principal, premium, if any, and interest on the Bonds whether at maturity, by mandatory sinking fund redemption or upon acceleration, upon an Interest Payment Date, upon optional redemption, upon optional or mandatory tender for purchase, or otherwise, from the following sources, in the order listed:

- (1) With respect to optional or mandatory tenders for purchase, proceeds of remarketing of Bonds pursuant to the Remarketing Agreement (or, with the written consent of each Rating Agency, any other underwriting or purchase agreement otherwise permitted by the Indenture) to any Person (other than the College or the Authority or an affiliate of the College) who has purchased such Bonds with their own assets and for their own account, to the extent available, but only to pay the Tender Price of Bonds;
- (2) Amounts drawn under the Letter of Credit or Alternate Letter of Credit then in effect, if any, provided, however, that the Trustee shall not apply such Eligible Moneys for the payment of Bonds which are not secured by such Letter of Credit or Alternate Letter of Credit;
- (3) Any other Eligible Moneys; and

(4) Other moneys paid to the Trustee by the College.

The Trustee shall maintain a record of the total amount from time to time on deposit in all accounts of each of the Funds which constitute deposits therein from moneys of the College and the date of each such deposit, such amount being hereinafter sometimes referred to as the “College Deposit” in the respective Funds. In the event that the Letter of Credit or Alternate Letter of Credit terminates and is not replaced with an Alternate Letter of Credit, the separate accounts in the respective Funds shall be terminated and all moneys on deposit in such accounts shall be held by the Trustee in respective Funds without segregation or separate identification except for the record required to be maintained by the Trustee of the amounts of the College Deposit.

The Trustee agrees pursuant to the Indenture to draw moneys under the Letter of Credit or Alternate Letter of Credit if then in effect in accordance with the terms of the Indenture to make timely payments of: (A) principal on the Bonds secured by the Letter of Credit or Alternate Letter of Credit, at maturity, by optional or mandatory redemption or upon acceleration by depositing in the LOC Principal Account the moneys required by the Indenture; (B) interest on the Bonds secured by the Letter of Credit or Alternate Letter of Credit, by depositing in the LOC Interest Account the moneys required by the Indenture; (C) the Tender Price of Bonds tendered or required to be tendered for purchase by depositing in the LOC Account the moneys required by the Indenture; and (D) if the Letter of Credit or Alternate Letter of Credit then in effect permits the Trustee to draw moneys for the payment of redemption premium on the Bonds, redemption premium on the Bonds secured by the Letter of Credit or Alternate Letter of Credit, by depositing in the LOC Principal Account the moneys required by the Indenture.

In no event shall any moneys other than Eligible Moneys be used to pay the principal, interest, redemption premium or Tender Price of the Bonds secured by the Letter of Credit or Alternate Letter of Credit if Eligible Moneys are available for such payment; and if the Letter of Credit or any Alternate Letter of Credit is in effect, in no event shall any moneys other than Eligible Moneys drawn under such Letter of Credit or Alternate Letter of Credit be used to pay such principal or interest (or, if secured by such Letter of Credit or Alternate Letter of Credit, redemption premium) if the same are available therefor.

During any period when the Bonds bear interest at an Adjustable Long Mode or a Fixed Interest Rate, commencing on a date on which such Bonds begin to bear interest in an Adjustable Long Period or a Fixed Rate Period and on the first Business Day of each calendar month thereafter while such Bonds bear interest in an Adjustable Long Period or a Fixed Rate Period, the Trustee shall draw under the Letter of Credit or Alternate Letter of Credit an amount sufficient to cause the amount on deposit in the LOC Interest Account on such day to equal (i) the accrued and unpaid interest on such Bonds, plus (ii) the interest that would accrue on such Bonds from such day to and including the first Business Day of the following month assuming such Bonds remain Outstanding until such day, calculated (x) at the actual rate of interest on such Bonds for any day interest is to accrue at a rate known on the day such draw is made, and (y) at the rate per annum which is the maximum rate specified for determining interest coverage in the Letter of Credit or any Alternate Letter of Credit

for any day interest is to accrue at a rate unknown on the date such draw is made. Notwithstanding the deposit of any such moneys under the Indenture and the reimbursement of the Bank for any such drawing under the Letter of Credit or Alternate Letter of Credit, the College shall have no right, title and interest in and to such moneys, which shall be held exclusively for the holders of the Bonds in accordance with the provisions of the Indenture. In the event the College causes to be delivered to the Trustee an effective amendment or supplement to the Letter of Credit or Alternate Letter of Credit increasing the stated amount thereof to an amount sufficient to pay the principal amount of the Bonds plus 215 days' interest with respect to Bonds bearing interest at an Adjustable Long Period and 215 days' interest with respect to Bonds bearing interest at a Fixed Rate Period, and if so directed in writing by the College, the Trustee shall make drawings under the Letter of Credit or Alternate Letter of Credit in accordance with the third paragraph above under this heading rather than in this paragraph.

Events of Default

The following are Events of Default under the Indenture:

- (a) If payment of any interest on any of the Bonds when the same shall become due and payable shall not be made; or
- (b) If payment of the principal of or the redemption premium, if any, on 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
- (c) If payment of the Tender Price of any of the Bonds shall not be made when the same shall become due and payable; or
- (d) The occurrence of a Determination of Taxability by reason of noncompliance with the Indenture relating to arbitrage rebate; or
- (e) If the Authority fails to perform its obligations in the Bonds or in the Indenture (except a failure that results in an event of default under clause (a), (b) or (c) above), the performance of which is material, and such default shall have continued for a period of thirty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the College 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 10% in principal amount of the Bonds then outstanding; or
- (f) If any "event of default" on the part of the College, as that term is defined in the Loan Agreement shall occur and be continuing; or

The following are Events of Default only when the Bonds are secured by the Letter of Credit or an Alternate Letter of Credit:

- (a) If the Trustee receives written notice from the Bank that an Event of Default under the Reimbursement Agreement has occurred and that the Bank is terminating the Letter of Credit;
- (b) If the Trustee receives written notice from the Bank on or before the date or dates specified in the Letter of Credit or Alternate Letter of Credit following a drawing on the Letter of Credit or Alternate Letter of Credit for interest that it will not reinstate the stated amount of its Letter of Credit or Alternate Letter of Credit to cover such interest; or
- (c) If the Bank fails to pay any amount payable pursuant to a properly presented and conforming draw under its Letter of Credit or Alternate Letter of Credit.

Acceleration

Upon the occurrence of certain of the events of default described above, the Trustee shall immediately declare the principal and accrued interest on all Bonds to be due and payable; provided; however, an “Event of Default” described in subparagraph (a) above in the preceding paragraph shall be treated by the Trustee as an event requiring the mandatory tender of the Bonds under the Indenture and the Trustee shall specify the Mandatory Tender Date to occur as soon as practicable after such declaration but in no event later than the LOC Termination Tender Date. Upon the occurrence and continuation of certain other events of default specified above and with the consent of the Bank (if the Letter of Credit or Alternate Letter of Credit is then in effect and the Bank has not failed to pay a properly presented and conforming draw thereunder) the Trustee may and, upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds then owned by the College) shall, immediately declare the entire principal amount of the Bonds then Outstanding and the interest accrued thereon to be due and payable on the fifth day after such declaration, and the said entire principal amount and such accrued interest shall thereupon become and be due and payable on such date. Except for an “Event of Default” described in subparagraph (a) above, interest shall cease to accrue upon declaration of acceleration. Upon a declaration that the principal of and such accrued interest on the Bonds shall be due and payable on such date, the Trustee shall immediately draw on the Letter of Credit or Alternate Letter of Credit in the manner set forth in the Indenture, if the Letter of Credit or Alternate Letter of Credit is then in effect, to pay the principal of, premium, if any, and such accrued interest on the Bonds secured by the Letter of Credit or Alternate Letter of Credit. The foregoing provisions are subject, however, to the right of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Trustee and to the Authority, and with the consent of the Bank (if the Letter of Credit or Alternate Letter of Credit is then in effect and the Bank has not failed to honor a properly presented and conforming drawing thereunder) to annul such acceleration of Bonds and destroy its effect as hereinafter provided; provided, however, that there shall be no

annulment of acceleration unless the Trustee has received written notice from the Bank that (a) the Bank rescinds its notice, if any, of an event of default under the Reimbursement Agreement or its intention not to reinstate the Letter of Credit or Alternate Letter of Credit following a draw thereunder and that (b) the Bank has reinstated the Letter of Credit or Alternate Letter of Credit

Remedies

Upon the occurrence and continuance of an event of default specified above, the Trustee may pursue any available remedy by suit, at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds then outstanding or to enforce any obligations of the Authority under the Indenture.

If an event of default shall have occurred, and if requested so to do by the Owners of a majority in aggregate principal amount of the Bonds then outstanding and if indemnified as provided in the Indenture, the Trustee shall be obliged to exercise such one or more of the rights and powers as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners; provided, however, that the Trustee shall not be obliged to so act if an event of default under (d) or (e) above (except an event which is also an event of default under the Reimbursement Agreement, which shall not require the consent of the Bank) shall have occurred unless the Bank shall have consented thereto (if the Letter of Credit or Alternate Letter of Credit is then in effect and the Bank is not in default thereunder).

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any event of default shall impair any such right or power or shall be construed to be a waiver of any event of default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any event of default under the Indenture, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent event of default or shall impair any rights or remedies consequent thereon.

Anything in the Indenture to the contrary notwithstanding, the Bank or the Owners of a majority in aggregate principal amount then outstanding with the consent of the Bank shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, the method and the place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any

other proceedings; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Application of Moneys

Subject to the provisions of the Indenture, and provided that moneys held by the Trustee representing amounts due to Bondholders with respect to the Undelivered Bonds and amounts drawn under the Letter of Credit or Alternate Letter of Credit, if any, shall be applied solely to pay the principal of, premium, if any (if the Letter of Credit or Alternate Letter of Credit provides for draws to pay redemption premium), Tender Price and interest on the Bonds secured by the Letter of Credit or Alternate Letter of Credit and shall not be paid to the United States Treasury as arbitrage rebate or applied to pay any costs or expenses of collection or expenses, liabilities or advances of the Trustee, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Non-LOC Principal Account and the Non-LOC Interest Account, and together with all moneys in the Funds maintained by the Trustee under Articles IV, V and VIII of the Indenture, shall be applied as follows:

- (a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST To the payment of amounts, if any, to be paid pursuant to the Indenture relating to arbitrage rebate;

SECOND To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

THIRD To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due, and if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege.

FOURTH To the payment to the Bank for obligations owed by the College under the Reimbursement Agreement.

- (b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied first, to the payment of amounts, if any, to be paid pursuant to the Indenture relating to arbitrage rebate, and second, to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority of principal, premium or interest over any of the others, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the persons entitled thereto without any discrimination or privilege and then to the Bank for obligations owed by the College under the Reimbursement Agreement..
- (c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, then subject to the provisions of subsection (b) under this heading in the event that the principal of all Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a) under this heading.

Whenever moneys are to be applied pursuant to the provisions described above, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for such application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue.

The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all amounts, if any, payable pursuant to the Indenture relating to the arbitrage rebate have been paid, all principal of, premium, if any, and interest on all Bonds have been paid under the provisions of the Indenture and all expenses and charges of the Trustee have been paid, any balance remaining in any of the Funds established under the Indenture shall be paid to the Bank, to the extent any amounts are then owing to it under the Reimbursement Agreement, and then to the College.

Waivers of Events of Default

The Trustee shall waive any event of default under the Indenture and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds upon the written request of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding; provided, however, that there shall not be waived (a) any event of default in the payment of the principal of any Outstanding Bonds at the date of maturity specified therein, or (b) any default in the payment when due of the interest on any such Bonds unless prior to such waiver or rescission, all arrears of

interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest or all arrears of payments of principal and premium, if any, when due, as the case may be, and all expenses of the Trustee, in connection with such event of default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or recession shall extend to any subsequent or other default, or impair any right consequent thereon. The foregoing notwithstanding, there shall not be any waiver of an event of default unless the Trustee has received written notice from the Bank that (a) the Bank rescinds its notice, if any, of an event of default under the Reimbursement Agreement or its intention not to reinstate the Letter of Credit or Alternate Letter of Credit following a draw thereunder and that (b) the Bank has reinstated the Letter of Credit or Alternate Letter of Credit up to the full amount available thereunder.

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, 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 College 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 College, 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.

Defeasance

If the Authority and the College 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, premium, if any, and interest on the Bonds by depositing with the Trustee at or at any time before maturity an amount either in Eligible Moneys or non callable Government Securities purchased with Eligible Moneys and the principal of and the interest on which, or the principal of which when due will provide moneys sufficient to pay when due or to become due for principal and interest prior to and at maturity of all such Bonds outstanding, and, if such Bond is subject to optional or mandatory tender for purchase prior to its applicable maturity date, sufficient to cover the Tender Price therefor (after payment of such Tender Price, such Bond shall be cancelled) and provided further that such a deposit may be made only if, a Favorable Opinion that the interest on the Bonds would not become subject to inclusion in the federal gross income of the Owners as a result thereof is provided to the Trustee and the Trustee has received (i) a verification report of a recognized public accounting firm satisfactory to the Trustee stating that such Government Securities and cash, if any, will be sufficient to pay when due the principal or Tender Price, if applicable, and interest due and to become due on such Bond and (ii) written evidence from each Rating Agency having a rating in effect for such Bonds that the proposed defeasance will not result in the reduction or withdrawal of the rating on such Bonds, or
- (c) deliver to the Trustee (1) proof that notice of redemption of all of such outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in Eligible Moneys or noncallable Government Securities purchased with Eligible Moneys and the principal of and interest on which, or the principal of which, when due, will provide sufficient moneys for the payment of the principal and interest or redemption price if applicable, prior to and on the date such Bonds are to be redeemed on maturity date thereof as the case may be, and, if such Bond is subject to optional or mandatory tender for purchase prior to its applicable redemption or maturity date, sufficient to cover the Tender Price therefor (after payment of such Tender Price, such Bond shall be cancelled) and provided further that such a deposit may be made only if, a Favorable Opinion that the interest on the Bonds would not become subject to inclusion in the federal gross income of the Owners as a result thereof is provided to the Trustee and the Trustee has received (i) a verification report of a recognized public accounting firm satisfactory to the Trustee stating that such Government Securities and cash, if any, will be sufficient to pay when due the principal or redemption price or Tender Price, if applicable, and interest due and to become due on such Bond and (ii) written evidence from each Rating Agency having a rating in effect for such Bonds that the proposed defeasance will not result in the reduction or withdrawal of the rating on such Bonds, or

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

and shall also pay all obligations owing to the Bank under the Reimbursement Agreement, the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148(f) of the Internal Revenue Code and regulations thereunder, then at the request of the Authority or the College all the Trust Estate shall revert to the Authority and the College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of Owners of the Bonds in respect thereof, shall thereupon cease, determine and become void unless otherwise expressly stated in the Indenture, rights granted by provision relating to redemption shall thereupon terminate; 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 College shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided, or left with it if previously so deposited, cash or direct obligations of the United States of America sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the Holders thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

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

- (a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;
- (b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority;

- (c) to evidence the succession of any other department, agency, body or corporation to the Authority;
- (d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental indentures or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same;
- (e) to modify the Indenture as authorized by Holders;
- (f) to modify or supplement provisions relating to procedures for drawing on the Letter of Credit in connection with the issuance of an Alternate Letter of Credit; and
- (g) to make other changes with the Bank's consent except those changes requiring unanimous approval by Holders of all the outstanding Bonds as described in the next paragraph.

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

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

Amendments to the Loan Agreement

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

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

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

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

Registration

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

APPENDIX E

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

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APPENDIX E

ALLIED IRISH BANKS, p.l.c.

THIS DOCUMENT REPRESENTS ONLY A SUMMARY OF THE INFORMATION REFERRED TO HEREIN. EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN, THIS DOCUMENT DOES NOT ATTEMPT TO DESCRIBE THE BUSINESS OR ANALYZE THE CONDITION, FINANCIAL OR OTHERWISE, OF ALLIED IRISH BANKS, p.l.c. (“AIB”) OR OTHERWISE DESCRIBE ANY RISKS ASSOCIATED WITH AIB. EACH BONDHOLDER MUST RELY ON THAT HOLDER’S OWN KNOWLEDGE, INVESTIGATION AND EXAMINATION OF AIB AND AIB’S CREDITWORTHINESS.

AIB reports its financial information on a consolidated basis which includes AIB and certain affiliates and subsidiaries (“AIB Group”). AIB Group provides a diverse and comprehensive range of banking, financial and related services principally in Ireland, Britain, Poland and the United States. AIB Group is currently organized into five (5) divisions: Republic of Ireland; Great Britain & Northern Ireland; Poland; Capital Markets (which includes AIB’s New York Branch) and Group Technology & E-Business. AIB is the largest banking corporation organized under the laws of Ireland. As of December 31, 2003, AIB’s total assets were EUR81 billion. Pre-tax profits for the year ending December 31, 2003 amounted to EUR1,011 million. Profit after tax was EUR677 million. Return on equity was 14.5% and return on assets was 0.90%.

Effective April 1st 2003, AIB Group acquired a 22.5% stake in M&T Bank Corporation [NYSE:MTB], Buffalo, New York as result of the merger of AIB’s subsidiary Allfirst Financial Inc with M&T Bank Corporation, which merger has created a mid-Atlantic banking franchise with over 700 branches in six (6) states and the District of Columbia.

AIB’s New York Branch files quarterly reports on Form FFIEC-002 (“Call Reports”) with the Federal Reserve Bank of New York, 33 Liberty Street, New York, NY 10001, the Federal Deposit Insurance Corporation (“FDIC”) at 20 Exchange Place, New York, NY 10005 and with the New York State Banking Department at 1 State Street, New York, NY 10004. The Call Reports are publicly available.

AIB is an Irish registered public limited company and its ordinary shares are quoted on the Dublin and London stock exchanges. The Group’s ordinary shares (symbol AIB) and non-cumulative preference shares (symbol AIBPr) are traded in the USA on the New York Stock Exchange in the form of American Depositary Shares (“ADS”) and each ADS is evidenced by an American Depositary Receipt (“ADR”). AIB, as a foreign private issuer of securities in the United States, is required to file an annual report on Form 20-F with the U.S. Securities and Exchange Commission (“SEC”) pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”) within 6 months after the end of each fiscal year. Moreover, a foreign issuer, unlike domestic companies, is required to submit to the SEC under the Exchange Act on Form 6-K, only those interim reports and other materials that the issuer prepares in accordance with home country or

home market requirements or delivers to its security holders. Exchange Act documents filed by AIB are publicly available at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549 and at its regional offices at 233 Broadway, New York, NY 10279 and 500 West Madison Street, Suite 1400, Chicago, IL 60661. Copies of documents filed by AIB with the SEC may also be accessed electronically by means of the SEC's home page on the Internet at "<http://www.sec.gov>".

Any of the documents referred to herein (other than exhibits to such documents) are available upon request, without charge, by writing to the Chief Financial Officer, Allied Irish Banks, p.l.c., New York Branch, 405 Park Avenue, New York, NY 10022. Additional information about AIB, including a copy of AIB Group's Annual Report and Form 20-F, is presently available on the Internet at "<http://www.aib.ie>".

Note: The rate as at 12/31/03 - EUR1 = \$1.2595

APPENDIX F
FORM OF OPINION OF BOND COUNSEL

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FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A.

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\$8,500,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
ADJUSTABLE DEMAND REVENUE BONDS, SERIES FIVE-V
(BETHEL COLLEGE & SEMINARY)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the “Authority”) of its fully registered (initially book-entry) Adjustable Demand Revenue Bonds, Series Five-V (Bethel College & Seminary), in the aggregate principal amount of \$8,500,000 (the “Bonds”), dated May ___, 2004, and maturing on April 1, 2034.

The Bonds are issued for the purpose of funding a loan from the Authority to Bethel College & Seminary (the “College”), a Minnesota nonprofit corporation, located in Arden Hills, Minnesota, in order to finance a project consisting of the construction, acquisition, equipping and improvement of educational facilities, as further described in the Loan Agreement. We have examined executed counterparts of the Loan Agreement (the “Loan Agreement”) between the Authority and the College 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 May 1, 2004, one or more opinions of Eastlund Solstad Cade & Hutchinson, Ltd., as counsel to the College, 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 College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Eastlund Solstad Cade & Hutchinson, Ltd., as to the Loan Agreement having been duly authorized and executed and being binding upon the College, as to the corporate organization, tax-exempt status, good standing and powers of the College, and as to title to the Project Site (as defined in the Loan Agreement and Indenture), all without examining the records of the College or original title records or abstracts of title. We have also relied upon the opinions of Schiff Hardin LLP, domestic counsel to Allied Irish Banks, p.l.c. (the “Bank”) acting through its New York Branch and of internal legal counsel of the Bank, as to the Letter of Credit having been duly executed and delivered and being a valid and binding obligation of the Bank.

Except as set forth in our opinion to William Blair and Company dated the date hereof, 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, and we express no opinion relating thereto (except to the extent, if any, stated in the Official Statement).

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

1. The Authority is an agency of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, to issue the Bonds, to loan the proceeds thereof to the College 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 solely from the proceeds of periodic draws under the Letter of Credit issued by the Bank and are further secured by the assignment of the loan repayments payable by the College under the Loan Agreement to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payment held by the Trustee, as assignee, under the Loan Agreement.
4. Assuming compliance with certain covenants in the Loan Agreement and Indenture, under existing laws, regulations, rulings and decisions in effect on the date hereof, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in taxable income of individuals, estates and trusts for purposes of Minnesota income taxation. 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, however, is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Letter of Credit, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and

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receivership proceedings and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in accordance with principles of equity.

Dated: May ____, 2004

Respectfully submitted,

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