NEW ISSUE **UNRATED: SEE "ABSENCE OF RATING" HEREIN**
BOOK-ENTRY ONLY

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 net income of individuals, estates and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code. (See "TAX EXEMPTION" herein.)

BETHEL UNIVERSITY

$44,000,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES SIX-R
(BETHEL UNIVERSITY)

Dated: Date of Issuance **Due: May 1, as shown below**

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 will be paid by Wells Fargo Bank, National Association, as Bond Trustee (the "Bond Trustee"), to DTC. DTC, in turn, will remit such principal, premium, if any, and interest 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 "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds will be issued pursuant to the Trust Indenture dated as of August 1, 2007 (the "Bond Indenture"), from the Minnesota Higher Education Facilities Authority (the "Authority") to the Bond Trustee. Interest on the Bonds is payable semiannually on each May 1 and November 1, commencing on November 1, 2007.

$19,275,000 Serial Bonds

Due May 1	Principal Amount	Interest Rate	Yield
2013	$860,000	5.50%	5.10%
2014	910,000	5.50	5.14
2015	955,000	5.50	5.18
2016	1,010,000	5.50	5.22
2017	1,065,000	5.50	5.27
2018	1,125,000	5.50	5.32*
2019	1,185,000	5.50	5.36*
2020	1,255,000	5.50	5.40*
2021	1,315,000	5.50	5.43*
2022	1,395,000	5.50	5.46*
2023	1,470,000	5.50	5.49*
2024	1,550,000	5.50	5.51
2025	1,635,000	5.50	5.53
2026	1,725,000	5.50	5.55
2027	1,820,000	5.50	5.56

$24,725,000 5.5% Term Bonds Due May 1, 2037 to Yield 5.66%

*Yield to call date

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

The Bonds 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 McGrann Shea Anderson Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by its counsel, Eastlund Solstad Cade & Hutchinson, Ltd., Savage, Minnesota, and for the Underwriter by its special counsel, Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts. Delivery of the Bonds is expected to take place through the facilities of DTC on or about August 2, 2007.

LEHMAN BROTHERS

The date of this Official Statement is August 1, 2007

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 University or the Underwriter. 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 University 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 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 University and are subject to a number of known and unknown uncertainties and risks, many of which are beyond the University's control, that could significantly affect current plans and expectations and the University'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 University, (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 University's compliance with appropriate laws, regulations, policies and procedures relating to the University'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 University. 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

Michael D. Ranum, Chair	Operations Manager, BWBR Architects, Inc., Circle Pines, Minnesota
Mary F. Ives, Vice Chair	Real Estate Business Owner, Grand Rapids, Minnesota
Raymond VinZant, Jr., Secretary	Staff Consultant for Coleman for Senate Campaign, Saint Paul, Minnesota
Gary D. Benson	Vice President, Kraus-Anderson Construction Company, Midwest Division, New Brighton, Minnesota
Kathryn Balstad Brewer	Retired Banker and Educator, New Brighton, Minnesota
David B. Laird, Jr. (*ex officio*)	President, Minnesota Private College Council, Saint Paul, Minnesota
Mark Misukanis (*ex officio*)	Director of Fiscal Policy and Research, Minnesota Office of Higher Education, Saint Paul, Minnesota
Carla Nelson	Business Development and Marketing Director, Olmsted Financial Group, Rochester, Minnesota
David D. Rowland	Senior Vice President, The St. Paul Travelers Companies, Inc., Eden Prairie, Minnesota
Janet Withoff	Consultant, Planning and Grant Writing, Orono, Minnesota

Marianne T. Remedios, Executive Director

Financial Advisor
Springsted Incorporated

Bond Counsel
McGrann Shea Anderson Carnival Straughn & Lamb, Chartered

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$44,000,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES SIX-R
(BETHEL UNIVERSITY)

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 $44,000,000 aggregate principal amount of Revenue Bonds, Series Six-R (Bethel University) (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 August 1, 2007 (the "Bond Indenture"), from the Authority to Wells Fargo Bank, National Association, as Bond Trustee (the "Bond Trustee"). The Bonds are being issued to fund a loan under the Loan Agreement, dated as of August 1, 2007 (the "Loan Agreement"), between the Authority and Bethel University (the "University"). The proceeds of the Bonds, together with funds provided by the University, will be used (i) to pay or reimburse the University for the costs of acquisition, construction, furnishing and equipping of an approximately 110,000 square foot University Commons, which will include dining facilities, campus store, offices, a casual student assembly and other meeting areas as well as appurtenant site improvements, to be located on the University's main Arden Hills campus, the principal street address of which is 3900 Bethel Drive, Arden Hills, Minnesota (the "Project"), (ii) to refund the Minnesota Higher Education Facilities Authority Adjustable Demand Revenue Bonds, Series Four-S (Bethel College & Seminary) and the Minnesota Higher Education Facilities Authority Adjustable Demand Revenue Bonds, Series Five-V (Bethel College & Seminary) (collectively, the "Prior Bonds"), (iii) to pay interest on the Bonds during the construction period of the Project, and (iv) to pay the costs of issuing the Bonds and refunding the Prior Bonds. See "Estimated Sources and Uses of Funds" herein.

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

The Bonds will be limited obligations of the Authority, payable solely from Loan Repayments by the University pursuant to the Loan Agreement.

This Official Statement, including the Appendices, contains brief descriptions of, among other things, the Authority, the University, the Bonds, the Bond Indenture, the Loan Agreement and the Security 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.

THE UNIVERSITY

The University, founded in 1871, is a Minnesota nonprofit corporation. The University is the third largest private institution of higher education in the State of Minnesota on the basis of enrollment, with a total of over 3,300 full-time and part-time students. The University 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 University, see *APPENDIX A* "Introduction" and "Description and Accreditations" and *APPENDIX B* hereto.

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.

Adequacy of Revenues

AS NOTED ELSEWHERE, THE BONDS WILL BE PAYABLE SOLELY FROM AMOUNTS DERIVED FROM THE LOAN AGREEMENT. THE ABILITY OF THE UNIVERSITY TO MAKE PAYMENTS UNDER THE LOAN AGREEMENT IS DEPENDENT UPON THE GENERATION BY THE UNIVERSITY OF REVENUES IN THE AMOUNTS NECESSARY FOR THE UNIVERSITY 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 UNIVERSITY, 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 UNIVERSITY IN AMOUNTS SUFFICIENT TO MAKE THE REQUIRED PAYMENTS WITH RESPECT TO DEBT SERVICE ON THE BONDS AND OTHER INDEBTEDNESS OF THE UNIVERSITY. SEE "SECURITY FOR THE BONDS."

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 University. There is no assurance that the Project will be completed within the University'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 University of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of the University and thereby its revenues. The University 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 University is subject to a number of requirements affecting its operations. The failure of the University to remain qualified as an exempt organization would affect the funds available for payments to be made under the Loan Agreement.

Failure of the University 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 "THE BONDS - Determination of Taxability" and "TAX EXEMPTION" herein.

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 University 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.

Lien on Gross Revenues

The Agreement provides that the University shall make payments to the Bond Trustee sufficient to pay the Bonds and the interest thereon as the same become due. The obligation of the University to make such payments is secured by a security interest in the Gross Revenues of the University granted to the Bond Trustee. There is no restriction on the University's expenditures of Gross Revenues upon receipt prior to the Event of Default.

Pursuant to the Minnesota Uniform Commercial Code, a security interest in these Gross Revenues may not continue to be perfected if they are not paid over to the Bond Trustee by the University under certain circumstances. In addition, the lien on Gross Revenues may not extend to receipts coming into existence after the commencement of a bankruptcy.

The enforcement of the lien on Gross Revenues may be subject to a preference claim under the Bankruptcy Code and to the exercise of discretion by a court of equity which, under certain circumstances, may have the power to direct the use of such receipts to meet expenses of the University before paying debt service. In the event of bankruptcy of the University, pursuant to the Bankruptcy Code, any Gross Revenues received on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court, might not be subject to the lien of the Bond Trustee and, under certain circumstances, a court of equity may have power to direct the use of Gross Revenues to meet expenses of the University before paying debt service. With respect to Gross Revenues not subject to the lien, the Bond Trustee would occupy the position of an unsecured creditor.

The value of the security interest on the Gross Revenues could be diluted by the incurrence of additional indebtedness secured equally and ratably with the Bonds. In the event of liquidation or bankruptcy of the University, there can be no assurance that the proceeds of the University's Gross Revenues will be adequate to pay debt service on the Bonds.

No application has been made for a credit rating for the Bonds. The absence of a rating could adversely affect the market for and the price of the Bonds. There can be no assurance that there will always be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for purchase or sale of the Bonds depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition and results of the University and the Project. The Bonds should therefore be considered long-term investments in which funds are committed to maturity.

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	$43,541,513.60
Total Sources of Funds	
Estimated Uses of Funds	
Project Costs	$13,885,976.47
Deposit to Refunding Escrow	27,828,161.22
Capitalized Interest	1,147,500.91
Bond Issuance Costs*	679,875.00
Total Uses of Funds	$43,541,513.60

* "Bond Issuance Costs" include legal and professional fees, Underwriter's discount and other miscellaneous expenses.

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 University. For more information on the University's facilities, see *APPENDIX A* "Facilities" hereto.

Refunding of Prior Bonds

The Prior Bonds will be retired on September 4, 2007 ($10,495,000 of Series Four-S and $8,320,000 of Series Five-V) and April 1, 2008 ($8,750,000 of Series Four-S, including a $550,000 serial maturity due on that date). The refunding will be achieved through the deposit of a portion of the Bond proceeds under an Escrow Agreement with Wells Fargo Bank, National Association, trustee for the Prior Bonds and the purchase of United States treasury obligations. The obligations, together with the interest thereon, will be sufficient in amount and available when necessary to pay when due the principal of and interest on the Prior Bonds until the respective redemption or maturity dates.

Causey, Demgen & Moore, Inc., a firm of independent accountants, will deliver to the Authority on or before the date of issue of the Bonds its verification report which will verify the accuracy of the mathematical computations supporting the conclusion that the maturing principal of and interest on the

United States treasury obligations and other cash deposits to be held under the Escrow Agreement are adequate to pay when due the principal of and interest on the Prior Bonds.

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 University will enter into the Loan Agreement. The Bonds will be limited obligations of the Authority, payable solely from amounts derived from the Loan Agreement.

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.

As security for its payment obligations under the Agreement, the University has granted to the Bond Trustee a lien on its Gross Revenues pursuant to the Security Agreement dated as of August 1, 2007 between the University and the Bond Trustee. The University represents and warrants that the lien granted therein is free and clean of all Liens other than Permitted Encumbrances and covenants that it will keep its Gross Revenues free of all Liens other than Permitted Encumbrances. Additional Indebtedness may be issued on a parity with the lien on Gross Revenues if certain tests are met. See *APPENDIX D* "SUMMARY OF DOCUMENTS – The Loan Agreement – Financial Covenants and Additional Indebtedness."

Additional Indebtedness

As of May 31, 2007, the University had the following indebtedness outstanding (not including the Prior Bonds): (i) certain bank loans and capital leases in an aggregate amount of approximately $2,270,000, (ii) a $4,000,000 revolving line of credit, of which no amount was drawn and outstanding; and (iii) $750,000 in outstanding demand notes payable. See *APPENDIX A* "Long-Term Debt" and Notes 6 and 7 to the audited combined financial statements of the University and the Foundation (as defined herein), attached hereto as *APPENDIX B*.

The Loan Agreement contains certain covenants regarding the incurrence of additional indebtedness by the University, the creation of additional liens on its property and certain other covenants. See *APPENDIX D* "SUMMARY OF DOCUMENTS – The Loan Agreement – Financial Covenants and Additional Indebtedness" hereto.

The Security Agreement

Pursuant to the Security Agreement, the University grants to the Bond Trustee a security interest in its Gross Revenues to secure payment of its obligations to make Loan Repayments under the Loan Agreement, subject to Permitted Encumbrances. Upon the occurrence of an Event of Default under the Loan Agreement, the Bond Trustee may require the University to deliver all payments received by it to a collateral account or to cause all payments to be made directly to it.

THE BONDS

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 issued in book entry form. The Bonds will be dated August 2, 2007 and will finally mature May 1, 2037, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $100,000 or any integral multiple of $5,000 in excess thereof and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each May 1 and November 1, commencing November 1, 2007.

Book-Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

For further detail on DTC, see "BOOK-ENTRY ONLY SYSTEM" herein.

Prior Redemption

Mandatory Redemption

Portions of the Term Bonds maturing on May 1, 2037 (the "Term Bonds") shall be called for redemption on May 1 in the years set forth immediately below in the principal amounts set forth immediately below, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account.

Term Bonds Due
May 1, 2037

Year	Amount
2028	$1,920,000
2029	2,025,000
2030	2,140,000
2031	2,255,000
2032	2,380,000
2033	2,510,000
2034	2,645,000
2035	2,795,000
2036	2,945,000
2037*	3,110,000

* Stated maturity

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

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

(1) have been delivered to the Bond Trustee for cancellation; or

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

Optional Redemption

The Bonds are subject to optional redemption, in whole or in part, on May 1, 2017 and on any date thereafter, and if in part in such order of maturity as the University shall direct and selected by random means within a maturity, in integral multiples of $5,000, at par plus accrued interest without premium.

Extraordinary Optional Redemption

The Bonds will also be subject to extraordinary optional redemption at par in integral multiples of $5,000, in whole or in part, plus accrued interest in certain cases of damage to or destruction or condemnation of the Project (see "SUMMARY OF DOCUMENTS – The Loan Agreement – Condemnation" in *APPENDIX D*).

Partial Redemption

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

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

Notice of Redemption

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

Determination of Taxability

The Bonds are subject to mandatory redemption, in whole, upon the occurrence of a Determination of Taxability that interest on the Bonds is subject to federal income taxation under sections of the Internal Revenue Code and regulations thereunder, as in effect on the date of issuance of the Bonds, at a redemption price equal to par plus accrued interest, plus a premium of 5.0% of the principal amount to be redeemed. Within ten (10) days after notice to the University of the Determination of Taxability the University shall give written notice of the Determination of Taxability and of its intention to redeem the Outstanding Bonds to the Bond Trustee, stating the date of redemption, and the University shall make arrangements satisfactory to the Bond Trustee for the giving of notice required under the Bond Indenture (as summarized in the paragraph above) for redemption of all of the Outstanding Bonds subject to redemption because of such event, and for the transmittal of funds needed for such redemption in advance of that date. See "SUMMARY OF DOCUMENTS – The Loan Agreement – Determination of Taxability."

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 and other amounts payable under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Refunding Account, a Bond and Interest Sinking Fund Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account, the Refunding Account, and the Bond and Interest Sinking Fund Account, as described below. Following Bond Closing, amounts received by the Bond Trustee from the University as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account and the Redemption Account and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds when due.

Construction Account

There shall be deposited initially into the Construction Account proceeds of the Bonds in the amount of $13,885,976.47 plus amounts sufficient to pay costs of issuance of the Bonds. The University will agree in the Loan Agreement to provide for payment of all project costs in excess of the proceeds of the Bonds available therefor and to pay out of the University's available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds. Upon receipt of specified documentation, the Bond Trustee will reimburse, or pay for the account of the University, costs incurred in connection with the Project, and costs of issuing the Bonds. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Bond Trustee, any balance in the Construction Account shall be deposited into the Redemption Account or the Bond and Interest Sinking Fund Account under certain conditions.

Refunding Account

There shall be deposited initially into the Refunding Account certain Bond proceeds which shall be transferred to the Escrow Agent for deposit in the applicable accounts under the Escrow Agreement and which amount, together with available amounts held by the Prior Bonds Trustee and, if necessary, other available University funds, shall be in an amount sufficient to pay the redemption price of the Prior Bonds on the redemption date, as described above. See "ESTIMATED SOURCES AND USES OF FUNDS – Refunding of Prior Bonds" herein.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account the amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Bond Indenture, and from Loan Repayments made by the University.

Deposits into the Bond and Interest Sinking Fund Account shall be made at least one Business Day prior to each Interest Payment Date in amounts equal to interest and, if applicable, principal due on such Interest Payment Date.

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

Redemption Account

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

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

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Construction Account and the Redemption Account shall be invested by the Bond Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states rated at least in the rating category of “AA” or “Aa” or political subdivisions of states rated at least “AAA” or “Aaa”; revenue bond obligations of states and their political subdivisions insured by municipal bond insurance and rated “AAA” or “Aaa”; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, states and state political subdivisions or in certain repurchase agreements; constant dollar value money market funds that invest solely in the types of obligations or repurchase agreements in which the foregoing mutual funds may invest and which are rated in the highest rating category by a national credit rating agency; time deposits of insured state or national banks and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Bond Indenture sets forth further restrictions as to type and maturity of investments. Monies deposited in the Refunding Account will not be invested in that account, but will be transferred to the Escrow Agent to be deposited in the applicable accounts under the Escrow Agreement and will be subject to the investment requirements contained in the Escrow Agreement. See “ESTIMATED SOURCES AND USES OF FUNDS – Refunding of Prior Bonds” herein.

GENERAL BOND RESERVE ACCOUNT

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

FUTURE FINANCING

The University regularly improves and expands its physical plant. The University does not anticipate financing any such projects with debt within the next twelve months other than the Project.

BOOK-ENTRY ONLY SYSTEM

General

THE INFORMATION PROVIDED IN THIS SECTION HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE UNIVERSITY, 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 OF THIS OFFICIAL STATEMENT.

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 the Bonds in the aggregate principal amount of the Bonds, 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 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 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, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC 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 SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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 or Loan Agreement. 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 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 will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Trustee or Issuer, 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 University, 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.

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 Authority 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.

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 University's obligations under the Loan Agreement, to the extent of the payments so made.

Neither the Authority, the Underwriters, the University 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, 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.

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education within the State in the construction and financing of projects. The Authority consists of eight members appointed by the Governor with the advice and consent of the Senate. A representative of the Minnesota Office of Higher Education and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

Marianne T. Remedios has been the Executive Director of the Authority since 2000. Elaine J. Yungerberg has been Assistant Executive Director of the Authority since 1993.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $950 million. The Authority has had 163 issues (including refunded and retired issues) totaling over $1 billion, of which approximately $720 million is outstanding as of July 1, 2007. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

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

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

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

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority and to refinance other debt for capital improvements.

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

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

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, the Escrow Agreement or the Loan Agreement or to secure the Bonds in the manner provided in the Bond Indenture and the Act.

The University

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 University's knowledge, threatened affecting the validity of the Bond Purchase Agreement, the Bond Indenture, the Bonds, the Loan Agreement, the Security Agreement or the Escrow Agreement or contesting the corporate existence or powers of the University. In the opinion of the University, no litigation or proceedings are pending or, to the knowledge of the University, threatened against the University that would have a material adverse impact on the financial position of the University, except litigation in which the probable recoveries and the estimated costs and expenses of defense, in the opinion of the University, will be entirely within the applicable insurance policies of the University (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 McGrann Shea Anderson Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by its counsel, Eastlund Solstad Cade & Hutchinson, Ltd., Savage, Minnesota; and for the Underwriter by its special counsel, Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts.

FINANCIAL ADVISORS

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

The University has retained William Blair & Company, L.L.C. of Chicago, Illinois, as financial advisor ("Blair") in connection with the issuance of the Bonds. Blair is an independent investment firm offering banking, asset management, equity research, institutional and private brokerage, and private capital to individual, institutional, and issuing clients. Blair is not a public accounting firm and has not been engaged by the University to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

UNDERWRITING

Under a bond purchase agreement (the "Bond Purchase Agreement") entered into among the Authority, the University and the Underwriter, the Bonds are being purchased at an aggregate price of $43,321,513.60 with no accrued interest. This price includes $220,000 of underwriting discount. 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 University 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 consolidated financial statements of the University and the Foundation as of and for the year ended May 30, 2006, together with the related report thereon of Larson, Allen, Weishar & Co., LLP (now LarsonAllen 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.

ABSENCE OF RATING

THE BONDS ARE NOT RATED. NO APPLICATION HAS BEEN FILED WITH ANY RATING SERVICE FOR A RATING OF THE BONDS.

TAX EXEMPTION

Federal Tax Considerations

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

The Loan Agreement and the Bond Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the University, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to mandatory redemption with a 5% premium. (See "SUMMARY OF DOCUMENTS – The Loan Agreement – Determination of Taxability" in *APPENDIX D*). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings: interest on the Bonds is not includable in gross income for federal income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations.

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

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

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

Minnesota Tax Considerations

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings: interest on the Bonds is not includable in the taxable net income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. §289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes, if a court determines that Minnesota's exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued. In January 2006, the Kentucky Court of Appeals held, in Davis v. Department of Revenue, that the state's exemption of interest on its own bonds and those of its political subdivisions and its taxation of interest on the bonds of other states and their political subdivisions unlawfully discriminates against interstate commerce. The Kentucky Supreme Court declined to review this decision. Kentucky officials have sought United States Supreme Court review of the Davis decision. In 1994, the Ohio Court of Appeals had reached the opposite conclusion on this legal issue, upholding a similar Ohio statute, in Shaper v. Tracy.

The United States Supreme Court has announced that it will consider the appeal of the Davis decision. If the United States Supreme Court were to review and affirm the Davis decision, it is likely that Minnesota's tax treatment of state and local government bonds would also be held to be unconstitutional. A challenge of Minnesota's treatment of state and local government bonds is possible even in the absence of a decision by the United States Supreme Court. If Minnesota's treatment of state and local government bonds were held to unlawfully discriminate against interstate commerce, the court would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those and other years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Bonds to become taxable by Minnesota and the market value of the Bonds to decline.

Original Issue Premium

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

Original Issue Discount

The dollar amount of the initial offering price of the Bonds maturing in 2024 through 2037 (the "Discount Bonds") is less than the principal amount of such maturities. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond. An owner of a Discount Bond who disposes of it prior to maturity should consult such owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bond prior to maturity.

It is possible under the applicable provisions governing state and local income taxation in states other than Minnesota that interest on Discount Bonds may be taxable in the year of accrual, and may be deemed to accrue earlier than under federal law. Bondholders who acquire the Bonds at a discount should consult their tax advisors with respect to the state and local tax consequences of owning the Discount Bonds.

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

SECONDARY MARKET DISCLOSURE

Because the payments of principal and interest on the Bonds only will be derived from payments made by the University 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 University 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. The University has covenanted for the benefit of Bondowners to provide certain financial information and operating data relating to the University by not later than 270 days following the end of the University's fiscal year beginning with the fiscal year ending May 31, 2007 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the University to be material. The Annual Report will be filed on behalf of the University with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and with the appropriate State Repository if such repository is established ("SID" and, together with each NRMSIR, the "Repositories"). The notices of material events will be filed on behalf of the University with the Repositories. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in APPENDIX F "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12. The University is subject to continuing disclosure requirements relating to the Prior Bonds. The University has complied with such filing requirements.

MISCELLANEOUS

The references herein to the Act, the Bond Indenture, the Loan Agreement, the Escrow Agreement and the Security 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.

APPENDIX A

BETHEL UNIVERSITY

The information provided in this Appendix A was provided by Bethel University

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BETHEL UNIVERSITY

Introduction

Bethel University (the "University") is located in the City of Arden Hills, Minnesota, approximately 10 minutes from downtown Minneapolis and St. Paul. The University was first established as an institution of higher education in 1871 in Chicago, Illinois, moving to St. Paul, Minnesota in 1904. The University began its four-year liberal arts program in 1947. In 1972, the University moved from its former campus in St. Paul to its current 231-acre site in Arden Hills. The University's steady growth to over 3,300 undergraduate students has made it the third largest private University in Minnesota based on undergraduate enrollment, according to the Minnesota Private College Research Foundation.

It is the official policy and commitment of the University 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 University is comprised of a College of Arts & Sciences, the College of Adult and Professional Studies, the Graduate School, and the Seminary, all located on the same campus, but each 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 University is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, the Council on Social Work Education (at the undergraduate level), the Commission on Collegiate Nursing Education 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 and accredited by the Teacher Education Accreditation Council. The nursing program is approved by the Minnesota Board of Nursing.

The academic program at the University 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 University 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 University became a Minnesota nonprofit corporation, an action coinciding with a reorganization of the Baptist General Conference ("BGC"), an Illinois nonprofit corporation of which the University had been a department. The University is a separate 501(c)(3) nonprofit corporation. The University 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 University'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.

Name/Title	Term Ending	Profession	State
Ann L. Tschetter	2008	Co-owner, Thermo King of Sioux Falls	SD
Harold J. Wiens*	2012	Retired Corporate Executive, 3M Company	MN
John Wories Jr.	2012	President, Amsted Rail International & ASF-Keystone	IL

* Member of Executive Committee.

Alan Johnson is employed by Wells Fargo Bank, National Association, the Bond Trustee for the Bonds.. 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. The spouse of Bobbi Hersch is employed by Lehman Brothers the underwriter of this bond issue. None of these interested Members has taken part in any deliberation, action or vote of the University concerning the companies or offices with which they are affiliated.

Bethel Administration

George K. Brushaber, President: Dr. Brushaber has served as the University's President since 1982 and was Dean of the University 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 University: Dr. Barnes joined the University 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: Dr. Olson joined the University in this position in September 2002 after serving as executive advisor to the President since May 2001. In this role, he oversees the departments of Communications and Marketing, Constituent Relations, Development, and the Bethel University Foundation. Dr. Olson holds an M.B.A. from the University of St. Thomas, a B.A. in mathematics from Macalester University, and the Ed.D. in higher education management from the University of Pennsylvania. Currently, Dr. 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 University 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 University, 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 Service Management at DePaul University.

Leland V. Eliason, Executive Vice President and Provost of Seminary: Dr. Eliason rejoined the University 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 University 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.

Presidential Succession

In May, 2007 the current president of Bethel University, Dr. George Brushaber, announced his retirement after 26 years in this role. In 2004 the Board of Trustees adopted a succession plan to ensure continuity of leadership during this transition. He will continue to serve until the new President is in place.

After acknowledging the retirement announcement, the Board appointed a Presidential Search Committee consisting of eleven members – 7 trustees, 3 faculty, and 1 at-large. The Committee will direct a national search for the next President. It has also engaged an executive search firm to assist in the process. The new President will be installed in June, 2008.

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. Lissner Hall, a 288 bed residential unit was added in 2005.

The Bethel University Library 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 university inter-library loan group.

The University's Sports and Recreation Center was constructed in 1984. In 1997, the University constructed a new football and soccer complex. In 2003, the University 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 University established Bethel Seminary San Diego, in San Diego, California. Bethel Seminary San Diego offers post-graduate theological study with six degree programs taught by 39 faculty members. Bethel Seminary San Diego's operations are consolidated with the University'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 213 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 107 students.

University Faculty and Academic Programs

More than 80% of University faculty members hold a terminal degree (Doctorate or equivalent). As of fall 2003, there were 186 full-time University faculty members and 182 part-time University faculty members. The faculty-student ratio is approximately one to sixteen. There is no denominational prerequisite nor any participatory religious requirements for faculty or staff membership. The University subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

The University offers 73 undergraduate academic programs within 64 majors and 11 graduate majors. In addition to course work in a selected major, all undergraduate students must take 51 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 the roots of Western civilization; and (v) a background in Christianity.

The University 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 UNIVERSITY
(EXCLUDES SEMINARY)
STATISTICAL SUMMARY

	2002-03	2003-04	2004-05	2005-06	2006-07
Fall Enrollment					
College of Arts and Sciences	2,560	2,688	2,760	2,808	2,810
College for Adult and Professional Studies	218	232	308	411	526
Total Undergraduates	2,778	2,920	3,068	3,219	3,336
Graduate School	319	392	554	660	789
Total University Enrollment	3,097	3,312	3,622	3,879	4,125
Matriculation Ratio (Enrolled/Accepted)	50.2%	52.7%	50.8%	53.5%	51.7%
Selectivity Ratio (Accepted/Applications)	78.8%	82.2%	78.3%	86.0%	83.1%
Average SAT Score	1,198	1,170	1,184	1,169	1,223
Average ACT Score	24.9	24.1	24.5	24.8	24.3
High School Class Rank Percentile	78.2	74.9	74.9	76.2	72.4
Faculty Full-time Equivalent	156.8	155.8	176.2	179	*
% of Entering Class from Top 20% of High School Class	57.4	50.3	50.0	56.5	47.1
FTE Students/FTE Faculty	16.1	16.9	15.4	15.5	*
Tuition	$17,700	$18,700	$19,880	$21,190	$22,590
Percentage Increase	5.50%	5.65%	6.3%	6.6%	6.6%

* - this information is not yet available from the University Registrar for the 2006-07 academic year.

Student Enrollment (Excludes Seminary)

The University enrolled 4,125 students in the fall of 2006, the highest enrollment in the school's history. The fall 2006 undergraduate headcount enrollment in the day school increased to 2810 students, up 2 students from 2005. There was also an increase in adult undergraduate studies enrollment (115), and an increase in graduate program enrollment (129).

Headcount enrollment by category compared with previous years is as follows:

	Fall 2002	Fall 2003	Fall 2004	Fall 2005	Fall 2006
New Freshmen	610	691	685	731	679
Transfers	152	150	130	146	153
Re-Admits	51	57	38	46	41
Sub-Total New	813	898	853	923	873
Continuing	1,747	1,790	1,907	1,885	1,937
TOTAL	2,560	2,688	2,760	2,808	2,810
College of Adult &Professional Studies	218	232	308	411	526
TOTAL UNDERGRADUATE	2,778	2,920	3,068	3,219	3,336
Graduate Programs	319	392	554	660	789
GRAND TOTAL	3,097	3,312	3,622	3,879	4,125

The University's 3,336 undergraduate students (headcount) enrollment for fall 2006 represents a wide range of national and international cultures and 30 religious denominations. Approximately 25% of the undergraduate students are from outside the state of Minnesota.

This mean high school rank was at the 72nd percentile and the mean score on the ACT was 24.3.

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

	Fall 2002	Fall 2003	Fall 2004	Fall 2005	Fall 2006
Undergraduate FTEs	2,737	2,872	3,024	3,140	3,296
Graduate FTEs	319	392	554	660	789
Total FTEs	3,056	3,264	3,578	3,800	4,085

Applications, Acceptances and Enrollments (Undergraduate Only)

	Fall 2002	Fall 2003	Fall 2004	Fall 2005	Fall 2006
Total applicants	2,058	2,074	2,143	2,005	2,302
Total accepted	1,621	1,704	1,679	1,725	1,689
Enrolled	813	898	853	923	873
Ratios					
Accepted to Applied	78.8%	82.2%	78.3%	86.0%	73.4%
Enrolled to Accepted	50.2	52.7	50.8	53.5	51.7

Bethel Theological Seminary Enrollment

Enrollment By Degree – Fall 2006

Degree Program	St. Paul	Bethel West	Seminary East	Total
Masters	695	213	101	1,009
Doctoral	94	--	--	94
Total	789	213	101	1,103

Enrollment History (Headcount)

	Fall 2002	Fall 2003	Fall 2004	Fall 2005	Fall 2006
St. Paul	763	755	810	824	789
Bethel West	208	226	179	205	213
Seminary East	91	124	112	117	101
Total	1,062	1,105	1,101	1,146	1,103
Total FTE	822	833	850	896	889

Overview of University Teaching Faculty (a)

	2002-03	2003-04	2004-05	2005-06	2006-07
FT Teaching Faculty	157	169	175	176	186
PT Teaching Faculty	150	134	179	192	182
Total Teaching Faculty	307	303	354	368	368
Total FTE Faculty	156.8	155.8	176.2	179.0	(b)
FT Faculty/FT Student Ratio	1/15.8	1/15.3	1/15.3	1/15.5	(b)
FTE Faculty/FTE Students	1/16.1	1/16.9	1/15.4	1/15.5	(b)

(a) Excludes faculty on sabbatical; includes one-year replacement instructors and private music instructors.
(b) This information is not yet available from the University registrar.

Retirement Plans

The University has a defined benefit pension plan which covers substantially all full-time employees of the University. Benefits are based on years of service and each employee's highest average compensation during five consecutive years of employment. The University's policy is to annually fund pension cost accrued. For further information concerning the plan's status as of May 31, 2006, see *APPENDIX B*—Note 9.

Effective January 1, 2006, Bethel amended its defined benefit retirement plan (DB) as an effort to control future benefit costs:

a) The DB plan was closed to any new employees. New employees after the January 1 date will be funded only in the defined contribution plan.
b) Current eligible employees that scored below an established threshold had their status in the DB plan frozen and no longer accrue benefits in that plan. These persons are now funded only in the DC plan.

c) Current eligible employees scoring over the established threshold were given the option to remain in the DB plan or having their DB status frozen (as noted in (b) above) and be funded in the DC plan only.

The University also has a noncontributory defined contribution retirement plan which covers substantially all full-time employees. The University contributes amounts, determined by management, based on a participant's annual compensation level. Expense for this plan was $4,096,933 and $2,573,477 during fiscal years 2006 and 2005, respectively.

The University's plans are considered "church plans" under the Employee Retirement Income Security Act of 1974 (the "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 the election.

Tuition and Fees (Excludes Seminary)

The University 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 University's major programs for the academic years listed:

	2002-03	2003-04	2004-05	2005-06	2006-07
Undergraduate (full-time) per academic year					
Tuition and Fees	$17,800	$18,700	$19,880	$21,300	$22,700
Room	3,680	3,790	3,900	$4,020	$4,260
Full Board	2,520	2,590	2,670	$2,780	$2,880
Total	$24,000	$25,080	$26,450	$28,100	$29,840

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 Universities (2007-08)*

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges
Carleton College	$36,156	$9,489	$45,645
Macalester College	$33,694	$8,220	$41,914
St. Olaf College	$30,600	$7,900	$38,500
Gustavus Adolphus College	$28,535	$6,775	$35,310
College of Saint Benedict	$26,570	$7,430	$34,000
Hamline University	$26,541	$7,372	$33,933
University of St. Thomas	$26,274	$7,312	$33,586
College of St. Catherine	$25,942	$7,518	$33,460
Saint John's University	$26,530	$6,870	$33,400
Minneapolis College of Art & Design	$27,200	$6,110	$33,310
Bethel University	**$24,510**	**$7,380**	**$31,890**
College of St. Scholastica	$24,990	$6,684	$31,674
Augsburg College	$24,539	$6,902	$31,441
Concordia College, St. Paul	$23,496	$6,776	$30,272
Saint Mary's University of Minnesota	$22,398	$6,130	$28,528
Concordia College, Moorhead	$22,350	$5,700	$28,050
Bethany Lutheran College	$17,760	$5,278	$23,038
AVERAGE	$26,358	$7,051	$33,409

* These are "standard," fulltime, academic year charges for new entering students in the fall of 2007. 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 90% of the full-time students enrolled receive scholarships or grants. 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. This data is not yet available for the 2006-07 academic year:

	2001-02	2002-03	2003-04	2004-05	2005-06
Unrestricted Institutional Scholarships and Grants	$9,503,656	$9,928,731	$11,470,526	$12,380,230	$13,229,425
Endowed and Restricted Gift Institutional Scholarships	679,448	699,577	481,634	373,175	455,097
Federal Pell and SEOG Grants	1,423,465	1,477,005	1,636,076	1,664,307	1,550,008
Minnesota State Grants	2,723,419	2,490,996	2,360,783	2,494,898	2,343,526
Other Scholarships and Grants	1,193,033	1,173,399	1,350,316	1,510,531	1,590,166
Total Scholarships and Grants	15,523,021	15,769,708	17,299,335	18,423,141	19,168,222
Student Loans	11,060,126	12,361,306	14,644,550	19,342,717	20,773,665
Student Work	1,858,295	1,789,738	2,054,212	2,171,831	2,130,569
Total Financial Aid	$28,441,442	$29,920,752	$33,998,097	$39,937,689	$42,072,456

Fundraising

Over the past three fiscal years, the University has averaged annual contributions of approximately $8,524,168. The University has successfully completed fundraising campaigns for a variety of specific purposes. The most recent major capital campaign was for the Lissner Student Residence Hall.

The University is currently involved in a major comprehensive campaign called "Taking The Next Step Campaign." Included in this fundraising campaign are resources for facilities, endowment and the annual fund. The Public phase of this campaign was launched in October 2006. At June 30, 2007, the $105 million campaign has passed $80 million in commitments.

In addition to the refunding of previous bond issues, a portion of the proceeds will assist the institution in the completion of the University Commons project component of the Next Steps campaign. The Project consists of the construction, furnishing and equipping of an approximately 110,000 square foot University Commons, which will include dining facilities, campus store, offices, a casual student assembly and other meeting areas as well as appurtenant site improvements, to be located on the University's main Arden Hills campus, the principal street address of which is 3900 Bethel Drive, Arden Hills, Minnesota. This facility is considered to be a key to attracting and retaining students in the future.

The Project total cost is approximately $32,900,000. On June 27, 2007, a contract was executed in the amount of $27,708,041, subject to changes required by the University, covering a portion of the construction and equipping of the Project.

The Bethel Foundation

The Bethel Foundation (the "Foundation") was established in 1971 to manage the University's endowment and to provide investment management and trust services to individuals and families with ties to the University. 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). Over 100 individuals and families have entrusted the Foundation with the investment and management of all or a portion of their assets. The Foundation allows individuals the chance to plan ultimate distribution of those assets to other individuals and to the University, 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, April 30, 2006, had assets under management of $34,353,000. Revenues and assets of the Foundation are not available for payment of the Bonds.

Gifts and Grants

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

Fiscal Year	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2002	$4,901,850	$1,668,949	$316,054	$6,886,853
2003	5,091,904	1,424,996	1,831,585	8,348,485
2004	5,044,603	747,300	948,833	6,740,736
2005	6,068,751	160,042	3,771,212	10,000,005
2006	6,619,145	1,594,439	578,239	8,791,823

Endowment Funds

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

Fiscal Year	Endowment Funds	Gift Annuity Funds	Total Funds
2002	$13,284,619	$2,103,410	$15,388,029
2003	15,078,216	2,676,178	17,754,394
2004	17,100,812	2,795,070	19,895,882
2005	21,817,913	2,905,740	24,723,653
2006	24,354,508	3,403,996	27,758,504

Statement of Financial Activity for Fiscal Years 2002 through 2006

The following table sets forth the University's consolidated statement of activities and changes in net assets for the fiscal years ended May 31, 2002 though 2006.

BETHEL UNIVERSITY AND BETHEL UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
for the Years Ended May 31,

	2001-02	2002-03	2003-04	2004-05	2005-06
Revenues and Other Additions:					
Tuition and instructional fees net of internally funded aid	$36,432,527	$40,338,408	$45,429,462	$49,776,210	$53,484,239
Auxiliary services	13,777,540	13,929,961	14,902,219	15,557,772	16,506,998
Contributions, gifts, and bequests	3,885,287	4,751,609	4,224,156	5,486,088	6,186,262
Grants, primarily federal financial aid	1,053,677	474,552	926,526	1,045,679	902,509
Endowment Income	599,421	499,836	185,628	389,001	634,800
Other sources, primarily student charges	4,221,158	4,197,539	3,861,513	4,479,650	4,116,315
Investment income, net	102,946	124,984	42,087	217, 333	346,090
Baptist General Conference gift	150,174	135,968	116,765	108,446	116,256
Total Revenues and Other Additions	60,222,730	64,452,857	69,688,356	77,060,179	82,293,469
Expenditures:					
Instruction	24,186,673	25,874,351	27,733,865	32,601,188	34,421,395
General Operating:					
Academic Support	7,141,544	6,216,278	6,629.852	7,441,903	8,031,771
Institutional Support	12,101,850	15,027,568	16,777,553	16,024,390	18,044,821
Public Service	790,565	822,137	787,829	868,475	969,644
Student Services	4,870,387	5,079,058	5,269,549	5,297,256	5,364,168
Auxiliary Services	12,784,606	12,442,066	12,839,250	13,505,382	14,383,988
Total Expenditures	61,875,625	65,461,458	70,037,898	75,738,594	81,215,787
Net Surplus (Deficit) From Operating Activities:	(1,652,895)	(1,008,601)	(349,542)	1,321,585	1,077,682
Net Non-Operating Activities	600,615	1,089,064	5,436,765	5,224,180	5,980,749
Current Year Impact of Change in Accounting Principal	-	-	-	-	(354,890)
Increase (Decrease) In Net Assets	(1,052,280)	80,463	5,087,223	6,545,765	6,703,541
Net Assets at the Beginning of the Year	61,787,434	60,735,154	62,352,446	67,439,669	73,985,434
Effect of merger – beginning of year	-	1,536,829	-	-	-
Net Assets at the end of the Year	$60,735,154	$62,352,446	$67,439,669	$73,985,434	$80,688,975

Long-Term Debt

The University had the following long-term debt outstanding as of May 31, 2006:

(a) Minnesota Higher Education Facilities Authority, Adjustable Demand Revenue Bonds, Series Five-V, issued in May 2004 in the amount of $8,500,000, variable rate, due in annual installments of $180,000 to $450,000 to July 2034. The May 31, 2006 balance was $8,500,000.

(b) 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 issue has interest rates of 4.2% to 5.1% and is due in annual installments of $390,000 to $945,000 to April 2019. The May 31, 2006 balance was $19,770,000.

(c) 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 May 31, 2006 outstanding balance was $1,036,170.

(d) 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 January 2009. The May 31, 2006 outstanding balance was $184,543.

(e) 1st Pacific Mortgage, 8.5% due in equal monthly installments of $2,889, with a balloon payment of $325,619 due June 2011. The outstanding balance at May 31, 2006 was $354,011.

(f) Lissner Residence Hall unsecured notes payable of $950,000 with interest at prime, due March 2008. These notes will be paid by specific donor contributions.

(g) Various capital leases for computer equipment, science and office equipment, and furniture, payable at various interest rates with final installments due through 2007. The May 31, 2006 balance was $626,045.

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BETHEL UNIVERSITY AND BETHEL UNIVERSITY FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MAY 31, 2006

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
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YEAR ENDED MAY 31, 2006

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Bethel University
St. Paul, Minnesota

We have audited the accompanying consolidated statement of financial position of Bethel University and Bethel University Foundation (collectively known as "Bethel") (an affiliate of the Baptist General Conference, an Illinois not-for-profit corporation) as of May 31, 2006, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended. 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bethel as of May 31, 2006, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, Bethel adopted the provisions of Financial Accounting Standards Board Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations*.

Larson, Allen, Weishair & Co., LLP

LARSON, ALLEN, WEISHAIR & CO., LLP

Minneapolis, Minnesota
July 28, 2006

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MAY 31, 2006
WITH SUMMARIZED COMPARATIVE TOTALS FOR MAY 31, 2005

	2006	2005
ASSETS		
Cash and Cash Equivalents	$ 4,769,848	$ 3,903,722
Receivables, Net	3,250,864	5,103,457
Student Loans	3,597,328	3,500,846
Inventories	712,550	718,283
Prepaids and Other Assets	1,284,127	453,230
Investments, at Market	41,499,302	36,161,379
Interest in Trust Assets	3,828,325	3,528,411
Property and Equipment, Net	67,814,968	64,328,984
Total Assets	$ 126,757,312	$ 117,698,312
LIABILITIES		
Accounts Payable	$ 4,439,162	$ 3,491,593
Accrued Interest	77,942	85,335
Accrued Salaries and Vacation	2,689,253	2,458,060
Demand Notes Payable, Uncollateralized	142,000	142,000
Student Deposits and Advance Registration Fees	984,659	975,082
Deferred Revenue	353,167	493,242
Liability for Self-Insurance	785,066	798,805
Gift Annuity Contracts	2,421,181	2,256,846
Long-Term Debt	31,420,769	30,472,677
Perkins Loan Refundable	2,517,448	2,539,238
Other Liability	237,690	-
Total Liabilities	46,068,337	43,712,878
NET ASSETS		
Unrestricted:		
General Unrestricted	6,656,669	6,776,666
Net Investment in Plant	36,394,199	34,026,306
Unspent Endowment Earnings	3,990,870	2,064,117
Total Unrestricted	47,041,738	42,867,089
Temporarily Restricted	12,489,750	10,614,854
Permanently Restricted	21,157,487	20,503,491
Total Net Assets	80,688,975	73,985,434
Total Liabilities and Net Assets	$ 126,757,312	$ 117,698,312

See accompanying Notes to Consolidated Financial Statements.

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MAY 31, 2006
WITH SUMMARIZED COMPARATIVE TOTALS YEAR ENDED MAY 31, 2005

	2006				2005
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES AND OTHER ADDITIONS					
Tuition and Instructional Fees, Net of Institutionally Funded Aid of $17,269,742 and $15,849,496 for 2006 and 2005, Respectively	$ 53,484,239	$ -	$ -	$ 53,484,239	$ 49,776,210
Contributions, Gifts and Bequests	6,186,262	-	-	6,186,262	5,486,088
Grants, Primarily Federal and State Financial Aid	902,509	-	-	902,509	1,045,679
Auxiliary Services	16,506,998	-	-	16,506,998	15,557,772
Endowment Income	634,800	-	-	634,800	389,001
Other Sources, Primarily Student Charges	4,116,315	-	-	4,116,315	4,479,650
Investment Income, Net	346,090	-	-	346,090	217,333
Baptist General Conference	116,256	-	-	116,256	108,446
Net Assets Released from Restrictions	300,251	(300,251)	-	-	-
Total Revenues and Other Additions	82,593,720	(300,251)	-	82,293,469	77,060,179
EXPENDITURES AND OTHER DEDUCTIONS					
Instructional	34,421,395	-	-	34,421,395	32,601,188
General Operating:					
Academic Support	8,031,771	-	-	8,031,771	7,441,903
Institutional Support	18,044,821	-	-	18,044,821	16,024,390
Public Service	969,644	-	-	969,644	868,475
Student Services	5,364,168	-	-	5,364,168	5,297,256
Auxiliary Services	14,383,988	-	-	14,383,988	13,505,382
Total Expenditures and Other Deductions	81,215,787	-	-	81,215,787	75,738,594
NET SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES	1,377,933	(300,251)	-	1,077,682	1,321,585
NONOPERATING ACTIVITIES					
Contributions, Gifts and Bequests	329,441	1,594,349	578,329	2,502,119	4,520,063
Change in Gift Annuity Contracts	-	94,916	-	94,916	(257,959)
Other Sources (Uses)	(503,587)	261,634	-	(241,953)	26,343
Investment Earnings Above Spending Policy	1,982,244	-	-	1,982,244	911,871
Investment Income	1,343,508	-	-	1,343,508	279,146
Change in Present Value of Remainder Interests in Trusts	-	224,248	75,667	299,915	(255,284)
Net Surplus from Nonoperating Activities	3,151,606	2,175,147	653,996	5,980,749	5,224,180
CHANGE IN NET ASSETS BEFORE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	4,529,539	1,874,896	653,996	7,058,431	6,545,765
Current Year Impact of Change in Accounting Principle	(354,890)	-	-	(354,890)	-
CHANGE IN NET ASSETS	4,174,649	1,874,896	653,996	6,703,541	6,545,765
Net Assets - Beginning of Year	42,867,089	10,614,854	20,503,491	73,985,434	67,439,669
NET ASSETS - END OF YEAR	$ 47,041,738	$ 12,489,750	$ 21,157,487	$ 80,688,975	$ 73,985,434

See accompanying Notes to Consolidated Financial Statements.

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2006
WITH SUMMARIZED COMPARATIVE TOTALS YEAR ENDED MAY 31, 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 6,703,541	$ 6,545,765
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	2,734,175	2,470,953
Cash Contributions with Donor Restrictions	(2,172,678)	(3,848,112)
Net Realized/Unrealized Gain on Investments	(1,739,785)	(1,032,078)
Increase (Decrease) in Interest in Trust Assets	(299,914)	255,284
Change in Operating Assets and Liabilities:		
Prepaids and Other Assets	(830,897)	(83,296)
Receivables	1,756,111	(897,322)
Inventories	5,733	114,269
Accounts Payable	947,569	363,817
Accrued Faculty Salaries and Interest	223,800	97,835
Student Deposits and Advance Registration Fees	9,577	39,441
Gift Annuity Contracts	164,335	205,970
Deferred Tuition Revenue	(140,075)	88,003
Perkins Loans Refundable	(21,790)	(27,294)
Liability for Self Insurance	(13,739)	67,465
Other Liabilities	237,690	-
Net Cash Provided by Operating Activities	7,563,653	4,360,700
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(6,220,159)	(12,632,665)
Proceeds from Sales of Investments	8,792,130	16,957,342
Purchase of Investments	(12,390,268)	(13,116,997)
Net Cash Used by Investing Activities	(9,818,297)	(8,792,320)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-Term Debt Borrowings	2,867,784	815,227
Payments on Long-Term Debt	(1,919,692)	(1,510,744)
Cash Contributions with Donor Restrictions	2,172,678	3,848,112
Net Cash Provided by Financing Activities	3,120,770	3,152,595
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	866,126	(1,279,025)
Cash and Cash Equivalents - Beginning of Year	3,903,722	5,182,747
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,769,848	$ 3,903,722
SUPPLEMENTAL DATA		
Interest Paid	$ 1,920,294	$ 1,154,783
Property and Equipment in Accounts Payable	$ 315,720	$ 701,300

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION

Bethel University has one great mission:

Boldly informed and motivated by the Christian faith, Bethel University educates and energizes men and women for excellence in leadership, scholarship and service.

This has been Bethel's calling since it was founded as a seminary for Swedish immigrants in 1871, and throughout its history as a seminary, institute, academy, junior college, and as Bethel College & Seminary, and now renamed and reorganized as Bethel University. The institution is committed to being a world-class Christian university preparing women and men to serve in strategic capacities to renew minds, live out biblical truth, transform culture, and advance the gospel.

As a university, Bethel is positioned to carry out this vision as never before. To Christians around the world who seek the finest preparation for work and witness, the name "Bethel University" better conveys a broad scope of faith-based undergraduate, masters and doctoral programs. In addition, an efficient governance structure improves our ability to serve specialized students such as working adults and executive leaders.

Bethel is a leading resource for Christian higher education. Undergraduate, graduate, and seminary students represent 48 states, the District of Columbia, Puerto Rico, and 35 countries. The university offers a strong international studies program and partners with racially diverse institutions and churches around the world, both urban and rural.

Based in St. Paul, Minnesota with additional seminary locations on both coasts, Bethel University offers majors, minors, and advanced degrees in nearly 100 relevant fields. Programs are taught by faculty within a distinctly Christian framework, equipping women and men for culturally sensitive leadership, scholarship, and service around the world. Opportunities for spiritual growth occur via chapels, spiritual formation and Bible study groups, pastoral counseling, faculty and peer mentoring, and an outstanding emphasis on outreach ministries.

Bethel University is accredited by the *Higher Learning Commission of the North Central Association of Colleges and Schools* and the *Association of Theological Schools* and is a member of the *Christian College Consortium* and the *Council for Christian Colleges and Universities*. It also has specialized accreditations in teacher education, nursing, social work, and athletic training. For the academic year ended May 31, 2006 Bethel University served more than 5,900 students including 2,916 in the College of Arts & Sciences, 1,418 in the Seminary, 906 in the Graduate School, and 753 in the College of Adult & Professional Studies.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

Bethel University (Bethel) is a Minnesota not-for-profit corporation. The University 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 University Foundation (the Foundation) is incorporated as a not-for-profit organization. The Foundation exists for the purpose of enhancing the financial strength of Bethel University by supporting endowment growth, facilitating major noncash gifts and encouraging major gifts through its deferred gift program.

Bethel University is required to consolidate within its financial statements the net assets of entities that meet certain control considerations. As the members of the Board of Governors of Bethel University Foundation are ratified by the Board of Trustees of Bethel, the financial statements of Bethel include the accounts of the Bethel University Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation. Collectively, the two entities are referred to herein as Bethel.

Accrual Basis

The consolidated 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 net assets consist primarily of long-lived 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.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they may be maintained permanently. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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 whose restrictions are met in the year the gift is received are recorded as unrestricted revenues in the year received. Temporarily restricted net assets from prior years for which donor-imposed restricted are met in the current reporting period are reported as net assets released from restrictions. Net assets which have no donor-imposed restrictions are recognized as unrestricted revenues in the year 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 of endowment and similar funds are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that the income 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
- As increases in unrestricted net assets in all other cases

Bethel 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.

Bethel's endowment spending policy authorizes spending of all nonscholarship endowment income at the rate 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%. The spending rate policy for scholarship endowments is to annually distribute 6.5% of the current fair market value of the endowment assets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The consolidated 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 Bethel's consolidated financial statements for the year ended May 31, 2005, 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 whose 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
- investment income from the Foundation

Cash and Cash Equivalents

Cash and cash equivalents consist of money market funds and certificates of deposit 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.

Receivables

Receivables are stated at net realizable value. Bethel provides an allowance for doubtful accounts using the allowance method, which is based on management judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectibility. When all collection efforts have been exhausted, the accounts are written off against the related allowance. The allowance for doubtful accounts for the years ended May 31, 2006 and 2005 were $703,708 and $611,251, respectively.

Pledges receivable represent unconditional promises to give to Bethel. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the year in which the pledges are received. The allowance for lost pledges for the years ended May 31, 2006 and 2005 was $5,771 and $17,889, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 prices. Investments in real estate are stated at cost or at estimated fair value. 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.

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% at the end of fiscal years 2005, 2004 and 2003) and (d) a present value factor reflecting a risk-weighted rate at the date of the gift, 6% for trusts established during fiscal year 2003 and thereafter, 8% for trusts established during fiscal years 1998 through 2002 and 10% for trusts established prior to 1998. 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 defined remainder interest.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. 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 the other sources (uses) in nonoperating activities and reflected as temporarily restricted or permanently restricted, consistent with the method used to initially record the contributions.

Perkins Loan Refundable

Government grants and contract funds are recorded as revenue when earned as an exchange transaction. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as grant advances. Expenditures under government grants and contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Bethel will record such disallowances at the time the determination is made.

Deferred Revenue

Bethel records cash received for future services as deferred revenue. The revenue is recognized when services are provided. At May 31, 2006 and 2005, deferred revenue consists primarily of unearned tuition and student deposits.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The majority of Bethel's cash and cash equivalents are concentrated in one bank.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and deposits and deferred credits approximate fair value because of the short maturity of these financial instruments. Contributions receivable and annuities payable are recorded at fair value using appropriate discount rates. The carrying values of investments and assets held in charitable remainder unitrusts are based upon values provided by an external investment manager or quoted market values. Investments are carried at fair value.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to the government for student loans is not made because the student loans receivable are not salable and can only be assigned to the U.S. government or its designees. The fair value of receivables from students under University loan programs approximates carrying value.

A reasonable estimate of the fair value of the contributions receivable is not made because contribution receivables are not salable. The long-term debt is valued based on the borrowing rates currently available to Bethel for long-term borrowing with similar terms and average maturities. A reasonable estimate of the fair value of the annuities and unitrusts payable is not made because the annuities and unitrusts are not salable.

Functional Expenses

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

Advertising Expense

Advertising is expensed as incurred. Advertising expense for the years ended May 31, 2006 and 2005 was $1,935,434 and $1,826,166, respectively.

NOTE 3 RECEIVABLES

Receivables as of May 31, 2006 and 2005 are as follows:

	2006	2005
Student Tuition and Fees	$ 3,075,570	$ 2,128,972
Pledges	34,470	138,970
Other	850,303	3,464,655
	3,960,343	5,732,597
Less: Allowance for Doubtful Accounts - Students	(703,708)	(611,251)
Less: Allowance for Doubtful Accounts - Pledges	(5,771)	(17,889)
Total	$ 3,250,864	$ 5,103,457

All recorded pledges are expected to be received within five years.

In addition to the pledges recorded, various donors have communicated their intentions to give an amount in excess of $11,761,000, which is not recorded, because unlike promises to give, intentions do not meet the criteria for recognition according to generally accepted accounting principles. Approximately $8,156,000 of the $11,761,000, is designated for the new dorm construction project.

NOTE 4 INVESTMENTS

Investments consist of the following at May 31, 2006 and 2005:

	2006		2005	
	Cost	Market	Cost	Market
Certificates of Deposit and Money Market Funds	$ 4,201,866	$ 4,201,866	$ 4,665,537	$ 4,665,537
Stocks, Principally Common and Equity Mutual Funds	16,195,441	18,824,908	14,863,313	15,875,684
Bonds, Notes and Debt Mutual Funds	7,105,883	6,832,229	5,682,668	5,681,824
Real Estate	2,943,994	3,712,647	3,600,000	3,600,000
Other	6,540,587	7,927,652	5,813,846	6,338,334
Total Investments	$ 36,987,771	$ 41,499,302	$ 34,625,364	$ 36,161,379

NOTE 4 INVESTMENTS (CONTINUED)

The components of investment earnings are summarized below:

	2006	2005
Realized Gains	$ 113,166	$ 243,108
Unrealized Gains	1,626,619	788,970
Interest and Dividends	1,932,057	376,272
Total	$ 3,671,842	$ 1,408,350

	2006	2005
Operating Investment Income	$ 346,090	$ 217,333
Nonoperating Investment Earnings Above Spending Policy	1,982,244	911,871
Nonoperating Investment Income	1,343,508	279,146
Total	$ 3,671,842	$ 1,408,350

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment as of May 31, 2006 and 2005 are as follows:

	2006	2005
Land and Land Improvements	$ 7,275,112	$ 6,722,252
Buildings and Building Improvements	84,533,767	70,333,662
Furniture and Equipment	21,183,602	19,722,468
Construction in Progress	-	10,942,022
	112,992,481	107,720,404
Less: Accumulated Depreciation	(45,177,513)	(43,391,420)
	$ 67,814,968	$ 64,328,984

Depreciation expense totaled $2,685,799 and $2,470,953 for the years ended May 31, 2006 and 2005, respectively.

NOTE 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 June 1, 2008. 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% below the bank's reference (prime) rate (6% and 4.25% at May 31, 2006 and 2005, respectively). At May 31, 2006 and 2005, there were no amounts outstanding.

Bethel has other uncollateralized demand notes payable outstanding of $142,000 at May 31, 2006 and 2005. These notes bear interest rates which range from 5% to 8%.

NOTE 7 LONG-TERM DEBT

Long-term debt payable consist of the following at May 31, 2006 and 2005:

Description	Collateral	2006	2005
Minnesota Higher Education Facilities Authority, Adjustable Demand Revenue Bonds, Series Five-V, variable rate, due in annual installments of $180,000 to $450,000 to July 2034	Letter of credit, Allied Irish Bank	$ 8,500,000	$ 8,500,000
Minnesota Higher Education Facilities Authority, Adjustable Demand Revenue Bonds, Series Four-S, 4.2% to 5.1% 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	Letter of credit, Allied Irish Bank	19,770,000	20,270,000
Allied Irish Bank Loan, 6.65% due in equal monthly installments of $15,612, with a balloon payment of $825,199 due June 2008	Unsecured	1,036,170	1,152,836
US Bank Energy Management loan, 5.7% due in equal monthly installments of $6,136 to January 2009	Energy management equipment	184,543	245,562
1st Pacific Mortgage , 8.5% due in equal monthly installments of $2,889, with a balloon payment of $325,619 due June 2011	Residential Property San Diego	354,011	-
Lissner Dormitory Notes Payable	Unsecured	950,000	-
Total Long-Term Notes		30,794,724	30,168,398
Capitalized Lease Obligations and Notes payable, various interest rates, due in monthly installments through 2007	Computer equipment, office equipment and generator equipment	626,045	304,279
Total Long-Term Debt		$ 31,420,769	$ 30,472,677

NOTE 7 LONG-TERM DEBT (CONTINUED)

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
2007	$ 1,602,142	$ 123,999	$ 1,726,141
2008	1,967,988	124,702	2,092,690
2009	821,160	112,893	934,053
2010	811,136	110,347	921,483
2011	1,172,298	115,582	1,287,880
Thereafter	24,420,000	93,852	24,513,852
Subtotal	30,794,724	681,375	31,476,099
Less: Cumulative Scheduled Interest Payments on Capitalized Lease Obligations	-	(55,330)	(55,330)
Total	$ 30,794,724	$ 626,045	$ 31,420,769

Minnesota Higher Education Facilities Authority Adjustable Demand Revenue Bonds, Series Five-V, are secured by an irrevocable transferable direct pay letter of credit issued by Allied (New York Branch). 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 Bethel to comply with various covenants, including maintenance of a 1.25 to 1.00 debt service coverage ratio.

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 Bethel to comply with various covenants, including the maintenance of a 1.25 to 1.00 debt service coverage ratio.

The US Bank Energy Management loan requires Bethel to comply with various covenants, including the maintenance of total unrestricted net assets greater than $32,000,000.

NOTE 8 SELF FUNDED HEALTH INSURANCE

The University has a self-funded health care plan which provides medical benefits to its employees. Health care cost is expensed as incurred. The health care expense is based upon actual claims paid, reinsurance premiums, administrative fees and unpaid claims at year end. An accrual for claims outstanding of $785,066 and $798,805 has been recorded at May 31, 2006 and 2005, respectively. Management believes this liability is sufficient to cover estimated claims including claims incurred but not yet reported.

NOTE 9 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 adopted Financial Accounting Standards Board (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, 2006 and 2005:

	2006	2005
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	$ 59,748,131	$ 47,807,438
Service Cost	3,137,571	2,277,382
Interest Cost	3,406,699	3,199,745
Benefits Paid	(1,861,272)	(2,002,601)
Actuarial Loss (Gain)	(3,925,019)	8,466,167
Effect of Merger/Spin-Off/Curtailment/Settlement	(3,577,491)	-
Benefit Obligation at End of Year	$ 56,928,619	$ 59,748,131
Accumulated Benefit Obligation at End of Year	$ 47,288,928	$ 45,984,216
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	$ 40,327,038	$ 35,470,540
Employer Contributions	3,050,000	2,900,000
Benefits Paid	(1,861,272)	(2,002,601)
Actual Return on Plan Assets	4,289,938	3,959,099
Fair Value of Plan Assets at End of Year	$ 45,805,704	$ 40,327,038

NOTE 9 RETIREMENT PLANS (CONTINUED)

	2006	2005
Funded Status	$ (11,122,915)	$ (19,421,093)
Unrecognized Net Transition Asset	-	-
Unrecognized Prior Service Cost	77,075	257,974
Unrecognized Net Actuarial Loss	9,460,241	18,623,242
Accrued Pension Cost Recognized in the Consolidated Statement of Financial Position	$ (1,585,599)	$ (539,877)
Components of Net Periodic Pension Cost		
Service Cost	$ 3,137,571	$ 2,277,382
Interest Cost	3,406,699	3,199,745
Expected Return on Plan Assets	(3,479,446)	(3,151,913)
Amortization of Unrecognized Transition Asset	-	(90,881)
Amortization of Unrecognized Prior Service Cost	69,078	69,078
Amortization of Unrecognized Net Actuarial Loss	849,999	270,066
Settlement/curtailment loss	111,821	-
Net Periodic Pension Cost	$ 4,095,722	$ 2,573,477

Actuarial assumptions used are approximately:

	2006	2005
Discount Rate	6.25%	5.50%
Expected Return on Plan Assets	8.50%	8.50%
Rate of Compensation Increase	5.00%	5.00%

The following lists the plan assets as of June 30, 2006 by Category:

	2006
The Plan Assets are invested as follows:	
Equity Securities	59.0%
Bonds	29.9%
Other Investments	10.3%
Cash and Cash Equivalents	0.7%

Bethel's investment policy requires that the assets of the Plan are invested in a manner consistent with the fiduciary standards of Employee Retirement Income Security Act of 1974 (ERISA); namely, (a) the safeguards and diversity to which a prudent investor would adhere must be present and (b) all transactions undertaken on behalf of the Plan must be for the sole interest of Plan participants and their beneficiaries, to provide benefits in a prudent manner. The primary investment emphasis is to attain or improve upon the surplus of assets over the present value of liabilities.

NOTE 9 RETIREMENT PLANS (CONTINUED)

The Plan shall provide the highest possible return consistent with prudent diversification. The investment objective of the Retirement Fund is to earn a long-term total return of 8.5%. The actual mix shown above is within targeted ranges of the asset mix that Bethel believes will support the long-term objective.

Contributions

Bethel expects to contribute $2,600,000 to the Plan during the 2007 fiscal year.

Expected Benefit Disbursements

The following benefit disbursements are expected:

Fiscal Year	Amount
2007	$ 2,201,000
2008	2,394,000
2009	2,537,000
2010	2,615,000
2011	2,860,000
2012 - 2016	18,204,000

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 $4,096,933 and $2,573,477 during fiscal years 2006 and 2005, respectively.

Bethel's plans are considered "church plans" under the ERISA. The plans are generally exempt from the provisions of ERISA unless management makes an election to adhere to its regulations. Management currently does not intend to make that election.

NOTE 10 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 consolidated 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 had no obligation for unrelated business income tax at May 31, 2006 and 2005.

NOTE 11 RELATED PARTY TRANSACTIONS

Bethel has two outstanding notes receivables from employees of Bethel in the amount of $48,051 and $49,932 for the years ended May 31, 2006 and 2005, respectively.

Bethel also purchases its insurance policies from a firm owned by a member of the Foundation's board of governors. Insurance expense for the years ended May 31, 2006 and 2005 was $777,290 and $807,397, respectively.

Bethel University has agreed to provide certain support services to the Bethel University Foundation including providing office space and associated expenses at no cost. Employees of the Foundation also participate in Bethel's insurance and health benefit plans. These operating costs were paid by Bethel University and have not been reflected in the current financial statements of the Foundation. The value of such services had they been recorded by the Foundation were $300,119 and $324,914 for fiscal years ended May 31, 2006 and 2005, respectively.

Distributions from the Foundation to Bethel University totaled $428,773 and $1,155,288 during fiscal years 2006 and 2005, respectively.

NOTE 12 COMMITMENTS

Bethel entered into an agreement with a company in May 2005 to implement new institutional database software. The agreement included installation costs of approximately $851,000, a license fee of $526,000, and yearly maintenance fees of $99,000. The outstanding commitment as of May 31, 2006 was approximately $774,704.

NOTE 13 CHANGE IN ACCOUNTING POLICY

The University adopted Financial Accounting Standards Board (FASB) Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations.* FIN 47 requires an entity to recognize a liability for the fair value of conditional asset retirement obligations if the fair value of the liability can be reasonably estimated. The fair value of a liability for conditional asset retirement obligations must be recognized when incurred, generally upon acquisition, construction, or development and/or through the normal operation of the asset. In accordance with the requirements of FIN 47, an estimated liability of $354,890 related to the fair value of conditional asset retirement obligations was charged to unrestricted net assets and classified as the cumulative effect of a change in accounting principle. These asset retirement obligations relate to the costs of asbestos abatement that will result from Bethel's current plans to renovate and/or demolish certain acute care facilities. Based on the age of these facilities, it is assumed that any offsetting assets have been fully depreciated. Had these liabilities been recorded as of the beginning of 2005, there would not have been a materially different effect on the consolidated financial results as of May 31, 2006.

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS

Following are definitions of certain words and terms as used in the Indenture and Loan Agreement related to the Bonds, Definitions of some of the words and terms below may also appear elsewhere in this Official Statement.

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

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

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

Authority: The Minnesota Higher Education Facilities Authority.

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

Authorized Denominations: $100,000 or any integral multiple of $5,000 in excess thereof.

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

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

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

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

Bond and Interest Sinking Fund Account: The Bond and Interest Sinking Fund Account established under Section 5.01 of the Indenture.

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

Bond Purchase Agreement: The Bond Purchase Agreement, dated August 1, 2007, among the Authority, the University, and the Underwriter, relating to the Series Six-R Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on July 25, 2007, authorizing the Series Six-R Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Series Six-R Bonds, (a) the period from the Issue Date to the close of business on May 1, 2008 and (b) each succeeding 12-month period ending at the close of business on May 1 of each year in which the outstanding Series Six-R Bonds, if paid at their stated maturity dates, will be outstanding.

Bonds or Series Six-R Bonds: Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-R (Bethel University).

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

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

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

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

Construction Account: The Construction Account created under the Indenture for payment of certain costs relating to the Project.

Depository or DTC: The Depository Trust Company in New York, New York, its successors or assigns, or any other person who shall be a Holder of all Bonds of any series directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, University and Trustee to act as the Depository; provided any Depository shall be registered or qualified as a clearing agency within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

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

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

Escrow Agreement: With respect to the Prior Bonds, the Escrow Agreement, dated as of August 1, 2007, among Wells Fargo Bank, National Association, as Escrow Agent, the Prior Bonds Trustee, and the Trustee, the Authority, the University, and Allied Irish Banks, p.l.c., New York Branch, as the Bank under the Series Four-S Indenture and the Series Five-V Indenture.

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

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

General Bond Reserve Account: The General Bond Reserve Account created pursuant to the General Bond Resolution.

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

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

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, dated as of August 1, 2007, under which the Bonds are authorized to be issued, and including any indenture supplemental hereto.

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

University or the Institution as an officer, employee or member of the Authority, the University or the Institution or the Board of Trustees of the University.

Institution: Bethel University, a Minnesota institution of higher education with its main campus located in the City of Arden Hills, Minnesota owned and operated by the University.

Interest Payment Date: May 1 and November 1 of each year, commencing November 1, 2007 and any other date on which the principal of and interest on the Bonds shall be due and payable.

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

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

Loan Agreement: The Loan Agreement between the Authority and the University, to be dated as of August 1, 2007, as from time to time amended or supplemented.

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

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

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

Permitted Encumbrances: As of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an Independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities (including, with respect to

Project Equipment, purchase money security interests and equipment leases), and as do not in the aggregate, in the opinion of independent counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the University, and (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

Prior Bonds: The Series Four-S Bonds and the Series Five-V Bonds.

Prior Bonds Trustee: Wells Fargo Bank, National Association, as successor by consolidation to Norwest Bank Minnesota, National Association, in its capacity as the Trustee under the Series Four-S Indenture and the Series Five-V Indenture.

Project: The Project consists of construction on the University's campus of a new student center.

Project Buildings: The buildings and facilities constituting the Project as described in the Loan Agreement and the Indenture and acquired, constructed, furnished and equipped with proceeds of the Bonds, including investment earnings, and any other building or buildings constructed or improved with the proceeds of the Prior Bonds or any bonds refunded by the Prior Bonds (except any such buildings or facilities or portions thereof to be deconstructed, demolished or removed in furtherance of the Project), including investment earnings.

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds or Prior Bonds or any bonds refunded by the Prior Bonds (except any such fixtures, equipment, or other personal property of a capital nature to be removed in furtherance of the Project), including investment earnings.

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

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

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

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

Security Agreement: The Security Agreement, dated as of August 1, 2007, between Wells Fargo Bank, National Association, as secured party, and the University, as debtor.

Series Five-V Bonds: The Minnesota Higher Education Facilities Authority Adjustable Demand Revenue Bonds, Series Five-V (Bethel College & Seminary), dated May 20, 2004, issued in the original principal amount of $8,500,000.

Series Five-V Indenture: The Trust Indenture, dated as of May 1, 2004, by and between the Authority and the Prior Bonds Trustee, relating to the Series Five-V Bonds.

Series Four-S 2008 ALP Bonds: The Series Four-S Bonds issued in an initial Adjustable Long Period (as defined in the Series Four-S Indenture) ending on April 1, 2008 and outstanding in the aggregate principal amount of $550,000 on the date hereof.

Series Four-S 2019 ALP Bonds: The Series Four-S Bonds issued in an initial Adjustable Long Period (as defined in the Series Four-S Indenture) ending on April 1, 2019 and outstanding in the aggregate principal amount of $8,200,000 on the date hereof.

Series Four-S Bonds: The Minnesota Higher Education Facilities Authority Adjustable Demand Revenue Bonds, Series Four-S (Bethel College & Seminary), dated June 11, 1998, issued in the original principal amount of $22,865,000.

Series Four-S Indenture: The Trust Indenture, dated as of June 1, 1998, by and between the Authority and the Prior Bonds Trustee, relating to the Series Four-S Bonds.

Series Four-S Weekly Mode Bonds: The Series Four-S Bonds issued in the Weekly Mode (as defined in the Series Four-S Indenture) maturing April 1, 2028 and outstanding in the aggregate principal amount of $10,495,000 on the date hereof.

Series Six-R Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-R (Bethel University), issued in the original principal amount of $44,000,000.

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

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

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

Underwriter: Lehman Brothers Inc., as original purchaser of the Bonds.

University: Bethel University, a Minnesota nonprofit corporation, its successors and assigns, as owner and operator of the Institution.

APPENDIX D

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.

Redemption of Refunded Bonds

The University represents that it will cause the Prior Bonds to be refunded, defeased, and redeemed in accordance with the provisions of the Escrow Agreement. Pursuant to the Escrow Agreement, the Series Four-S Weekly Mode Bonds and the Series Five-V Weekly Mode Bonds will be redeemed on or about September 4, 2007. The Series Four-S 2008 ALP Bonds which will be escrowed to maturity and the Series Four-S 2019 ALP Bonds will be redeemed on April 1, 2008.

Loan Repayments

Under the Loan Agreement, the University covenants and agrees to repay the Loan, together with interest and premium, if any, in Loan Repayments which in the aggregate shall be in an amount sufficient to pay, in full and when due, all of the Bonds. To provide for the repayment of the Loan hereunder, until the principal of, premium, if any, and interest on the Series Six-R Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the University covenants and agrees to pay for the account of the Authority the following amounts:

(a) At least two (2) Business Days prior to each May 1 and November 1, commencing November 1, 2007, the University shall deposit into the Bond and Interest Sinking Fund Account, a sum which will be equal to the amount payable as interest on the Series Six-R Bonds on such interest payment date, and, at least two (2) Business Days prior to each May 1, commencing on May 1, 2013, a sum equal to the amount payable as principal (whether at maturity or mandatory sinking fund redemption) of the Series Six-R Bonds on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account (including amounts transferred from the Construction Account pursuant to Sections 4.03, 4.04 and 5.01 of the Indenture), and (ii) any credits permitted by Section 5.01, 5.02, 5.03 or 5.04 of the Indenture; and

(b) On or prior to a date established for the optional redemption or mandatory redemption and prepayment of any Series Six-R Bonds pursuant to Section 4.06, 5.08, 5.09 or 6.09 of this Loan Agreement, the University shall deposit into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Six-R Bonds called for redemption from the Redemption Account; and

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

(d) The University shall deposit into any fund or account designated by the Trustee such amount as may be determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) hereof and Section 5.05 of the Indenture.

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

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

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

Use of Project Facilities

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

Operating Expenses and Liens

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

Taxes and Other Governmental Charges

The University will pay, as the same respectively come due, 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 University, or the Project Facilities or any improvements, equipment or related property installed or brought by the University therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

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

Insurance

The University is required to maintain, or cause to be maintained, insurance 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, including blanket contractual liability and personal injury liability and automobile insurance, in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $10,000,000, with a deductible amount of not more than $250,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $250,000.

(c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the University, provided that the University may be self-insured with respect to all or a part of its liability for workers' compensation.

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

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

Damage or Destruction

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

The Bonds may be redeemed in whole if (i) all or part of the Project Facilities are damaged or destroyed to such extent that they cannot be reasonably restored within six months or (ii) normal use and operation of such Project Facilities are interrupted for a six month period or (iii) the cost of restoration exceeds the available Net Proceeds by an amount described in the Loan Agreement. The Bonds may be redeemed in part if (i) all or a portion of the Project Buildings have been damaged or destroyed, (ii) the University determines that the Project Building or Project Buildings or portion thereof, as the case may be, is not needed in its operations and (iii) the University has elected not to restore such Project Building or Project Buildings or portion thereof, as the case may be.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any part of the Project Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, the University shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

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

Removal of Project Equipment and Building Equipment

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

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

(b) the University may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the

University pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the University, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of the equipment so released was less than $100,000, such release and such deposit to the Redemption Account may be effected without such determination of value and certificate by an Independent Engineer upon such showing by the University as may be satisfactory to the Trustee;

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

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

Indemnification

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

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

University to Maintain its Existence and Accreditation

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

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

The University has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt nonhospital bonds issued on behalf of or for the benefit of the University and all organizations under common management or control with the University (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000, excluding nonhospital bonds issued on or after August 5, 1997 to finance capital expenditures incurred after August 5, 1997. Under the Loan Agreement, in no event will the University affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the University or such other resulting entity, and all organizations under common management or control with the University or such resulting entity, within the meaning of Section 145 of the Internal Revenue Code.

Federal Income Tax Status

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

Institution to be Nonsectarian

Except for the Seminary, which will continue to be separable from the general undergraduate and graduate programs of the University for which the Project Facilities have been and are to be completed, 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. Except with respect to the Seminary, all courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

Determination of Taxability

If a Determination of Taxability occurs, the University shall repay the Loan and cause the Bonds to be redeemed on the first Business Day for which notice of redemption can be given in accordance with the Indenture following notice to the University of the Determination of Taxability. The redemption shall be effected upon the following terms and conditions:

(a) Within ten (10) days after notice to the University of the Determination of Taxability the University shall give written notice of the Determination of Taxability and of its intention to redeem the Outstanding Bonds to the Trustee, stating the date of redemption, and the University shall make arrangements satisfactory to the Trustee for the giving of notice required under Section 3.03 of the Indenture for redemption of all of the Outstanding

Bonds subject to redemption because of such event, and for the transmittal of funds needed for such redemption in advance of that date.

(b) The aggregate redemption price payable by the University shall be equal to the principal amount of all then Outstanding Bonds, plus accrued interest thereon to the redemption date, plus a premium equal to 5.0% of the principal amount to be redeemed.

Financial Covenants and Additional Indebtedness

The University covenants and agrees, so long as the Series Six-R Bonds shall remain outstanding, to comply with the following provisions of the Loan Agreement:

(a) Rate Covenant. The University will charge and collect tuition and fees in each Fiscal Year sufficient to produce in each Fiscal Year a Debt Service Coverage Ratio equal to or greater than 1.00 with respect to all Funded Debt (the "Rate Covenant").

(b) Management Consultant. If the University fails to adopt a budget that projects that the Rate Covenant will be achieved, the University will immediately engage an Independent management consultant which will promptly (in no event more than sixty days after its engagement) provide a management plan for achieving said coverage ratio to the University and the Trustee, and the University will promptly implement such recommendations. So long as the University diligently implements such recommendations, the failure to meet the Rate Covenant in any year will not constitute an Event of Default; provided, however, that failure of the University to meet the Rate Covenant in two consecutive Fiscal Years will constitute an Event of Default.

(c) Incurrence of Additional Indebtedness. Following the date hereof, and for so long as the Bonds remain outstanding, the University shall incur no additional Funded Debt (other than the Series Six-R Bonds and the University's Line of Credit and Other Debt), with a maturity in excess of two years, except for a refunding or refinancing of Funded Debt outstanding or the incurrence of non-recourse or subordinated indebtedness which does not increase the Maximum Annual Debt Service by more than 10% and further excepting that portion of Funded Debt for capital projects for which the University has secured funds on hand or received written and signed pledges of gifts in an amount equal to at least 80% of the estimated costs of such projects, unless:

(i) Maximum Annual Debt Service (taking into account outstanding Funded Debt and the additional Funded Debt proposed to be incurred) divided by Operating Revenues, does not exceed 0.12;

(ii) Cash and Marketable Securities divided by outstanding Funded Debt plus the additional Funded Debt proposed to be incurred is equal to or greater than 0.50; and

(iii) The ratio of the Adjusted Change in Unrestricted Net Assets divided by the Maximum Annual Debt Service shall not be less than 1.00. Accumulated unrestricted net assets shall not be used in calculating this ratio.

(d) Definitions. All capitalized terms used but not otherwise defined in this Section or elsewhere in this agreement, shall have the meanings provided by generally accepted accounting principles (GAAP) as applied by the University's auditors in the most recent annual audited financial statement. For purposes of this Section the following terms shall have the following meanings:

"Adjusted Change in Unrestricted Net Assets" means the Change in Net Assets listed in the unrestricted column of the Consolidated Statement of Activities and Changes in Net Assets adjusted for any impact of Change in Accounting Principle, unrealized gains and losses, depreciation, interest, and other noncash transactions as shown on the Consolidated Statement of Activities and Changes in Net Assets.

"Cash and Marketable Securities" means the sum of the amounts listed on the Consolidated Statement of Financial Position under the title "Cash and Cash Equivalents" and under the title "Investments, at Market".

"Debt Service Coverage Ratio" means the ratio of the Adjusted Change in Unrestricted Net Assets divided by the Maximum Annual Debt Service. Accumulated unrestricted net assets shall not be used in calculating this ratio.

"Funded Debt" means indebtedness for borrowed money having a maturity date of more than one year from the date of incurrence or assumption thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including such indebtedness whenever payable if renewable at the sole option of the University, if renewable pursuant to the terms thereof or of a revolving loan agreement for a period of more than one year from the date of creation thereof and including lease rental obligations which, under generally accepted accounting principles are shown on the balance sheet as a liability; adjusted to exclude nonrecourse or subordinated indebtedness which does not increase the Maximum Annual Debt Service and to exclude indebtedness for capital projects for which the University has secured funds on hand or written and signed pledges in an amount at least equal to 80% of the estimated cost of such projects.

"Maximum Annual Debt Service" means the largest total amount of principal of and interest on Funded Debt payable by the University in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding subject to the following: (i) if any part of the Funded Debt is outstanding variable rate indebtedness, the rate of interest on the variable rate indebtedness for future Fiscal Years shall be computed at the average rate of interest for the then most recent Fiscal Year or, at the election of the University, for the then current interest period; if variable rate indebtedness is proposed to be issued, the rate of interest shall be the initial variable rate as estimated by an Independent management consultant, or a placement agent or underwriter selected by the University to place or underwrite the sale of such variable rate indebtedness; (ii) if any part of the Funded Debt outstanding or to be incurred is a guarantee by the University of indebtedness of a third person or so-called "pass-through" or "covered" indebtedness (the University having borrowed money to re-lend to a third person), such Funded Debt shall be excluded to the following extent: if the third person (whose debt is guaranteed or whose payments are expected to service the University's obligations with respect to such Funded Debt) had a Debt Service Coverage Ratio (including the amount of debt proposed to be incurred in the computation of debt service) of at least 110% then 100% of such Funded Debt shall be excluded. (iii) The amount of debt service with respect to "balloon" indebtedness may, at the option of the University, be calculated on an assumed amortization of level debt service over a twenty year period commencing in the Fiscal Year when the balloon is payable at an interest rate projected by an Independent management consultant or placement agent or underwriter selected by the University to place or underwrite the sale of such "balloon" indebtedness or the sale of the Funded Debt; as used herein, "balloon indebtedness means Funded Debt 25% or more of the principal of which is due in any 12 month period. (iv) The amount of debt service with respect to "put" indebtedness shall be calculated at the maximum amount of principal of or interest on such indebtedness which the University may be required to purchase or redeem in any Fiscal Year; provided that if there is a written commitment from a bank or other financial institution to refinance the amount of any indebtedness which the University may be required to redeem or purchase, the debt service with respect to such put indebtedness may, at the option of the University, be calculated on the basis of the repayment schedule contemplated by such written commitment, commencing the date such commitment will (unless renewed) expire; "put" indebtedness means Funded Debt (A) which the University may be required, at the option of the holder thereof, to prepay or purchase prior to the stated maturity date thereof, in whole or in part, but if in part, in an amount 25% or more of the original principal amount thereof and (B), if subject to variable rates, is then in an interest rate reset period of more than two years. (v) There shall not be taken into account any part of the Funded Debt of the University which has been refunded, refinanced or otherwise defeased under an arrangement whereby all future payments of such indebtedness will be met from moneys and investments held by an indenture trustee or escrow agent, provided that any such investments shall be direct obligations of or obligations fully guaranteed by the United States of America. (vi) If any part of such Funded Debt consists of crossover refunding debt, no part of the debt service with respect to such crossover refunding debt shall be taken into account prior to the crossover date, and after the crossover date, no part of the debt service of the refunded debt shall be taken into account. (vii) If any part of such Funded Debt is "nonrecourse" indebtedness or "subordinated" indebtedness, no part of the debt service with respect thereto shall be taken into account; "nonrecourse" indebtedness means indebtedness payable only from a limited fund and secured only by property purchased or acquired from or refinanced with the proceeds of such indebtedness; "subordinated" indebtedness means indebtedness the principal and interest on which are subordinated to payment of the Bonds by a written instrument of the holder, a copy of which is filed with the Trustee. (viii) The amount of any reserve fund or escrow fund for any Funded Debt issued or proposed to be issued may be deducted from debt service for the Fiscal Year or Years in which such Funded Debt finally matures and for payment of which the reserve find moneys may be used without creating a default. (ix) If and to the extent that the University has entered into an interest rate exchange, hedge, swap or similar agreement or arrangement in respect of Funded Debt, then the payments made or to be made by the University under such agreement or arrangement shall be taken into account and the debt service on such Funded Debt shall not be taken into account.

"Operating Revenues" means the unrestricted "Total Revenues and Other Additions" but excluding from the portion of "Net Assets Released from Restrictions" amounts released from restriction representing acquisition of land, buildings and equipment as shown on the Consolidated Statement of Activities and Changes in Net Assets.

"University's Line of Credit and Other Debt" means the University's unsecured operating bank line of credit with a credit limit of four million dollars, plus up to two million dollars in unsubordinated debt, plus up to two million dollars in capital lease obligations or loans incurred for the purchase of equipment.

Other Covenants

The University further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of gender, religion, race, color, creed or national origin in the use or operation of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Authority or 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 comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority, the Department of Education and the Minnesota Higher Education Services Office, subject to the right of contest. The University agrees to indemnify the Authority from losses arising from certain representations made by the University regarding the absence of hazardous waste on the Project Facilities.

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

Events of Default

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

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

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

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

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

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

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

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

Remedies on Default

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

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

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

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

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

Amendments

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

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THE INDENTURE

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

Granting Clauses

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

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

(2) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be created and maintained under the Indenture (but excluding all moneys and investments in the Refunding Account), and (ii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

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

Accounts

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

Trustee's Right to Payment

The Trustee shall have a first lien, with right of payment prior to payment on account 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).

Authorization of Additional Bonds

In addition to the Series Six-R Bonds, the Authority may in its discretion and at the direction of the University issue Additional Bonds (i) to provide funds to complete the Project, or (ii) to refund all or any series or portion of series of then outstanding Bonds, or (iii) to provide funds for improvements to or alterations, repairs or replacement of the Project Facilities or (iv) for another project or projects, as defined in and authorized by the Act, provided that no such

Additional Bonds shall be issued under this Indenture or shall be secured by the Trust Estate on a parity with the Bonds then outstanding unless:

(a) The exclusion of interest on the outstanding Bonds from gross income of the holders of the Bonds for purposes of federal income taxation under Section 103 of the Internal Revenue Code shall not be jeopardized and the Trustee shall have been furnished an opinion of counsel who is nationally recognized bond counsel, acceptable to the Authority, to such effect.

(b) No Default or Event of Default on the part of the University shall exist under the Loan Agreement and the University shall deliver to the Trustee a Certificate of an Authorized Institution Representative to such effect.

(c) he University shall furnish evidence satisfactory to the Authority of the University's ability to meet debt service on the Additional Bonds and that the University's financial condition and history satisfies the requirements for additional debt under the Loan Agreement. The University shall to the extent required by the Authority, grant to the Trustee a security interest in additional collateral, to be held by the Trustee under this Indenture, and execute such supplements to the Loan Agreement and this Indenture as bond counsel for the Authority shall require to implement the provisions of this paragraph.

Any such Additional Bonds shall be authorized by resolution of the Authority and described in a supplement to the Indenture executed by the Authority and the Trustee and, when so issued, authorized and described, shall be secured by this Indenture and the Trust Estate, on a parity with the Bonds above described. The Trustee shall not authenticate any such Additional Bonds until there is delivered to the Trustee a certified resolution of the Authority authorizing the Additional Bonds, executed counterparts of amendments to the Loan Agreement and the Indenture providing for the additional Loan Repayments and related provisions to provide for the payment and security of the Additional Bonds and additional Project Costs, a certificate of an Authorized Institution Representative as to letting and execution of construction contracts or the redemption of any bonds to be refunded (as the case may be) and availability of funds therefor, and further documents described in Section 2.08 of the Indenture to the extent applicable.

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 or 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 rebate requirements under Section 148 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 money in the Accounts.

Events of Default

The following are Events of Default under the Indenture:

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

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

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

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

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

Remedies

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

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

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

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to its reference or prime rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment on account 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 under the Indenture unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the University to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum combined 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 University, provided that the Authority may, but is not required to remove the Trustee with or without the request of the University if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the University shall:

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

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

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

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

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

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

Supplemental Indentures

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

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

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

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

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

(e) in connection with the issuance of Additional Bonds (including but not limited to provisions as the Authority may deem necessary or desirable to assure that Additional Bonds are secured by the Trust Estate on a parity with the Bonds secured hereby); and

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

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

Amendments to the Loan Agreement

The Authority and the Trustee shall, 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, or (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, or (d) in connection with the issuance of Additional Bonds (including but not limited to provisions as the Authority may deem necessary or desirable to assure that Additional Bonds are secured by the Trust Estate on a parity with the Bonds secured hereby), or (e) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

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

Registration

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

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THE SECURITY AGREEMENT

The following is a summary of certain provisions of the Security Agreement. This summary does not purport to be complete and reference is made to the full text of the Security 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.

By the Security Agreement the University grants to the Trustee a security interest in all right, title and interest of the University in and to all revenues and receipts of the University from all sources (other than gifts, grants or bequests which by their terms may not lawfully be used to fulfill either the (i) the Loan Repayments, or (ii) each and every other debt, liability and obligation of every type and description which the University may owe to the Trustee pursuant to the Indenture, (collectively the "Obligations")), whether in the form of proceeds of accounts receivable or contract rights or otherwise (the "Collateral").

Upon the occurrence of an Event of Default and at any time thereafter, the Trustee may exercise any one or more of the following rights and remedies: (a) declare all unmatured Obligations to be immediately due and payable, and the same shall thereupon be immediately due and payable, without presentment or other notice or demand; (b) exercise and enforce any or all rights and remedies available upon default to a secured party under the UCC, including but not limited to the right to take possession of any Collateral, proceeding without judicial process or by judicial process (without a prior hearing or notice thereof, which the University hereby expressly waives), and the right to dispose of any or all of the Collateral, and in connection therewith, the Trustee may require the University to make the Collateral available to the Trustee at a place to be designated by the Trustee which his reasonably convenient to both parties, and if notice to the University of any intended disposition of Collateral or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given at least 10 calendar days prior to the date of intended disposition or other action; and (c) exercise or enforce any or all other rights or remedies available to the Trustee by law or agreement against the Collateral, the University or against any other person or property.

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FORM OF
OPINION OF BOND COUNSEL

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$44,000,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Six-R
(Bethel University)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the “Authority”) of its fully registered (initially book-entry) Revenue Bonds, Series Six-R (Bethel University), in the aggregate principal amount of $44,000,000 (the “Bonds”), dated August 2, 2007, more fully described in and issued pursuant to the Indenture (defined below).

The Bonds are issued for the purpose of funding a loan from the Authority to Bethel University, a Minnesota nonprofit corporation and institution of higher education located in the city of Arden Hills, Minnesota (the “University”) in order to finance construction of educational facilities and refinance existing educational facilities, all owned or to be owned and operated by the University and located on its Arden Hills, Minnesota campus. We have examined executed counterparts of the Loan Agreement (the “Loan Agreement”) between the Authority and the University and the Trust Indenture (the “Indenture”) between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the “Trustee”) each dated as of August 1, 2007, one or more opinions of Eastlund, Solstad, Cade & Hutchinson, Ltd. as counsel to the University, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the University without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Eastlund, Solstad, Cade & Hutchinson, Ltd., as to the Loan Agreement having been duly authorized and executed and being binding upon the University and as to the corporate organization, tax exempt status and unrelated trade or business activities, good standing, and powers of the University. As to title to the Project Site (as defined in the Loan Agreement and

Indenture), we have relied on information contained in title opinions, provided to us by Eastlund, Solstad, Cade & Hutchinson, Ltd., and have not undertaken any examination of the records of the University or original title records or abstracts of title.

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

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

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

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

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

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

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

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

Dated at Minneapolis, Minnesota, on this ___ day of August, 2007.

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FORM OF
CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement"), by and between Bethel University, a Minnesota nonprofit corporation (the "University"), and Wells Fargo Bank, National Association, as trustee under the Indenture described below (the "Trustee"), is dated as of August 1, 2007.

RECITALS

A. Pursuant to a Trust Indenture of even date herewith (the "Indenture"), by and between the Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota (the "Issuer"), and the Trustee, the Issuer is issuing $44,000,000 in aggregate principal amount of its Revenue Bonds, Series Six-R (Bethel University) (the "Bonds"). The Bonds are being offered for sale pursuant to an Official Statement, dated August 1, 2007 (together with any preliminary official statement, amendments thereof or supplements thereto, the "Final Official Statement").

B. Proceeds of the Bonds are being loaned to the University pursuant to a Loan Agreement between the Issuer and the University (the "Loan Agreement"), dated as of even date herewith, with all principal of and interest on the Bonds intended to be repaid from Loan Repayments as defined in the Loan Agreement.

C. This Agreement is being entered into in response to promulgation by the Securities and Exchange Commission (the "Commission") of certain amendments to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, restricting participating underwriters from purchasing municipal securities unless an agreement has been entered into to provide certain continuing disclosure concerning the municipal securities after their issuance.

NOW THEREFORE, in consideration of the Issuer's issuance of the Bonds, the purchase of the Bonds by the participating underwriter, and other good and valuable consideration, the parties hereto agree as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section or the foregoing Recitals, the following capitalized terms shall have the following meanings:

"Annual Report" means, with respect to the Reporting Party, a document or set of documents which contains (or includes by reference as provided in Section 2 hereof) financial and operating data with respect to the Reporting Party described in **Exhibit "A"** hereto.

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

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

"Listed Events" shall mean any of the events listed in Section 3(a) of this Agreement.

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

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
Email: NRMSIR@FTID.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

"Participating Underwriter" shall mean Lehman Brothers Inc..

"Reporting Party" shall mean**,** subject to release as provided in Section 4 hereof, the University; together with any successors or assigns as provided in Section 4 hereof.

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

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

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

SECTION 2. <u>Provision of Annual Report</u>.

(a) On or before the Annual Report Date, the Reporting Party shall cause the Annual Report of the Reporting Party to be delivered to the Issuer, the Trustee and each Repository; provided that if the Annual Report consists of a final Official Statement within the meaning of the Rule it shall also be delivered to the Municipal Securities Rulemaking Board (the

"MSRB"). The Reporting Party also shall complete an annual report information certificate, attached hereto as **Exhibit "B"**, and such certificate shall accompany the submission of each Annual Report. Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

(b) To the extent included in an Annual Report, financial statements shall be audited and prepared in accordance with generally accepted accounting principles, as in effect from time to time.

(c) Each Annual Report may incorporate by reference any information on file with each Repository or the Commission, instead of setting forth such information in the Annual Report.

(d) Concurrent with delivery of an Annual Report to the Trustee there shall be also delivered to the Trustee written evidence from or on behalf of the Reporting Party stating whether or not the Annual Report has been provided and describing arrangements made by the Reporting Party to provide the Annual Report to each Repository.

(e) If the Trustee has not received an Annual Report by January 1 of each year, commencing with January 1, 2008, together with the certification by the Reporting Party described in Section 2(d), the Trustee shall promptly notify the Disclosure Representative of the failure to receive the Annual Report and the certification. If the Trustee is unable to verify by the Annual Report Date that an Annual Report was provided to each Repository and (i) if the Trustee has received such Annual Report, the Trustee shall, at the expense of the Reporting Party, promptly provide the Annual Report to each Repository for whom verification was not obtained, or (ii) if the Trustee has not received such Annual Report, the Trustee shall, at the expense of the Reporting Party, promptly notify each National Repository or the MSRB, and the State Repository, if any, of the failure by the Reporting Party to provide the Annual Report.

SECTION 3. Reporting of Listed Events.

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

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties (this is not applicable to the Bonds);
(v) Substitution of credit or liquidity providers, or their failure to perform (this is not applicable to the Bonds);

(vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
(vii) Modifications to rights of security holders;
(viii) The giving of notice to redeem any Bonds other than for a sinking fund redemption;
(ix) Defeasances;
(x) Release, substitution, or sale of property securing repayment of the securities (this is not applicable to the Bonds) and;
(xi) Rating changes.

(b) Promptly after, but no later than five Business Days after either (i) the Reporting Party has received notice from the Trustee of a Listed Event or (ii) the Reporting Party is required to give notice of a Listed Event to the Trustee, the Reporting Party shall give notice of the occurrence of the Listed Event, if material, to each National Repository and, if required, to the MSRB, and to the State Repository, if any. However, if the Reporting Party deems a Listed Event to be not material, the Reporting Party shall certify to the Trustee no later than five Business Days after (i) or (ii) of the foregoing sentence the reason such Listed Event is not deemed material.

(c) The Trustee shall promptly give notice to each National Repository or the MSRB, and to the State Repository, if any, of a failure of the Reporting Party to provide the Annual Report on or before the Annual Report Date.

SECTION 4. Termination of Reporting Obligation. The Reporting Party's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. The obligations hereunder of the Reporting Party shall also terminate upon the release of the obligation of such party to pay any amounts due or to become due under the Loan Agreement; provided that if such release occurs because of any transfer of assets or the merger of the Reporting Party and the transferee or resultant organization assumes such obligations of the Reporting Party, the Reporting Party shall first require such transferee or resultant organization to assume the obligations of the Reporting Party hereunder.

SECTION 5. Amendment. Notwithstanding any other provision of this Agreement, the Reporting Party and the Trustee may amend any provision of this Agreement (and the Trustee shall agree to any amendment so requested by the Reporting Party so long as, in the judgment of the Trustee, its burdens or liabilities are not increased thereby), subject to the following conditions:

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

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

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

In addition, any Annual Report containing amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information. If an amendment to this Agreement relates to a change in the accounting principles to be followed in preparing financial statements, the Annual Report in which the change appears should present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, with a qualitative discussion and (to the extent reasonably feasible) a quantitative comparison of the differences in principles and the impact of the change on the presentation of the financial information. A notice of any change in accounting principles should be sent to the Repository or the MSRB.

Subject to the foregoing, this Agreement may be amended or supplemented from time to time without notice to or consent of the Holders of any Bonds or the Participating Underwriters.

SECTION 6. Additional Information. Nothing in this Agreement shall be deemed to prevent the Reporting Party from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Reporting Party chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Reporting Party shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 7. Default. In the event of a failure of the Reporting Party to provide a timely Annual Report or to report the occurrence of a Listed Event, the Trustee or any Holder of Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Reporting Party to provide the reports. In the event of a failure of the Reporting Party to comply with provisions (other than Sections 2 and 3 of this Agreement) or a challenge to the adequacy of any report under Sections 2 and 3, the Trustee may (and, at the request the Holders of at least 51% of the aggregate principal amount of Bonds then outstanding, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Reporting Party to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Bonds, the Indenture or the Loan Agreement, and the sole remedy under this Agreement in the event of any failure of a Reporting Party to comply with this Agreement shall be an action to compel performance. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. The Trustee may condition the taking of any action under this Section on receiving indemnification satisfactory to it.

SECTION 8. Beneficiaries. This Agreement shall inure solely to the benefit of the parties hereto, the Participating Underwriter and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity. As used in this Agreement, the term "Holders" shall mean beneficial owners of Bonds so long as such Bonds are in book-entry form.

SECTION 9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 10. Notices. All notice, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made when delivered personally or by mail to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement and addressed as set forth below or telecopied to the telecopier number of the recipient, with confirmation of transmission, indicated below:

If to the Reporting Party, at:

Bethel University
3900 Bethel Drive
St. Paul, Minnesota 55112
Attention: Executive Vice President for Business Affairs
Fax: (651) 635-8855

If to Trustee, at:

Wells Fargo Bank, National Association
625 Marquette Avenue, 11th Floor
MAC N9311-115
Minneapolis, Minnesota 55479
Attention: Corporate Trust and Escrow Services
Fax: (612) 667-2149

SECTION 11. Changes with respect to Repositories. Promptly after actual knowledge by the Trustee or the Reporting Party of a change in the identity or address of any Repository, the Trustee or the Reporting Party shall notify in writing the other parties of such fact.

SECTION 12. Reserved Rights. The University reserves the right to discontinue providing any information required under this Agreement or the Rule, if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the undertaking under this Agreement, if a court of competent jurisdiction or the University determines that such modification is required by the Rule.

SECTION 13. Dissemination Agent. The University or the Trustee may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor agent, but the appointment of any agent shall in no way relieve the principal of its obligations hereunder.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the 2nd day of August 2007.

BETHEL UNIVERSITY

By:______________________________________

Its Executive Vice President for Business Affairs

[Signature Page to Continuing Disclosure Agreement Series Six-R]

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By: ______________________________________
Its Corporate Trust Officer

[Signature Page to Continuing Disclosure Agreement Series Six-R]

EXHIBIT A

ANNUAL REPORT INFORMATION

The Annual Report Date will be the date that is 270 days after each fiscal year end, commencing with the fiscal year ending May 31, 2007.

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

2. The following financial and operating data contained in Appendix I to the Final Official Statement to the extent not included in the annual financial statements:

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

      - Student Enrollment
      - Applications, Acceptances and Enrollments
      - Tuition and Fees
      - Financial Aid
      - Endowment Funds
      - Gifts and Grants
      - Fundraising

EXHIBIT B
ANNUAL REPORT INFORMATION CERTIFICATE

Date:___________

Corporate Trust Services
Wells Fargo Bank, National Association
Sixth Street and Marquette Avenue, Suite 450
MAC N9303-110
Minneapolis, Minnesota 55479

Minnesota Higher Education
Facilities Authority
380 Jackson Street
Saint Paul, Minnesota 55101-2905

Re: $44,000,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-R (Bethel University)

Pursuant to the Continuing Disclosure Agreement, dated as of August 1, 2007, by and between Bethel University (the "University") and Wells Fargo Bank, National Association, the University has agreed to update the financial information and operating data originally provided in Appendix I to the Official Statement relating to the offer and sale of the above-referenced Bonds. The University has provided or hereby provides the Trustee with the information contained in Appendix I within the captions checked below, and such information either is included in the audited consolidated financial statements of the University or is provided in a separate report or document attached to this certificate:

Updated	No Change	
____	____	Student Enrollment
____	____	Applications, Acceptances and Enrollments
____	____	Tuition and Fees
____	____	Financial Aid
____	____	Endowment Funds
____	____	Gifts and Grants
____	____	Fundraising

The information checked above is presented in a manner consistent with the Official Statement.

BETHEL UNIVERSITY

By:________________________________
Its:________________________________

BETHEL UNIVERSITY

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