OFFICIAL STATEMENT DATED APRIL 30, 1992

Rating: Standard & Poor's: AAA
See "Rating" herein

NEW ISSUE

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

$9,645,000

Minnesota Higher Education Facilities Authority

Mortgage Revenue Bonds, Series Three-G
(Augsburg College)

Dated Date: May 1, 1992

Interest Due: January 1 and July 1, commencing July 1, 1992

The Bonds will mature annually on January 1 as follows:

Year	Amount	Interest Rate	Price	Year	Amount	Interest Rate	Price
1995	$200,000	5.00%	100	2000	$270,000	5.80%	100
1996	215,000	5.10%	100	2001	285,000	6.00%	100
1997	225,000	5.30%	100	2002	300,000	6.10%	100
1998	240,000	5.50%	100	2003	320,000	6.20%	100
1999	255,000	5.70%	100	2004	340,000	6.30%	100

$3,055,000 6.50% Term Bonds due January 1, 2011 - Price 99.5
$3,940,000 6.50% Term Bonds due January 1, 2017 - Price 99.0

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), all Bonds maturing on or after January 1, 2001 may be redeemed prior to maturity, in whole on any date or in part on any interest payment date commencing January 1, 2000, as more fully described herein. The Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities as described in the Loan Agreement and Indenture, as described herein.

The Bonds will be issued in integral multiples of $5,000, and are fully registered as to principal and interest. First Trust National Association, St. Paul, Minnesota will act as Trustee, Registrar and Paying Agent.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of Augsburg College, Minneapolis, Minnesota (the "College") pursuant to a Loan Agreement between the Authority and the College, or out of other amounts pledged pursuant to the Indenture or realized from the Mortgage as described herein. The Loan Repayments will be a general obligation of the College. In addition, payment of the principal of and interest on the Bonds when due will be guaranteed by a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by **Connie Lee Insurance Company.**

ConnieLee

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 when, as and if issued by the Authority and accepted by the Underwriter named below subject to the approval of legality by Faegre & Benson, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon by Moore, Costello & Hart, St. Paul, Minnesota, counsel to the College. Bonds are expected to be available for delivery on or about May 20, 1992.

FBS Investment Services, Inc.

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

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

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

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Carol A. Blomberg, Chair	Vice President, Merchants & Miners State Bank, Hibbing, Minnesota.
Kathryn D. Jarvinen, Vice Chair	Hospital Administrator, Winona, Minnesota.
Jack Amundson, Secretary	Partner, McMahon, Hartmann, Amundson & Co., Saint Cloud, Minnesota.
Kathryn Balstad Brewer	Student, New Brighton, Minnesota.
Earl R. Herring	Retired, formerly Vice President for Administrative Affairs, Moorhead State University, Moorhead, Minnesota.
Fred Hsiao	President, Shaw/Lundquist Associates, Saint Paul, Minnesota.
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota.
Tom Martinson	Principal, Private City Planning Practice, Minneapolis, Minnesota.
David Powers (Ex Officio)	Executive Director, Minnesota Higher Education Coordinating Board, Saint Paul, Minnesota.
Catherine M. Warrick	Faculty Member, Metropolitan State University, Saint Paul, Minnesota.

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

$9,645,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MORTGAGE REVENUE BONDS, SERIES THREE-G
(AUGSBURG COLLEGE)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Augsburg College (the "College"), an institution of higher education located in Minneapolis, Minnesota, in connection with the issuance of the Authority's $9,645,000 Mortgage Revenue Bonds, Series Three-G (Augsburg College), (the "Bonds" or the "Issue").

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

The Bonds are also issued pursuant to the Trust Indenture between the Authority and First Trust National Association, St. Paul, Minnesota as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Issue.

Pursuant to a Loan Agreement between the College and the Authority, the College will covenant as a general obligation of the College to make Loan Repayments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the College by the Authority to be used together with available College funds to finance construction, equipping and furnishing, including appurtenant site improvements, of a new student housing facility (the "Residence Facility") on the College campus, and to prepay the outstanding principal of a First Mortgage Note from the College to First Bank National Association, originally issued to finance a portion of the construction of the Foss, Lobeck, Miles Center, a multi-purpose facility on the College campus; all as more fully described under "Purpose of the Issue," page 8.

The Bonds are secured by a pledge of the Loan Repayments, net revenues of the Residence Facility and a mortgage on and security interest in the Residence Facility and site thereof. The Loan Repayments are a general obligation of the College.

Payment of the principal of and interest on the Bonds when due will be guaranteed by a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by Connie Lee Insurance Company ("Connie Lee").

The Reserve Account will be funded in the initial amount of $816,995, equal to the maximum annual principal and interest payable in any remaining bond year (the "Reserve Requirement").

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.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING CONNIE LEE INSURANCE COMPANY ("CONNIE LEE") CONTAINED UNDER THE CAPTION "BOND INSURANCE" HEREIN, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY CONNIE LEE, AND CONNIE LEE MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO: (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE BONDS; OR (iii) THE TAX STATUS OF THE INTEREST ON THE BONDS.

The foregoing Introductory Statement is a summary only. For more specific explanations, reference should be made to the following pages and appendices of this Official Statement.

RISK FACTORS

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

<u>Risk of Insufficient Collateral</u>

The Bonds are secured by (a) a pledge of amounts payable under the Loan Agreement, (b) a Reserve Account which will be held by the Trustee and applied to the payment of principal and interest on the Bonds, (c) a security interest in the net revenues of the Residence Facility and (d) a mortgage on and security interest in the Residence Facility and site thereof. If an Event of Default occurs, there can be no assurance that such security will be sufficient to pay the principal of, premium, if any, or interest on the Bonds.

<u>Adequacy of Revenues</u>

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

<u>Reliance on Tuition and Fees</u>

The adequacy of College revenues will be largely dependent on the amount of future tuition and student housing fee revenue received by the College. Such revenue in turn will depend primarily on the ability of the College to charge sufficient rates for tuition, room and board and to maintain enrollment and occupancy levels. Because of the relatively high acceptance rate for applicants to the College, future enrollment levels will depend on the number of students applying to the College. A number of various factors, including, without limitation, such factors as levels of tuition rates or other fees, occupancy rates in student housing, competition from other colleges, a decline in the number of college age students generally (which is expected for the near future), and adverse general economic conditions will influence the number of applicants to the College.

<u>Financial Aid</u>

In Fiscal Year 1990-91, the College's students received $6,499,256 of federal financial aid and $2,323,680 of state financial aid covering tuition and fees or living expenses. No assurance can be given that federal and state financial aid will continue to be funded at current levels.

Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues.

Damage or Destruction

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

Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the College, estimated net revenues of the Residence Facility and computed pro forma debt service coverage are provided in Appendix I under the caption "Annual Debt Service by Fiscal Year and Coverage Statement." The pro forma coverage is merely a mathematical computation, as reflected in the applicable table, and no assurance can be given that the College's future revenues will be sufficient to satisfy College operations and Bond and other debt service requirements or that the estimated net revenues for the Residence Facility will be received by the College.

Limited Obligation

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Trust Indenture, the Mortgage or the Bonds or the other obligations of the College. Accordingly, for payment of principal, interest, premium, if any, on the Bonds, holders of the Bonds must look solely to the security under the Loan Agreement, the Indenture and the Mortgage.

Foreclosure of the Mortgage

The Bonds are limited obligations of the Authority and are payable from Loan Repayments by the College under the Loan Agreement or from the Reserve Account. If sufficient payments are not forthcoming from these sources, it may be necessary for the Trustee to exercise its remedies under the Mortgage. The value of the Mortgaged Property upon foreclosure of the Mortgage may be adversely affected by a number of factors. The mortgaged building is designed for student housing purposes and its use and marketability for other purposes may be limited. Attempts to foreclose under mortgages are frequently met with protracted litigation and/or bankruptcy proceedings, which proceedings cause delays in realizing on collateral and may otherwise limit the value of the collateral.

Bankruptcy

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

Other Possible Risk Factors

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

(1) Reinstatement of or establishment of mandatory governmental wage and price controls.

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

(3) Employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without corresponding increase in revenues.

(4) Adoption of Federal, State or local legislation or regulations having an adverse effect on the future operating or financial performance of the College.

THE BONDS

The Bonds will be dated May 1, 1992 and will mature annually each January 1, commencing January 1, 1995, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each January 1 and July 1, commencing July 1, 1992.

The Bonds will be registered at the principal corporate trust office of First Trust National Association, St. Paul, Minnesota, as Trustee; the Trustee will also be the Registrar and Paying Agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Owner thereof or the Owner's authorized attorney satisfactory to the Trustee, subject to such reasonable regulations as the Trustee may prescribe, and shall be without expense to the Owner, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for new Bonds of the same maturity which may be of any authorized denominations so long as the aggregate principal amount thereof equals the aggregate principal sum of the Bonds surrendered. Payment of principal will be at the corporate trust office of the Trustee and payment of 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 the address as shown on the registration books of the Authority.

Transfers shall not be made with respect to any Bonds called for redemption or during any period within fifteen days next prior to the required date for mailing or publication of notice of such redemption.

Interest on any Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name the Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such interest payment date (the "Regular Record Date"). Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any interest payment date shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such defaulted interest may be paid by the Trustee on a "Special Record Date," as follows:

(a) Subject to the provisions of Article VII of the Indenture relating to application of money upon the occurrence of an Event of Default, upon receipt by the Trustee of any defaulted interest, the Trustee shall fix a Special Record Date for the payment of such defaulted interest which shall not be more than fifteen days nor less than ten days prior to the date of the payment set by the Trustee in its discretion, but not less than ten days after the receipt by the Trustee of such defaulted interest. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name of the Authority, shall cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed first class postage prepaid, to each Holder at the address as it appears on the registration books on a date determined by the Trustee, but not less than ten days prior to such Special Record Date. The Trustee may, in its discretion in the name of the Authority, cause a similar notice to be published at least once in a Financial Journal, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such defaulted interest and the Special Record Date therefor having been mailed as aforesaid, such defaulted interest shall be paid to the registered Owners on such Special Record Date and shall no longer be payable pursuant to the following paragraph (b).

(b) Subject to the provisions of Article VII of the Indenture, the Trustee may make payment of any defaulted interest on the Bonds in any other lawful manner, if after notice given to the Authority by the Trustee of the proposed payment pursuant to this paragraph (b), such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions, each Bond delivered under the Indenture upon transfer of, or in exchange for, or in lieu of, any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Prior Redemption

Mandatory Redemption

Bonds maturing on January 1, 2011 and 2017 shall be called for redemption on January 1 in the years 2005 through 2010 and 2012 through 2016, respectively, at the principal amount thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

Year	Principal Amount	Year	Principal Amount
2005	$360,000	2012	$560,000
2006	380,000	2013	595,000
2007	405,000	2014	630,000
2008	435,000	2015	675,000
2009	460,000	2016	715,000
2010	490,000	2017	765,000*
2011	525,000*		

* *Maturity.*

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

The Bonds maturing in 2011 and 2017, to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

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

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

Optional Redemption

Bonds maturing on or after January 1, 2001 are subject to optional redemption on January 1, 2000, in whole, on any date or, in part, on any interest payment date thereafter, and if in part, in such order of maturity as the College shall direct and by lot within a maturity, in integral multiples of $5,000. Redemption of Bonds shall be at the following prices, plus accrued interest:

If Called:	Price
January 1, 2000 through December 31, 2000	102.0%
January 1, 2001 through December 31, 2001	101.0%
January 1, 2002 and thereafter	100.0%

The Bonds will also be subject to optional redemption as a whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities, if in whole on any date or if in part on any interest payment date, at a price equal to par plus accrued interest, as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS - The Loan Agreement").

Partial Redemption

In the case of Bonds of denominations greater than $5,000, if less than all of such Bonds then outstanding are 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 was a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. If it is determined that one or more, but not all of the $5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such $5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the $5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the registered Owner thereof, without charge therefor. If the Owner of any such Bond of a denomination greater than $5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the $5,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said $5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture, the Loan Agreement or the Mortgage to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

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

Additional Bonds

In addition to the Bonds, the Authority may in its discretion and with the consent of the College issue Additional Bonds (i) to provide funds to complete the Project, or (ii) to refund all or any series or portion of series of the 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 will be issued under the Indenture or secured by the Trust Estate on a parity with the Bonds then outstanding unless:

1. The exclusion of interest on the outstanding Bonds from gross income of the holders of the Bonds for purposes of federal income taxation under the Code shall not be jeopardized by the issuance of the Additional Bonds.

2. Supplements to the Loan Agreement, Mortgage, and Indenture are executed and delivered describing the Additional Bonds as additional indebtedness secured thereby.

3. No Default or Event of Default on the part of the College exists under the Loan Agreement or the Mortgage.

4. The College furnishes evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds and comply with certain financial covenants as further provided in Section 6.13(c) of the Loan Agreement and deposits additional monies or investments in the Reserve Account, to be held by the Trustee under the Indenture in such amount and value as shall bring the amount on deposit in the Reserve Account to the Reserve Requirement, calculated after giving effect to the issuance of the Additional Bonds.

SOURCES AND USES OF FUNDS

Sources and uses of funds for the financing are expected to be approximately as follows:

Sources of Funds	
Bond Principal	$9,645,000
Total	$9,645,000
Uses of Funds	
Refinancing of Note:	
Redeem Principal of Note	$3,290,975
Prepayment Premium	274,000
Accrued Interest	19,527
Residence Facility:	
Construction	4,125,000
Architectural and Engineering	230,000
Site Preparation and Other Costs	120,000
Capitalized Interest	249,110
Debt Service Reserve	816,995
Bond Insurance	272,911
Discount & Costs of Issuance	246,482
Total	$9,645,000

In the event issuance costs including underwriter's discount (but excluding the bond insurance premium) exceed 2% of the proceeds of the Bonds, defined as par less original issue discount according to the reoffering scale, such excess shall be paid by the College from other than Bond proceeds.

Accrued interest received at Bond Closing will be deposited into the Bond and Interest Sinking Fund Account and applied as a credit against the amount to be deposited in the Bond and Interest Sinking Fund Account on or before the next interest payment date.

PURPOSE OF THE ISSUE

Net proceeds of the Bonds, together with available general funds of the College, if necessary, will be used (i) to provide for the construction, equipping and furnishing of a new Residence Facility on the campus of the College; (ii) to prepay the outstanding principal of a certain fixed-rate First Mortgage Note (the "Note"), and to pay the prepayment penalty and accrued interest on said Note; (iii) to fund a debt service reserve for the Bonds; and (iv) to pay costs of issuance.

The Note was originally issued in the principal amount of $3,500,000 to finance a portion of the construction in 1988 of the Foss, Lobeck, Miles Center, a multi-purpose facility on the College campus including, among other things, a performance theater, the audio-visual department, classrooms and common space and a chapel. No portion of the Note was used to finance the chapel portion of the Foss, Lobeck, Miles Center, including the portions designated by the College as the Centrum and the Concourse.

A portion of the net proceeds of the Bonds will also be used to construct and equip a four-story (approximately 76,000 square foot) student residence facility (the "Residence Facility"). The building will accommodate approximately 195 students. The facility will be made up of several types of apartment style living units. The various types of living units will house from two to 15 students per living unit. The units will be air conditioned and contain kitchen facilities. The exterior of the building will be red brick to blend in with the existing buildings of the campus.

The main floor of the Residence Facility will house a student lounge and an apartment for a building director. There will be a complete one-level basement under the building which will house the mechanical spaces needed.

Occupancy of the Residence Facility is expected to come primarily from students currently housed in Annex Housing and from students currently living off campus. (See "Student Housing," page I-4.)

SUMMARY OF SECURITY FOR THE BONDS

Bond Insurance

Set forth below is a brief summary of certain information concerning Connie Lee Insurance Company ("Connie Lee") and the terms of the municipal bond insurance policy (defined below as the "Policy"). Information with respect to Connie Lee has been supplied to the issuer by Connie Lee. The following discussion does not purport to be complete and is qualified in its entirety by reference to the Policy.

Connie Lee has made a commitment to issue a bond insurance policy (the "Policy") relating to the Bonds, effective as of the date of issuance of the Bonds. By the terms of the Policy, Connie Lee agrees to pay that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

In respect of the principal amount of a Bond, the term "Due for Payment" refers to the amount due on the stated maturity date or mandatory sinking fund redemption date and does not refer to any amount of principal which is due at an earlier date by reason of a call for redemption (other than mandatory sinking fund redemption), acceleration or other advancement of maturity. In respect of the interest on a Bond, the term "Due for Payment" refers only to the amount due on the stated interest payment date. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. The term "Nonpayment" shall also include any payment of principal or interest made to a Bondowner by or on behalf of the Issuer which has been recovered from such Bondowner pursuant to any applicable bankruptcy law by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

In the event that interest on or principal of a Bond is Due for Payment but is unpaid by reason of Nonpayment by the Issuer thereof, Connie Lee will make payments to the Trustee or Paying Agent for the Bonds, for the benefit of the Bondowners, or, at the election of Connie Lee, will make payments directly to the Bondowners, in amounts equal to such unpaid amounts of principal and interest not later than one business day after Connie Lee has received notice from the Trustee, Paying Agent or Bondowner that such Nonpayment has occurred (but in no event earlier than the date such payment is due). Connie Lee will disburse to or for the benefit of the Bondowner the amount of principal and interest which is then Due for Payment but is unpaid upon receipt by Connie Lee of evidence of the Bondowner's right to receive payment of such principal and interest, including any appropriate instruments of assignment, whereupon all of the rights to payment of such principal or interest then Due for Payment shall vest in Connie Lee.

In the event that payment of the Bonds is accelerated pursuant to the terms of the documentation providing for the issuance of and securing the Bonds or pursuant to applicable law, Connie Lee may, at any time and its sole option, pay to any Bondowners all or a portion of amounts due on the Bonds prior to the stated maturity dates thereof.

Connie Lee may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of the Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, copies of all notices required to be delivered to Connie Lee pursuant to the Policy must be simultaneously delivered to the Insurer's Fiscal Agent and to Connie Lee and shall not be deemed received until received by both, and all payments required to be made by Connie Lee under the Policy may be made directly by Connie Lee or by the Insurer's Fiscal Agent on behalf of Connie Lee.

The Policy is unconditional and non-cancellable and will remain in force so long as the Bonds insured by such Policy remain outstanding. See Appendix VI, "Specimen Bond Insurance Policy."

Connie Lee, a stock insurance company incorporated in Wisconsin, is a wholly-owned subsidiary of College Construction Loan Insurance Association ("CCLIA"), a District of Columbia insurance holding company. CCLIA is owned by a group of investors which includes the United States Department of Education, Student Loan Marketing Association (SallieMae), the Public School Employes' Retirement System of the Commonwealth of Pennsylvania, Kemper Financial Services, Metropolitan Life Insurance Company, Northwestern University, Stanford University, The Common Fund, certain trusts and funds administered by Rockefeller &

Co., Inc., and certain Johnson family trusts and funds. The investors of CCLIA are not obligated to pay the debts of, or the claims against, Connie Lee. As of March 31, 1992, the total policyholders' surplus of Connie Lee was $101,814,066 (unaudited) and total admitted assets were $140,945,813 (unaudited) as reported to the Commissioner of Insurance of the State of Wisconsin.

Standard & Poor's Corporation has rated the claims-paying ability of Connie Lee "AAA."

The address of Connie Lee's administrative offices and its telephone number are 2445 M Street, NW, Washington, DC 20037 and (202) 835-0090.

Security Provided by the College

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

The Bonds are secured by the pledge of the College of its full faith and credit. The College will agree pursuant to the terms of the Loan Agreement to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The College agrees to make such payments out of its operating funds or any other moneys legally available. (See "Prior Liens" below.)

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

Pursuant to the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), the College will mortgage and grant a security interest in the Residence Facility to the Authority to secure its obligations to make timely Loan Repayments (see "SUMMARY OF DOCUMENTS - The Mortgage"). The Authority will, in turn, assign its interest in the Mortgage to the Trustee to be held by the Trustee of the Trust Estate. Pursuant to the Mortgage, the College also pledges net revenues of the Residence Facility to the Mortgagee to secure Loan Repayments.

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 College will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds.

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

<u>Prior Liens</u>

In connection with the issuance in 1972 of the Authority's $2,200,000 First Mortgage Revenue Bonds, Series A (Augsburg College) (the "Series A Bonds"), to finance the construction of Mortenson Tower, a student residence building, the College granted to the Series A trustee a first lien on 4% of tuition and fees and the gross revenues of Mortenson Tower. For the Fiscal Year ended May 31, 1991, 4% of tuition and fees equalled $719,804. Gross revenues of Mortenson Tower, also pledged to the Series A Bonds, totalled $602,801 for the same Fiscal Year. Maximum annual debt service on the Series A Bonds is $174,240. Also, student union fees of not less than $30 per full-time student per year are pledged to the payment of the College's Dormitory and Student Union Bonds of 1966 (the "1966 Bonds"). Maximum annual debt service on the 1966 Bonds is $110,500. The full amount of debt service on the 1966 Bonds is being provided from the student union fees. Because of the prior liens described herein which secure the Series A or the Series 1966 Bonds, it should be assumed that the pledged portion of the College's tuition and fees, the gross revenues from Mortenson Tower and the pledged student union fees will not be available to pay principal and interest on the Bonds to the extent those sources of revenue are required to pay debt service on the Series A Bonds and the 1966 Bonds. The balance of pledged revenues are available to the College for other purposes.

FINANCIAL COVENANTS

The College will covenant that:

a. For at least two of the preceding three complete Fiscal Years, Unrestricted Current Fund revenues shall be not less than Unrestricted Current Fund expenditures, including mandatory transfers, according to the principles of accounting used in the preparation of the College's financial statements for the Fiscal Year ended May 31, 1991. In the event that, following any Fiscal Year, the College shall not be in compliance with this paragraph (a), the College may cure such deficiency by making a deposit to the Unrestricted Current Fund, during or within 180 days of the close of such Fiscal Year, sufficient to cure the deficiency. Such deposit may be made from unrestricted funds of the College if such unrestricted funds may legally be transferred to the Unrestricted Current Fund by action of the Board of Regents, but not if such deposit will cause the College's unrestricted funds functioning as endowment fund balance to be less than $300,000. No such deposit may be made from any proceeds of the Bonds or other borrowed funds.

b. At May 31, 1992 and at the end of each Fiscal Year thereafter, the unrestricted funds functioning as endowment fund balance shall not be less than $300,000. Within 30 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an authorized institution representative showing the unrestricted funds functioning as endowment, the investments thereof, the estimated valuations of such investments, and the amount thereof (if any), which is pledged to secure obligations of the College or is otherwise encumbered, all as of the end of the Fiscal Year. If at the end of any Fiscal Year, the unrestricted funds functioning as endowment fund balance does not equal or exceed $300,000, the College shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) and cause to be credited to unrestricted funds functioning as endowment fund balance additional moneys or investments at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the College pursuant to a capital lease shall not be included in computation of amounts eligible to cure the deficiency.

c. For so long as the Bonds remain outstanding, the College shall incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt outstanding which does not increase Maximum Annual Debt Service and further excepting that portion of Funded Debt for capital projects for which the College has obtained funds on hand and written and signed pledges of gifts for such project), unless (i) the average Debt Service Coverage Ratio for the two most recent Fiscal Years for which audited financial statements are available, or (ii) the Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements are available was at least 120% or 125%, respectively, of Maximum Annual Debt Service of (A) then outstanding Funded Debt and (B) Funded Debt thereafter issued or proposed to be issued; provided that if the additional Funded Debt proposed to be issued is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for each Fiscal Year during the Test Period for purposes of this paragraph (c), the estimated Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an independent management consultant to the College and the Trustee; and provided further that if the Board of Regents has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, for purposes of this paragraph (c), there shall be added to Net Income Available for Debt Service for each Fiscal Year during the Test Period the amount of increase net of increased operating expenses, as estimated in a report of an independent management consultant to the College and the Trustee; and provided further that if the Additional Funded Debt proposed to be incurred is to finance equipment or facilities which will produce savings in operating costs of the College, as estimated in a report of an Independent Management Consultant to the College and the Trustee, there shall be added to the amount of Net Income Available for Debt Service for each Fiscal Year during the Test Period, for purposes of this paragraph (c), the estimated net savings to be derived from such equipment or facilities in the first Fiscal Year following the estimated date of acquisition or construction of such equipment or facilities. At no time shall the amount of Funded Debt which is variable rate indebtedness exceed 40% of total Funded Debt as shown on the most recent audited financial statements of the College.

For purposes of (a), (b), and (c) above, all capitalized terms used but not otherwise defined in Appendix III, "DEFINITION OF CERTAIN TERMS" shall have the meanings provided for audits of colleges and universities, as applied in the College's audited financial statements for the Fiscal Year ended May 31, 1991.

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Refinancing Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Refinancing Account or the Construction Account, the amount of the Reserve Requirement (initially $816,995) will be deposited into the Reserve Account and capitalized interest and accrued interest will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Refinancing Account

Bond proceeds sufficient to pay the principal balance of the Note, plus accrued interest and any prepayment penalty shall be deposited into the Refinancing Account at Bond Closing, together with general funds of the College, if necessary. All monies in the Refinancing Account shall be used by the Trustee to prepay, satisfy and discharge the Note and terminate all related loan agreements, financing statements and collateral security documents at Bond Closing.

Construction Account

There shall be deposited initially into the Construction Account the balance of the proceeds received from the sale of the Bonds, exclusive of capitalized interest, accrued interest and the initial Reserve Requirement, less the amount of the underwriter's discount. In addition, the College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of available general funds (other than Bond proceeds) all costs of issuance of the Bonds (including underwriting discount but excluding the bond insurance premium) in excess of 2.00% of the proceeds of the Bonds (par value minus original issue discount according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the construction, furnishing and equipping of the Residence Facility. When work on the Residence Facility has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account.

Bond and Interest Sinking Fund Account; Sinking Fund Subaccount

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing capitalized interest and 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 earnings on other accounts established under the Indenture and from Loan Repayments made by the College. A separate Sinking Fund Subaccount will be maintained within the Bond and Interest Sinking Fund Account for the retirement of Term Bonds on each Sinking Fund redemption date. Deposits into the Sinking Fund Subaccount shall be made at least 10 Business Days prior to each January 1 on which a sinking payment is due in amounts equal to the redemption price of the principal specified for mandatory redemption. The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the amount of the Reserve Requirement irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time. All amounts paid by the College as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account will be deposited into the Reserve Account in order to maintain the Reserve Account in an amount not less than the Reserve Requirement.

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the College shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the College for amounts so withdrawn. Investments in the Reserve Account which are eligible investments under the Arbitrage Regulations for such valuation method shall be valued at par or (if purchased at a premium or discount) at amortized cost, and other investments in the Reserve Account shall be valued at market value. Investments in the

Reserve Account shall be valued by the Trustee as frequently as deemed necessary by the Bond Insurer, but not less often than semiannually. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of earned or accrued interest on moneys or investments therein) is more than the amount of the Reserve Requirement, or more than the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the deficiency is equal to or less than the excess of the amount of the Reserve Requirement over the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days.

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

Redemption Account

Any amounts received which are not otherwise committed will be paid into the Redemption Account. Funds in this Account will be available to maintain required balances in other accounts and to purchase or redeem Bonds. No specific amounts are required. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized 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 College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

General Bond Reserve Account

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

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Reserve Account, the Costs of Issuance Fund or the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments and State housing finance agencies, rated at least A; revenue bond obligations of states and local governments rated at least AA or Aa; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, State and local governments or in repurchase agreements or reverse repurchase agreements collateralized by the foregoing obligations; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation or collateralized by certain government obligations; certain guaranteed investment contracts issued by a bank or insurance company rated at least A; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

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. The Executive Director of the Minnesota Higher Education Coordinating Board, and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

Dr. Joseph E. LaBelle has been the Executive Director of the Authority since its inception.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $250 million. The Authority has had 64 issues (including refunded and retired issues) totaling $246,905,000 of which $152,319,767 (excluding the Bonds) is outstanding as of April 2, 1992. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges 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 of Minnesota.

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. However, pursuant to special legislation, the Authority has once issued bonds on behalf of a State owned and operated post-secondary institution. In addition, State community and technical colleges are eligible for assistance in financing child-care facilities, but not other types of projects. 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.

In Minnesota Higher Education Facilities Authority v. Hawk, filed August 8, 1975, the Minnesota Supreme Court affirmed the constitutionality of the issuance of tax-exempt bonds by the Authority to refinance debts incurred by Minnesota private colleges in the construction of facilities used solely for nonsectarian education purposes. In the opinion of bond counsel, this decision also confirms the legality of bonds issued by the Authority to finance original construction, improvement, and remodeling projects.

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

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

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

FINANCIAL ADVISOR

Springsted Incorporated, Saint Paul, Minnesota, has served as financial advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor has participated in the preparation of certain portions of this Official Statement, but has not independently verified the factual and financial information contained herein, and accordingly expresses no view as to the accuracy or sufficiency thereof.

UNDERWRITING

The Bonds are being purchased by FBS Investment Services, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $9,445,650, plus accrued interest from May 1, 1992. The initial public offering prices set forth on the cover page may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices set forth on the cover page.

RATING

As noted on the cover page hereof, Standard & Poor's Corporation has given the Bonds a rating of AAA, based on the municipal bond insurance policy on the Bonds to be issued by Connie Lee Insurance Company. The rating reflects only the view of such rating agency. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the College are unaware of any pending or threatened litigation which would affect the validity of the Bonds or materially affect the ability of the College to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Faegre & Benson of Minneapolis, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the College by Moore, Costello & Hart, St. Paul, Minnesota.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) a limitation of $150,000,000 on the aggregate principal amount of "tax-exempt non-hospital bonds" (generally defined as bonds for other than acute care, in-patient hospital facilities) that is allocated to the College or any 501(c)(3) organization under common management or control with the College as an owner or user of facilities financed with proceeds of such bonds, (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) a requirement that at least 95% of the proceeds of the Bonds be used for purposes of the College constituting the basis for its being an organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and that not more than 5% of the proceeds of the Bonds be used in (or provide a facility to be used in) an unrelated trade or business of the College or the trade or business of any nonexempt person. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the College, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. Certificates will be furnished by officers of the Authority and the College to Bond Counsel at closing to the effect that, at the date of issuance of the Bonds, not more than $150,000,000 of tax-exempt non-hospital bonds (including the Bonds) are outstanding allocable to the College and 501(c)(3) organizations under common management or control. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph.

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

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (determined as described above) over $2 million. Regardless of whether a corporation is subject to the alternative minimum tax, the environmental tax applies with respect to taxable years beginning after December 31, 1986 and before January 1, 1996.

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

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

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

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

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

The dollar amount of the initial offering price to the public of the Bonds with stated maturities in 2011 and 2017 (the "Discount Bonds") is less than the principal amount of Bonds of such maturity. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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THE COLLEGE

Augsburg College was founded as a Lutheran seminary in Marshall, Wisconsin in 1869 and moved to Minneapolis, Minnesota in 1872. The first college students were enrolled in 1874 and the first graduation was in 1879. The College today is a non-profit, co-educational, liberal arts college offering undergraduate and graduate degrees.

The College is affiliated with the Evangelical Lutheran Church in American (ELCA). It is accredited by the North Central Association of Colleges and Universities and the National Council for the Accreditation of Teacher Education (Secondary and Elementary). It is a member of the Associated Colleges of the Twin Cities (ACTC) and is registered with the Minnesota Higher Education Coordinating Board in accordance with Minnesota Statutes.

It is the policy of the College not to discriminate on the basis of race, creed, national or ethnic origins, age, marital status, sex or handicap as required by Title IX of the 1972 Educational Amendments or Section 504 of the Rehabilitation Act of 1973, as amended, in its admission policies, educational programs, activities and employment practices. The College and its faculty subscribe to the Statement of Principles on Academic Freedom as promulgated by the American Association of University Professors and the Association of American Colleges.

Governance

The College is governed by the Board of Regents, consisting of not more than thirty-five members, each elected for a term of six years. Regents are elected by the governing members of the College, whose membership consists of 80 members from the synods of the ELCA, ten members from the Board of Regents, five faculty members, two College administrators and two students.

Board of Regents

Officers:

Chairperson
Rodney P. Burwell

Vice Chairperson
Raymond A. Grinde

Vice Chairperson
Charles S. Anderson

Secretary
Barbara C. Gage

Treasurer
David L. Swanson

Nancy H. Bottemiller	Homemaker, Wadena, Minnesota
Rodney P. Burwell	Chairman, Xerxes Corporation, Minneapolis, Minnesota
The Rev. Stephen J. Cornils, Ph.D.	Senior Pastor, Central Lutheran Church, Minneapolis, Minnesota
Darrell J. Egertson	Chief Financial Officer, Dart Transit Co., St. Paul, Minnesota
Julian P. Foss	Retired Businessman, Mesa, Arizona
Barbara C. Gage	Homemaker, Long Lake, Minnesota

Raymond A. Grinde	Retired Businessman, Roseville, Minnesota
Carolyn T. Groves	Administrator, S.J. Groves and Sons Company, Minneapolis, Minnesota
Norman R. Hagfors	President, Norsen, Inc., Minneapolis, Minnesota
Elling B. Halvorson	President, Papillon Airways, Inc., Kirkland, Washington
Allen A. Housh	President, Cargill Marine and Terminal, Edina, Minnesota
George O. Johnson, Ph.D.	Associate Professor and Division Head, Health Services Administration, University of Minnesota, Minneapolis, Minnesota
The Honorable LaJune Thomas Lange, J.D.	Judge, Hennepin County Government Center, Minneapolis, Minnesota
Gary H. Lohn	Control Data Business Advisors, Bloomington, Minnesota
The Honorable Kenneth G. Nelson	State Representative, Minnesota House of Representatives, St. Paul, Minnesota
The Rev. Maynard L. Nelson	Senior Pastor, Calvary Lutheran Church, Minneapolis, Minnesota
Roselyn J. Nordaune, J.D.	Partner, Nordaune & Friesen, St. Louis Park, Minnesota
Donald G. Oren	President, Dart Transit Company, St. Paul, Minnesota
Harvey M. Peterson	President, Catco Company, St. Paul, Minnesota
Curtis A. Sampson	President and Chief Executive Officer, Communications Systems, Hector, Minnesota
Ronald K. Speed	Vice President, Public Affairs, Honeywell, Inc., Minneapolis, Minnesota
Gladys I. Strommen	Homemaker, St. Paul, Minnesota
Leland N. Sundet	Chairman and Chief Executive Officer, Sundet Companies, Bloomington, Minnesota
David L. Swanson	Retired Businessman, Minneapolis, Minnesota
Michael W. Thompson	Realtor, Edina Realty, Inc., Edina, Minnesota
Pamela L. Tibbetts	Vice President, Strategic Planning and Development, Fairview, Minneapolis, Minnesota

William A. Urseth	President and Chief Executive Officer, U.S. Directives, U.S. Restaurant, Minneapolis, Minnesota
flo wiger, Ph.D.	Associate Professor, St. Cloud State University, St. Cloud, Minnesota
May Ka-Yee Yue	President, Financial Services Associates, Inc., Edina, Minnesota

President

Dr. Charles S. Anderson has been President of the College since 1980. Some of the accomplishments during his tenure include instituting Weekend College and three Master of Arts degree programs, hosting national and international figures at College-sponsored forums and events, increased accessibility of facilities to the handicapped and the construction of the Foss, Lobeck, Miles Center.

Dr. Anderson is an ordained Lutheran minister and holds a Ph.D. from Union Theological Seminary, New York. He completed post-doctoral studies at Columbia University, the University of Minnesota, Harvard University, Union Theological Seminary and Strasburg University.

Dr. Anderson has been a teacher of English, a pastor and a professor of church history. More recently, prior to becoming President of the College, he held the post of Director of Graduate Studies at Luther Seminary from 1968 to 1976 and was Vice President and Academic Dean of the College from 1976 to 1980.

Dr. Anderson is also the Vice Chairperson of the Board of Regents of the College.

Vice President, Finance and Management

Mr. Michael D. Ranum is Vice President, Finance and Management, a position he has held since 1988. He functions in that position as Chief Finance Officer of the College and contributes to overall College strategy and operations as a key member of executive management. Mr. Ranum is a Certified Public Accountant and has held various positions of financial management and accounting throughout his career, including the position of Controller at the College from 1982 to 1985. He graduated magna cum laude from Concordia College, Moorhead, Minnesota and received an M.B.A. from the University of Minnesota in 1986.

Other officers of the College include:

Dr. Ryan A. LaHurd, Vice President for Academic Affairs and Dean of the College.
Mr. Gregory H. Ritter, Vice President for Development and College Relations.
Mr. William R. Rosser, Vice President for Student Affairs and Dean of Students.
Dr. Richard J. Thoni, Vice President for Enrollment Management.

Campus

The College's 24-acre campus is located near downtown Minneapolis, adjacent to the University of Minnesota West Bank campus and Riverside Medical Center. Most of the campus buildings except Melby Hall, the sports and physical education center, and the Ice Arena are connected by a tunnel/ramp/skyway system for easy handicapped access. Major College buildings including a brief description are listed below. The year of construction is in parenthesis.

Christensen Center - center of non-academic activity, with lounges and recreational areas, dining areas, bookstore and offices for student government and student publications. (1967)

Foss, Lobeck, Miles Center - is the newest building on campus. The Tjornhom-Nelson Theater is also housed in this complex, which contains space for the campus ministry program, drama and communication. The College's computer lab is located in the lower level of this facility. (1988)

Ice Arena - two large skating areas for hockey, figure skating and recreational skating for the College and the metropolitan community. (1974)

Melby Hall - provides facilities for the health and physical education program, intercollegiate and intramural athletics, chapel services and general auditorium purposes. (1961)

Music Hall - contains a 217-seat recital hall, classroom facilities, two rehearsal halls, music libraries, practice studios and offices for the music faculty. (1978)

Old Main - the oldest building on campus and home for the Foreign Language and Art Departments, with classrooms used by other departments. It was extensively remodeled in 1980, and made accessible in 1990. It is included on the National Register of Historic Places. (1900)

Science Hall - houses classrooms, laboratories, a medium-sized auditorium and faculty offices. (1949) In 1960 the Lisa Odland Observatory on the roof was completed.

George Sverdrup Library - contains the 175,000-item library, reading rooms, seminar rooms, work rooms, an audio-visual center, the Augsburg archives, classrooms and faculty offices. (1955)

Sverdrup-Oftedal Memorial Hall - provides space for administrative and faculty offices. (1938)

2222 Murphy Place - houses offices for Weekend College, Graduate and Special Programs, and Cooperative Education, as well as classroom space. (1964)

Student Housing

Urness Tower - houses all new students and some upperclass students. This 11-story high-rise houses 324 students. Each floor is considered a house unit providing 36 students (two to a room), with their own lounge and study areas. In Urness Tower, rooms are furnished except for bed linens, towels, blankets, bedspreads and lamps.

Mortenson Tower - is the newest residence hall, an alternative to traditional residence hall living. It contains 104 one- and two-bedroom apartments to accommodate 312 upperclass students. Mortenson Tower is carpeted, air conditioned and contains kitchen units. It is otherwise unfurnished. (1973)

South Hall - contains 12 apartments housing 34 upperclass students.

West Hall - contains 12 one-bedroom apartments housing 24 upperclass students. (1966)

Annex Housing - provides an alternative opportunity for group living. Groups of upperclass men or women share living space, house responsibilities and cooking. Houses are located in the campus area and house approximately 112 students. These houses are operating at approximately 87% of maximum occupancy. After the construction of the Residence Facility, these houses will be taken out of service as student residences. Some of the houses will be removed and additional campus parking will be developed.

Approximately 46% of the full-time, undergraduate students live on campus.

Academic Information

Degrees Offered

The College offers the Bachelor of Arts, the Bachelor of Music and the Bachelor of Science degrees. The Bachelor of Science degree is awarded to graduates with majors in Chemistry (ACS), Computer Science (B.S. option), Music Therapy, Nursing, Physics (B.S. option) and Social Work. The Bachelor of Music degree is awarded to graduates with majors in Music Education and Music Performance. Graduates with majors in other fields receive the Bachelor of Arts degree. Augsburg also offers a Master of Arts in Leadership, Master of Arts in Education-Leadership and Master of Social Work.

Academic Calendar

The College follows the 4-1-4 calendar, with Fall and Spring semesters of approximately 14 weeks separated by a four-week January Interim. Full-time students normally take four courses each semester and one course during Interim. A maximum of three courses can be earned in the two annual summer sessions, one of four weeks and one of six weeks.

The calendar is coordinated with those of the four other colleges and universities of the Associated Colleges of the Twin Cities (Hamline University, Macalester College, the College of St. Catherine and the University of St. Thomas), so students can take courses on another campus during the regular term. January Interim is particularly intended to be a time for both students and faculty to employ different styles of teaching and learning and to investigate questions and topics in places and ways not possible during the regular term. In addition to classes offered on campus, Augsburg offers a variety of travel opportunities within the United States and abroad. Independent or directed study and internships are among the many Interim options.

Weekend College

Augsburg Weekend College provides an educational alternative for adult students who work or have other commitments during the week. It is a means by which men and women may earn a college degree, complete a second major or pursue a personal interest or skill.

Weekend College classes meet on alternate weekends. There are three trimester terms during the early September through June academic year. Students may take from one to four classes each term.

Although the Augsburg Weekend College program involves the same courses as the day school program, the curriculum is limited to selected liberal arts courses and the following majors: Business Administration (specializations in accounting, finance, international business, management, and marketing), Communication (concentrations in human relations, marketing communications, public relations/advertising, and supervisory management), Computer Science, Economics, Elementary and Secondary Education, English, Management Information Systems, Nursing, Psychology, Religion and Social Work.

Graduate Program

The College offers three graduate degree programs: the Master of Arts in Leadership, the Master of Arts in Education-Leadership and the Master of Social Work. The graduate program was implemented in 1987.

Designed for working adults, the Augsburg graduate program operates on alternate Saturdays and alternate Thursday evenings. There are three trimester terms during the early September through June academic year.

Student Body

The actual and estimated full-time equivalent (FTE) enrollment by program is:

Fall Semester	Day Program FTE	Weekend College FTE	Graduate Program FTE	Total FTE	Total Headcount
Actual:					
1985	1,248	263		1,511	1,802
1986	1,253	274		1,527	1,827
1987	1,323	406	25	1,754	2,211
1988	1,471	586	44	2,101	2,629
1989	1,504	851	43	2,398	2,760
1990	1,583	955	40	2,578	2,965
1991	1,569	996	59	2,624	3,023
Estimated:*					
1992	1,531	1,021	98	2,650	
1993	1,531	1,041	135	2,707	
1994	1,546	1,062	203	2,811	
1995	1,577	1,083	203	2,863	
1996	1,609	1,105	203	2,917	

* *Estimates are those of the College management. However, events and circumstances frequently do not occur as expected, and actual enrollment levels may vary materially from those estimated. If the estimated enrollment levels are not met, the College may not be able to meet annual financial operations or may be required to increase tuition and fee charges.*

Of the 287 freshmen enrolled for the Fall, 1991 semester, approximately 75% are Minnesota residents, 19% from other states and 6% from foreign countries.

Applications, Acceptances and Enrollments

Day School Freshmen:

Year	Applicants	Acceptances	Enrolled	Acceptance Ratio	Enrollment Ratio
1985	653	545	298	83.5%	54.7%
1986	612	494	290	80.7	58.7
1987	662	539	303	81.4	56.2
1988	749	602	343	80.4	57.0
1989	707	574	339	81.2	59.1
1990	648	488	293	75.3	60.0
1991	682	537	287	78.7	53.5

Applications, Acceptances and Enrollments (continued)

Day School Transfers:

Year	Applicants	Acceptances	Enrolled	Acceptance Ratio	Enrollment Ratio
1985	350	277	155	79.1%	56.0%
1986	294	234	130	79.6	55.6
1987	353	282	167	79.9	59.2
1988	357	265	145	74.2	54.7
1989	402	316	160	78.6	50.6
1990	430	337	158	78.4	46.9
1991	415	240	159	57.8	66.2

Tuition and Fees

The College meets the cost of educational programs primarily through tuition and fees. The following table lists the schedule of fees charged full-time undergraduate students from the academic years 1987/88 through 1991/92.

	1987/88	1988/89	1989/90	1990/91	1991/92
Tuition and Fees	$ 7,310	$ 8,020	$ 8,740	$ 9,484	$10,148
Room	1,470	1,610	1,740	1,872	2,004
Full Board	1,360	1,470	1,588	1,708	1,828
Other Student Charges*	73	95	97	97	97
Total	$10,213	$11,195	$12,165	$13,161	$14,077

* *Certain other fees may be charged depending on activity or course of study.*

1991-92 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Total Fees)

	Tuition & Fees	Room & Board	Total
Carleton College	$16,296	$3,324	$19,620
Macalester College	13,331	3,970	17,301
St. Olaf College	12,080	3,345	15,425
Hamline University	11,550	3,631	15,181
Gustavus Adolphus College*	11,900	2,900	14,800
University of St. Thomas	10,528	3,535	14,063
Augsburg College	**10,148**	**3,832**	**13,980**
College of St. Benedict	10,135	3,750	13,885
St. John's University	10,135	3,680	13,815
Minneapolis College of Art and Design	10,340	3,400	13,740
College of St. Catherine	10,140	3,593	13,733
Bethel College	9,950	3,590	13,540
College of St. Scholastica	9,921	3,255	13,176
St. Mary's College of Minnesota*	9,205	3,170	12,375
Concordia College (Moorhead)	8,690	2,710	11,400
Concordia College (St. Paul)	8,268	2,910	11,178
Average	$10,789	$3,412	$14,200

* *Figures for Gustavus Adolphus College and St. Mary's College of Minnesota are for fall, 1991 new students only.*

Source: Minnesota Private College Council.

Faculty and Staff

The teaching student-faculty ratio for 1991/92 is 15.5 to 1. There are no religious or denominational prerequisites or any participatory religious requirements for faculty membership. The College subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

The College employs 124 full-time and 146 part-time teaching faculty. Total employment is approximately 530. The total payroll for Fiscal Year 1990/91 was approximately $12.8 million.

Salaries of Full-Time Instructional Faculty

Academic Rank	Number of Faculty	Average Total Compensation
Professor	39	$44,111
Associate Professor	25	42,995
Assistant Professor	58	35,219
Instructor	2	26,825

Of the full-time faculty, 79 hold Ph.D's or terminal degrees in their fields and 44 hold Master's degrees. Approximately 48% are tenured.

Pensions

The College has two contributory defined contribution retirement plans for academic and non-academic personnel. Contributions are based on a percentage of compensation. The cost of the retirement plans is paid currently and amounted to $556,185 for the Fiscal Year ended May 31, 1991.

Unions

The International Union of Operating Engineers, Local 70, represents regular full-time and part-time maintenance, grounds and custodial employees working at Augsburg College. The bargaining unit is made up of approximately 34 employees. The current contract expires May 31, 1994. This is the only bargaining unit at the College.

Financial Aid

Approximately 67% of the College's students receive some form of financial aid. Some of the federal and state financial aid programs apply to tuition and fees, whereas others provide for living expenses such as transportation, housing and personal expenses.

The following table sets forth a five-year summary of direct financial aid for students at the College.

	1986/87	1987/88	1988/89	1989/90	1990/91
Augsburg College	$1,276,566	$1,591,362	$1,912,266	$ 2,254,805	$ 3,001,878
Federal Government[(a)]	5,415,778	5,608,296	6,964,546	6,342,442	6,499,256
State of Minnesota	54,703	44,638	52,384	1,847,533	2,323,680
Other	459,213	838,218	546,520	1,095,384	2,250,339
Total	$7,206,260	$8,082,514	$9,475,716	$11,540,164	$14,075,153
Percent of Enrollment Aided[(b)]	85%	82%	84%	84%	66.5%

(a) *Includes Pell Grants, Supplemental Educational Opportunity Grants, Stafford and other Guaranteed Student Loans, National Direct Student Loans, and College Work Study Program.*

(b) *For years 1986/87 through 1989/90, percent of enrollment aided excludes Weekend College students.*

Capital Campaign

In 1988 the College began its Twenty-First Century Fund capital campaign with a goal of $63,000,000, split between $19,000,000 for current operations, $17,750,000 for endowment and $26,250,000 for building. As of January 6, 1992, the College has received $19.8 million in payments and has approximately $15.8 million in pledges outstanding. The campaign is ongoing through 2000.

None of the funds raised through the Twenty-First Century Fund campaign is specifically pledged to payment of debt service on the Bonds or to Project Costs.

Endowment and Deferred Gifts Funds

Following is a five-year history of the ending fund balances of the College's Endowment and Deferred Gifts Funds, as reported in the annual financial statements of the College for each year.

Year Ended May 31	Endowment	Funds Functioning As Endowment	Deferred Gifts
1987	$2,790,563	$214,266	$532,301
1988	3,301,340	218,242	580,995
1989	3,841,675	349,580	569,384
1990	4,646,214	368,196	581,141
1991	5,348,381	412,684	662,333

Gifts and Grants

Gifts and grants revenues received by fund for the past five years as reported in the annual financial statements of the College have been:

Year Ended May 31	Current Funds Unrestricted	Current Funds Restricted	Loan Funds	Endowment Funds	Deferred Gift Funds	Plant Funds
1987	$611,060	$2,460,573	--	$483,667	$79,917	$1,422,194
1988	632,947	2,296,640	--	430,131	5,721	821,581
1989	647,244	2,521,611	$71,170	474,239	212,668	1,034,015
1990	662,934	3,509,450	105,370	561,275	2,330	616,852
1991	674,424	3,721,405	87,235	465,638	80,481	369,299

Financial Statements

The College's Fiscal Year ends May 31 of each year. Financial records are maintained on the fund accounting system and financial statements have been prepared on the accrual basis of accounting. Appendix V sets forth the financial statements of the College for the years ended May 30, 1990 and May 31, 1991, audited by Adrian Helgeson and Company (now Virchow, Krause, Helgeson & Company), Certified Public Accountants, Minneapolis, Minnesota. Virchow, Krause, Helgeson & Company has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

Summaries of Current Funds Revenues, Expenditures and Transfers

The following tables set forth summaries of revenues, expenditures and other changes for the College's Unrestricted Current Fund for the past five Fiscal Years from the College's audited financial statements, and the budget for the Unrestricted Current Fund for the Fiscal Year 1991/92. These tables should be read in conjunction with the financial statements found in Appendix V.

AUGSBURG COLLEGE
SUMMARY OF OPERATING RESULTS - UNRESTRICTED CURRENT FUND

Summarized from Audited Financial Reports of the College

ALL AMOUNTS $000

	Fiscal Years Ended May 31				
	1987	1988	1989	1990	1991
	------	------	------	------	------
REVENUES					
Educational & General					
Student Tuition & Fees	9,848	11,785	13,891	16,079	17,995
Gifts & Grants	611	633	647	745	795
Endowment Income	50	14	38	35	35
Other Sources	1,431	1,877	2,320	2,094	2,200
Auxiliary Enterprises	3,017	3,434	3,731	4,093	4,242
TOTAL	14,957	17,743	20,627	23,046	25,267
EXPENDITURES					
Educational & General					
Instruction	4,404	5,247	6,096	7,162	7,735
Public Service	969	1,286	1,293	1,288	1,553
Academic Support	457	585	744	898	1,097
Student Service	1,164	1,392	1,813	1,870	1,983
Institutional Support	2,044	2,334	2,506	2,974	3,184
Physical Plant O & M	1,596	1,645	1,874	1,916	2,126
Scholarships & Grants	1,012	1,282	1,608	2,091	2,708
Auxiliary Enterprises	2,299	2,861	3,018	3,266	3,293
TOTAL	13,945	16,632	18,952	21,465	23,679
GROSS OPERATING SURPLUS	1,012	1,111	1,675	1,581	1,588
MANDATORY TRANSFERS					
Debt Service					
Educational & General	294	361	487	581	592
Auxiliary Enterprises	344	237	248	335	226
Other	41	39	47	49	38
TOTAL EXP. AND MAND. TRANSFERS	14,624	17,269	19,734	22,430	24,535
EXCESS OF REVENUES OVER EXPENDITURES & MANDATORY TRANSFERS	333	474	893	616	732
NON-MANDATORY TRANSFERS					
To Restricted Current Fund	0	0	39	28	13
To Endowment	12	2	129	0	27
To Plant Fund	321	472	725	588	692
TOTAL INCREASE/(DECREASE) IN FUND BALANCE FROM OPERATIONS	0	0	0	0	0

AUGSBURG COLLEGE
INTERIM STATEMENT OF UNRESTRICTED CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES FOR THE YEAR ENDED MAY 31, 1992

	Budget 1991–92	Actual Through 4/10/92	Estimated Actual 1991–92	Budget To Est. Actual Difference
REVENUES				
Tuition and Fees	$20,144,496	$17,794,889	$19,594,196	($550,300)
Government Grants	305,000	226,373	305,000	0
Private Gifts and Grants	756,720	470,253	641,720	(115,000)
Unrestricted Endowment Income	25,000	0	25,000	0
Educational Activities	23,569	47,580	23,569	0
Auxiliary Enterprises	4,711,033	3,091,936	4,350,313	(360,720)
Other Sources	2,195,287	1,867,177	2,095,287	(100,000)
Total Revenues	28,161,105	23,498,208	27,035,085	(1,126,020)
EXPENDITURES				
Educational and General				
Instruction	8,389,235	6,788,363	8,393,235	4,000
Public Service	1,680,080	1,347,989	1,680,080	0
Academic Support	1,695,812	1,068,711	1,695,812	0
Student Services	2,171,962	1,732,459	2,221,962	50,000
Institutional Support	3,667,217	3,078,574	3,535,217	(132,000)
Plant Maintenance	2,413,545	1,866,224	2,373,545	(40,000)
Scholarships	3,355,413	3,054,958	2,760,413	(595,000)
Mandatory Transfers	739,221	637,049	739,221	0
Total E & G Expenditures	24,112,485	19,574,327	23,399,485	(713,000)
Auxiliary Enterprises				
Operating Expenditures	3,391,275	1,843,917	3,154,975	(236,300)
Mandatory Transfers	336,561	293,082	336,561	0
Total Auxiliary Expenditures	3,727,836	2,136,999	3,491,536	(236,300)
Total Expenditures	27,840,321	21,711,326	26,891,021	(949,300)
Contingency	245,784	0	69,064	(176,720)
Net Surplus (Deficit) before Non–Mandatory Transfers	75,000	1,786,882	75,000	0
Non–Mandatory Transfers	75,000	0	75,000	
Net Surplus (Deficit)	0	1,786,882	0	0

Source: Figures provided are unaudited and represent the College's Unrestricted Current Fund budget, up–dated, based on results through April 10, 1992. The figures shown are not directly comparable to year–end audited figures due to several classification differences, including the treatment of certain capital costs as expenditures for budgetary purposes which are reflected as non–mandatory transfers in the audited financial report.

Long-Term Debt of the College as of February 2, 1992

1. $2,610,000 Dormitory and Student Union Bonds of 1966, dated April 1, 1966 and due annual April 1 through 2016 at 3% interest. The bonds are secured by the general obligation of the College and additionally by (1) a first mortgage on Urness Tower and the College Center; (2) a first lien on and pledge of the net revenues derived from the operations or ownership of the mortgaged facilities; and (3) the student union fees of not less than $30 per year to be charged and collected from each full-time student; $1,790,000 is outstanding.

2. $2,200,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series A, dated December 1, 1972; interest rates range from 5.3% to 5.6%; final maturity due December 1, 2012; $1,855,000 is outstanding. The bonds are secured by a first mortgage on Mortenson Tower and its gross revenues; the full faith and credit of the College and a pledge of 4% of general tuition and fees; debt service reserve of $126,974; and the Authority's General Bond Reserve.

3. $1,600,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series I, dated May 1, 1974; interest ranges from 6.00% to 6.20%; final maturity due May 1, 1995; $560,000 is outstanding. The bonds are secured by a mortgage on the Ice Center; the full faith and credit of the College; debt service reserve of $120,000; and the Authority's General Bond Reserve.

4. The Note being refinanced with the Series Three-G Bonds.

5. $900,000 Minnesota Higher Education Facilities Authority Revenue Notes, Series Two-Z, dated June 27, 1990; due semiannually through August 1, 2000; interest rates range from 7.44% to 7.54%; $734,767 is outstanding. The notes were issued for the acquisition of a telephone system and computer system. They are general obligations of the College, additionally secured by a purchase money security interest in the equipment acquired.

6. Promissory note dated June 1, 1991 in the amount of $80,000; interest rate is 9.5%; final maturity is May, 1996; $70,275 is outstanding.

7. Contract for Deed dated August 8, 1991 in the amount of $60,000; interest rate is 9.0%; final maturity is August, 1996; $35,962 is outstanding.

8. The Bonds.

Total long-term debt as of February 2, 1992, adjusted to include the Bonds, but to exclude the Note is $14,691,004.

ANNUAL DEBT SERVICE BY FISCAL YEAR AND COVERAGE STATEMENT

FISCAL YEAR ENDING	DEBT SERVICE ON THE BONDS(a) (1)	EXISTING LONG TERM DEBT SERVICE(b) (2)	COMBINED LONG TERM DEBT SERVICE (3)	UCF AMOUNT AVAILABLE FOR DEBT SERVICE(c) (4)	ESTIMATED DORMITORY NET REVENUE(d) (5)	COVERAGE (times)(e) (6)
31-May-92	$0	$869,370	$869,370	$1,550,377		1.78
31-May-93	405,080	742,144	1,147,224	1,550,377		1.57
31-May-94	607,620	614,282	1,221,902	1,550,377	$220,091	1.45
31-May-95	807,620	667,769	1,475,389	1,550,377	220,091	1.20
31-May-96	812,620	405,168	1,217,788	1,550,377	220,091	1.45
31-May-97	811,655	312,895	1,124,550	1,550,377	220,091	1.57
31-May-98	814,730	313,071	1,127,801	1,550,377	220,091	1.57
31-May-99	816,530	312,971	1,129,501	1,550,377	220,091	1.57
31-May-2000	816,995	322,595	1,139,590	1,550,377	220,091	1.55
31-May-2001	816,335	288,662	1,104,997	1,550,377	220,091	1.60
31-May-2002	814,235	254,380	1,068,615	1,550,377	220,091	1.66
31-May-2003	815,935	252,800	1,068,735	1,550,377	220,091	1.66
31-May-2004	816,095	250,940	1,067,035	1,550,377	220,091	1.66
31-May-2005	814,675	263,520	1,078,195	1,550,377	220,091	1.64
31-May-2006	811,275	260,520	1,071,795	1,550,377	220,091	1.65
31-May-2007	811,575	257,240	1,068,815	1,550,377	220,091	1.66
31-May-2008	815,250	258,400	1,073,650	1,550,377	220,091	1.65
31-May-2009	811,975	269,000	1,080,975	1,550,377	220,091	1.64
31-May-2010	812,075	268,740	1,080,815	1,550,377	220,091	1.64
31-May-2011	815,225	267,920	1,083,145	1,550,377	220,091	1.63
31-May-2012	816,100	266,540	1,082,640	1,550,377	220,091	1.64
31-May-2013	814,700	274,600	1,089,300	1,550,377	220,091	1.63
31-May-2014	811,025	226,600	1,037,625	1,550,377	220,091	1.71
31-May-2015	815,075	0	815,075	1,550,377	220,091	2.17
31-May-2016	811,200	0	811,200	1,550,377	220,091	2.18
31-May-2017	814,725	0	814,725	1,550,377	220,091	2.17
Totals	$19,730,325	$8,220,125	$27,950,450			

(a) Actual.
(b) Excludes Mortgage Note refinanced with proceeds of the Bonds.
(c) Amount available for Debt Service (Unrestricted Current Fund), based on fiscal year 1990-91 audited financial report of the College:

Unrestricted Current Fund ("UCF") Revenues:	$25,267,864
Less UCF Expenditures & Mandatory Transfers:	24,535,818
Excess of UCF Revenues over UCF Expenditures and Mandatory Transfers:	$732,046
Add: Mandatory Transfers for Debt Service:	818,331
Amount Available for Debt Service:	$1,550,377

(d) Estimated net revenues of Residence Facility (after operating expenses) in initial year of operation.
(e) In fiscal year ending May 31, 1993, coverage takes into account capitalized interest.

PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON
2200 NORWEST CENTER
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$9,645,000
Minnesota Higher Education Facilities Authority
Mortgage Revenue Bonds, Series Three-G
(Augsburg College)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered Mortgage Revenue Bonds, Series Three-G (Augsburg College), in the aggregate principal amount of $9,645,000 (the "Bonds"), dated May 1, 1992, in the denomination of $5,000 each and integral multiples thereof, maturing on January 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

Year	Amount	Basic Interest Rate
1995	$ 200,000	5.00%
1996	215,000	5.10
1997	225,000	5.30
1998	240,000	5.50
1999	255,000	5.70
2000	270,000	5.80
2001	285,000	6.00
2002	300,000	6.10
2003	320,000	6.20
2004	340,000	6.30
2011	3,055,000	6.50
2017	3,940,000	6.50

The Bonds are subject to optional redemption prior to the stated maturities thereof as provided in the Bonds. The Bonds due in the years 2011 and 2017 shall be redeemed through operation of the mandatory Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account provided for in the Indenture, as defined below. Interest on the Bonds is payable on each January 1 and July 1, commencing July 1, 1992. Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the principal corporate trust office of First Trust National Association, in St. Paul, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to Augsburg College, a Minnesota nonprofit corporation and institution of higher

DENVER DES MOINES WASHINGTON, D.C. LONDON FRANKFURT

education located in the City of Minneapolis, Minnesota (the "College"), in order to (i) refinance the costs of a project consisting of the acquisition, construction, furnishing and equipping, including appurtenant site improvements, of a portion of a multi-purpose building on the College's main campus, and (ii) finance the costs of a project consisting of the acquisition, construction, furnishing and equipping, including appurtenant site improvements, of a student residence facility on the College's main campus (as further described in the Loan Agreement and Indenture, the "Project"). We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College, the Trust Indenture (the "Indenture") between the Authority and the Trustee, and the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage") from the College to the Authority and assigned by the Authority to the Trustee, all dated as of May 1, 1992, opinions of Moore, Costello & Hart as counsel to the College, an Owner's Title Insurance Policy issued by Commonwealth Land Title Insurance Company, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Moore, Costello & Hart, as to the Loan Agreement and the Mortgage having been duly authorized and executed and being binding upon the College and as to the corporate organization, good standing and powers of the College, and on (i) the opinion of Moore, Costello & Hart, and (ii) an Owner's Title Insurance Policy issued by Commonwealth Land Title Insurance Company as to title to the Project Site, without examining the records of the College 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, as amended, to issue the Bonds, to loan the proceeds thereof to the College and to execute and deliver the Loan Agreement, the Indenture and the assignment of the Mortgage to secure the Bonds.

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

3. The Bonds are secured by the assignment of the loan repayments payable by the College under the Loan Agreement to the Trustee in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, by the pledge of the funds and investments held by the Trustee under the Indenture and by the mortgage lien on certain of the Project facilities and a security interest in the net revenues and income arising therefrom provided by the Mortgage.

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 the purpose of determining the "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the environmental tax imposed on corporations, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

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

Dated at Minneapolis, Minnesota, _______________, 1992.

DEFINITION OF CERTAIN TERMS

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

Additional Bonds: Any Additional Bonds issued by the Authority on behalf of the College pursuant to section 2.09 of the Indenture.

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 Regulation Sections 1.103-13 to 1.103-15 and Sections 1.148-0T to 1.150-1T.

Authority: The Minnesota Higher Education Facilities Authority, its successors and assigns.

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

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

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

Board of Regents: The Board of Regents of the College, including any Executive Committee authorized to act for such board.

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

Bonds: $9,645,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-G (Augsburg College) and any Additional Bonds then outstanding.

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

Bond Insurance Policy: The bond insurance policy issued by the Bond Insurer that guarantees scheduled payments of principal and interest on the Series Three-G Bonds.

Bond Insurer: Connie Lee Insurance Company, a Wisconsin stock insurance company, or any successor thereto.

Bond Resolution: The Series Resolution of the Authority adopted on April 29, 1992, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: (a) The period from the Issue Date to the close of business on July 1, 1992 and (b) each succeeding 12-month period ending at the close of business on July 1 of each year in which the outstanding Series Three-G Bonds, if paid at their stated maturity dates, shall be outstanding.

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

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

Chapel Portion: The chapel portion of the Foss, Miles, Lobeck Center, including the portions designated by the College as the Centrum and the Concourse.

College or Institution: Augsburg College, a Minnesota nonprofit corporation and institution of higher education, its successors and assigns.

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

Debt Service Coverage Ratio: For any particular period, the ratio (expressed as a percentage) determined by dividing Net Income Available for Debt Service during the period by the total amount of principal and interest payable on Funded Debt during the period.

Event of Default: An Event of Default described in the Indenture or Loan Agreement and summarized in Appendix IV - SUMMARY OF DOCUMENTS under the headings "The Indenture - Events of Default" and "The Loan Agreement - Events of Default."

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

Fiscal Year: The College's fiscal year, initially the 12-month period ending on May 31 in each year.

Funded Debt: Indebtedness (including a guarantee of indebtedness) for borrowed money having a maturity date of more than one year and as defined in Section 6.13 of the Loan Agreement.

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 is registered.

Indenture: The Trust Indenture between the Authority and First Trust National Association, St. Paul, Minnesota, as Trustee, dated as of May 1, 1992, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

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

Issue: The Bonds.

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

Loan Agreement: The Loan Agreement between the Authority and the College dated as of May 1, 1992, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the College to the Trustee pursuant to Section 4.02 of the Loan Agreement.

Maximum Annual Debt Service: The largest total amount of principal of and interest on Funded Debt payable by the College 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, and as further defined in Section 6.13 of the Loan Agreement.

Mortgage: The Combination Mortgage, Security Agreement and Fixture Financing Statement, dated as of May 1, 1992 from the College to the Authority, and assigned by the Authority to the Trustee, as amended or supplemented from time to time.

Mortgaged Property: The new student residence facility and site thereof and all building and equipment thereon, as the same may at any time exist.

Net Income Available for Debt Service: The excess of Unrestricted Current Fund revenues over Unrestricted Current Fund expenditures but excluding depreciation, amortization and interest from Unrestricted Current Fund expenditures, plus income from investments of Accounts held by the Trustee under the Indenture, all as determined by generally accepted accounting principles.

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

Note: That certain fixed-rate First Mortgage Note from the College to First National Bank of Minneapolis, (now known as First Bank National Association), in the original total principal amount of Three Million Five Hundred Thousand Dollars ($3,500,000), representing the loan incurred by the College in connection with the acquisition and construction of a portion of the Foss, Lobeck, Miles Center (excluding the Chapel Portion).

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 College, (iv) until the Bond Closing, the Note and all related security documents executed pursuant thereto, (v) the Mortgage and (vi) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

Project: Except as the description of the Project may be amended in accordance with the Loan Agreement, the Project consists of: (i) the acquisition, improving, furnishing and equipping, including appurtenant site improvements, of a four-story, approximately 76,000 square foot apartment-style student residence facility, and (ii) the refinancing of certain existing indebtedness originally incurred to partially finance the construction of the Foss, Lobeck, Miles Center (excluding the Chapel Portion), which, among other thing, houses a performance theater, the audio visual department, classrooms and common space, all owned or to be owned and operated by the College at its Minneapolis campus.

Project Buildings: (i) the student residence facility to be constructed as part of the Project, and (ii) that portion of the Foss, Lobeck, Miles Center which is to be refinanced with the proceeds of the Bonds, which Project Building does not include the Chapel Portion of the Foss, Lobeck, Miles Center.

Project Costs: Costs properly payable from the Construction Account in relation to the Project.

Project Equipment: All furnishings, furniture, fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Note (other than fixtures, equipment or personal property acquired for the Chapel Portion) or the Bonds, including investment income, and installed and located in or as part of the Project Buildings or other College buildings (but excluding the Chapel Portion of the Foss, Lobeck, Miles Center) or elsewhere as part of the Project.

Project Facilities: The Project Site, the Project Buildings and the Project Equipment.

Project Site: The land on which the Project Buildings are or are being located.

Projected Rate: That fixed rate equal to the projected yield at par of an obligation, as set forth in the report of a Rate Setter, which report is acceptable to the Trustee as to form, and shall state that, in determining the Projected Rate, such Rate Setter reviewed the yield evaluations at par of not less than five (5) obligations selected by such Rate Setter, the interest on which is exempt from federal income tax, which obligations such Rate Setter states in its opinion are reasonable comparators to be utilized in developing such Projected Rate and which obligations: (1) were outstanding on a date selected by the Rate Setter, which date so selected occurred during the forty-five (45) day period preceding the date of calculation utilizing the Projected Rate in question, (2) to the extent practicable, are obligations of persons engaged in operations similar to those of the College and have a credit rating similar to that of the College and (3) to the extent practicable, have a remaining term and amortization schedule the same as being assumed for the put indebtedness.

Rate Setter: An investment banking firm or other person knowledgeable about the market for comparators required to establish the Projected Rate and nationally recognized as experienced at establishing rates similar to the Projected Rate.

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account, (ii) to create and maintain the required balance in the Reserve Account, and (iii) to redeem or prepay outstanding Bonds to the extent permitted or required by the Loan Agreement. 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.

Refinancing Account: The Account established under the Indenture for the deposit of certain Bond proceeds to be used for the prepayment of the Note.

Regular Record Date: The 15th day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Reserve Account: The Reserve Account established under the Indenture, into which at Bond Closing will be placed Bond proceeds in the amount of the Reserve Requirement ($816,995). Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient thereof and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College or the Authority fails to provide for payment of any rebate.

Reserve Requirement: (i) If no Additional Bonds are outstanding, the maximum amount of principal of and interest on the Bonds payable in any remaining Bond Year or (if less) 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Bonds or (ii) if Additional bonds are outstanding, the sum of (A) the amount set forth in subsection (i) plus (B) the maximum amount of principal of and interest on Additional Bonds payable in any remaining Bond Year or (if less) 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Additional Bonds.

Sinking Fund Subaccount: The Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account created under the Indenture into which the Authority shall deposit certain moneys for mandatory redemption prior to maturity of Bonds as specified in the Indenture.

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

Test Period: For purposes of Section 6.13(c) of the Loan Agreement, either the two most recent Fiscal Years for which audited financial statement are available or the most recent Fiscal Year for which audited financial statements are available, as appropriate.

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

Trustee, Registrar, Paying Agent: First Trust National Association, St. Paul, Minnesota.

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Completion of Project

The College represents that the acquisition, construction and improvement of the student residence facility to be constructed as part of the Project are to be substantially completed by no later than July 1, 1994 subject only to "force majeure," as provided in the Loan Agreement, provided that the College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the Institution, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds or if the College does not represent that it has sufficient funds on hand to complete the Project as amended. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs are not met from proceeds of the Bonds in the Construction Account. The College represents that at the Bond Closing it will (i) satisfy and discharge the Note, and (ii) terminate all related loan agreements, financing statements and other security documents executed pursuant thereto or in connection therewith.

Loan Repayments

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

(a) At least ten Business Days prior to each January 1 and July 1, commencing July 1, 1992, the College 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 Three-G Bonds on such interest payment date, and at least ten Business Days prior to each January 1, commencing January 1, 1995, a sum equal to the amount payable as principal of the Series Three-G Bonds on such principal payment date, provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.02, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

(b) Prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Three-G Bonds called for redemption from the Redemption Account; and

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

(d) Into the Reserve Account forthwith any amounts then required to be deposited therein by Section 5.02 of the Indenture; and

(e) Into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.09(b) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate); and

(f) At least ten Business Days prior to each January 1, commencing January 1, 2005, into the Sinking Fund Subaccount, a sum which will be equal to the amount, if any, as shall be necessary and sufficient to redeem on the next succeeding January 1, at par plus accrued interest, the amount of the Series Three-G Bonds specified in the Indenture for mandatory redemption.

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

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

Use of Project Facilities

The College agrees to use the Project Facilities as educational facilities, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with a program of a school or department of divinity for any religious denomination. The College agrees not to permit use of the Project Facilities in such manner or to such an extent as would cause interest on the Bonds to be includable in gross income of the recipient for federal income tax purposes or loss of its status as an exempt organization under Section 501(c)(3) of the Code.

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation. The College may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities, so long as the tax-exempt status of the Bonds will not be affected thereby, such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, the Mortgage, or the Act, and the College shall remain fully obligated under the Loan Agreement and the Mortgage as if such lease, sublease or use agreement had not been made.

Title to Property and Liens

Except for Permitted Encumbrances, the College will not permit any liens to be established or to remain against the Project Facilities including any mechanics liens for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided the College may in good faith contest any liens filed or established against the Project Facilities and may permit the items so contested to remain undischarged and unsatisfied during the period of such contest unless the Authority or Trustee shall notify the College that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities will be subject to loss or forfeiture, in which event the College shall promptly pay all such items.

Taxes and Other Governmental Charges

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

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

Insurance

The College is required to maintain, or cause to be maintained, insurance 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 the lesser of (i) the full insurable replacement value of the Project Buildings or (ii) the principal amount of the outstanding Bonds or (if greater) 80% of the full insurable replacement value of the Project Buildings, with a deductible amount of up to $50,000.

(b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $5,000,000, with a deductible amount of not more than $50,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of $100,000.

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

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

The College is required to furnish to the Trustee policies or certificates or binders evidencing the required insurance. Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the Board and the Trustee at least thirty days before the cancellation or modification becomes effective.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds, or both, as more fully provided in the Loan Agreement. The Bonds may be redeemed in whole, at the College's option, if the Project Buildings are damaged or destroyed to such extent that they cannot be reasonably restored within six months or the College is prevented from carrying on its normal use and operation for six months or the cost of restoration would exceed by more than $100,000 the Net Proceeds of the insurance. If one or more of the Project Buildings is damaged or destroyed and is not needed for the effective and economic operations of the Institution, the Bonds may be redeemed in part and the available Net Proceeds (or, if less, the pro rata portion) in respect of any Project Building or site thereof which the Institution elects not to repair, rebuild or restore shall be used for redemption or purchase of outstanding Bonds. For purposes of this provision, "pro rata portion" shall mean 39.49% of the principal amount of outstanding Bonds in the case of the portion of the Foss, Lobeck, Miles Center to be refinanced as part of the Project; and 52.04% of the principal amount of outstanding Bonds in the case of the new student residence facility to be acquired, constructed, equipped and improved as part of the Project.

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 one or more of the Project Buildings and site thereof shall be taken in any proceeding involving the exercise of the right of eminent domain, the College shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, in whole or in part, or both, as more fully provided in the Loan Agreement. If the Bonds are redeemed in part, the available Net Proceeds (or, if less, the pro rata portion) in respect of any Project Building and site thereof which the College elects not to repair, rebuild, restore or replace shall be used for the redemption or purchase of outstanding Bonds. For purpose of this provision, "pro rata portion" shall be defined as set forth above under "Damage or Destruction."

Indemnification

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

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

College to Maintain its Existence and Accreditation

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation institution of higher education under the laws of Minnesota and its accreditation as an institution of higher education by recognized accrediting agencies and that it will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee corporation, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement and the Mortgage, and be either a state university or college or a nonprofit corporation and a nonprofit 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 discrimination and requiring that the Institution be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall not cause interest on the Bonds to be includable in gross income of the recipient for federal income tax purposes.

$150,000,000 Limitation on Outstanding Nonhospital Bonds

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt nonhospital bonds issued on behalf of or for the benefit of the College and all organizations under common management or control with the College (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000.

Federal Income Tax Status

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

College To Be Nonsectarian

The College agrees that it 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.

Financial Covenants

The College covenants and agrees, so long as the Bonds shall remain outstanding, to comply with the financial covenants described under the heading "Financial Covenants" in this Official Statement. In addition, the Loan Agreement includes provisions governing the calculation of Maximum Annual Debt Service covering, among other things, variable rate indebtedness, guarantees, balloon indebtedness, put indebtedness, refunded debt, subordinated debt, and capital appreciation bonds and notes.

Other Covenants

The College further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to 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 and the Minnesota Higher Education Coordinating Board, subject to the right of contest. The College agrees to indemnify the Authority from losses arising from certain representations made by the College regarding the absence of hazardous waste on the Project Facilities.

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

Events of Default

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

(a) If the College shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account or Redemption Account, as the case may be, on a Bond principal or interest payment date or redemption date 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 College that such payment has not been made; or

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

(c) If the College shall default in the observance of any of the covenants set forth in Section 6.13 of the Loan Agreement (relating to financial covenants), provided that failure to comply with Section 6.13(a) (relating to the ratio of Unrestricted Current Fund revenues to Unrestricted Current Fund expenditures) or 6.13(b) (relating to the unrestricted funds functioning as endowment fund balance) shall not become an Event of Default unless the College fails to restore the deficiency thereunder within a period of 180 days, from the close of the Fiscal Year in which such deficiency has occurred; and provided further that the Event of Default arising from a failure to comply with Section 6.13(a) or (b) and failure to restore the deficiency thereunder within 180 days shall cease to be an Event of Default if in any subsequent Fiscal Year the College shall be in compliance with such covenants; or

(d) If the College shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement, provided failure to comply with such requirement shall not become an Event of Default unless the College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or

(e) If the College shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under this 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 College by the Authority or the Trustee; or

(f) If there shall occur an event of default (as defined therein) under the Mortgage; or

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

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

(i) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the College or of the whole or any substantial part of 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 College. The provisions of paragraph (e) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the College 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 College shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The College agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the College 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 or the Indenture or to foreclose the Mortgage in accordance with the provisions thereof.

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

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 and the Bond Insurer.

THE INDENTURE

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

Granting Clauses

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

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

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

(c) Any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the College or by anyone in behalf of them or with their written consent, to the Trustee, including, but not limited to, the Mortgage.

Accounts

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

Trustee's Right to Payment

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

Additional Bonds

In addition to the Bonds, the Indenture permits the issuance of one or more series of Additional Bonds by the Authority, acting at the request of the College, equally and ratably secured on a parity with the Bonds to provide funds for the following purposes: (i) completion of the Project, (ii) refunding of all or any series or portion of series of then outstanding Bonds or Additional Bonds, (iii) improvements or alterations, repairs or replacement of the Project Facilities, or (iv) other project or projects as authorized by the Act.

The issuance of Additional Bonds requires, among other things, evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds. Furthermore, to the extent required by the Authority, the College shall make additional deposits to the Reserve Fund, grant additional collateral to be held by the Trustee under the Mortgage and Indenture and execute supplements to the Loan Agreement, the Indenture and Mortgage. Additional Bonds may not be issued unless in the opinion of bond counsel 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 by issuance of the Additional Bonds. Notwithstanding any other provisions in the Indenture, the Mortgage will not secure the Additional Bonds, and no principal of, premium or interest on Additional Bonds will be paid from the proceeds thereof unless the College executes and delivers a supplement to the Mortgage describing the Additional Bonds as indebtedness secured thereby.

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable 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 Bond proceeds.

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 by the Authority, provided that no effect shall be given to payments made under the Bond Insurance Policy; 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 by the Authority, provided that no effect shall be given to payments made under the Bond Insurance Policy; 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 College giving the College 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 College, as that term is defined in the Loan Agreement or the Mortgage, shall occur and be continuing.

Remedies

Upon the occurrence of an Event of Default, the Trustee may, and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding, or if the Bond Insurer, 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; provided, however, that any such acceleration of maturity of the Bonds or annulment thereof shall be subject to the prior written consent of the Bond Insurer.

In the case of the breach of any of the covenants or conditions of the Loan Agreement, the Mortgage, 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 and the Mortgage 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, subject to the prior written consent of the Bond Insurer, 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 foreclose the Mortgage, and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, 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, and the Bond Insurer acting alone, shall have the right to direct all remedies authorized under the Indenture (including the right to direct acceleration of the Bonds) upon the happening of an Event of Default (notwithstanding the contrary desires of some or all of the Bondholders).

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 of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of $50 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.

Concerning the Bondholders

No Bondholder shall have any right to institute any proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement or the Mortgage 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 nor unless the prior written consent of the Bond Insurer shall have been obtained; 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; and provided further that any such waiver shall be subject to the prior written consent of the Bond Insurer and that the Bond Insurer, acting alone, shall have the right to waive any such default (not withstanding the contrary desires of some or all of the Bondholders). 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 College 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 and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all Bonds outstanding, or

(c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the Institution for the Authority under its official seal 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 College all the Trust Estate shall revert to the Authority and the College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of 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; provided that amounts paid by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid and shall continue to be due and owing until paid by the Authority in accordance with the Indenture.

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

Supplemental Indentures

Subject to the prior written consent of the Bond Insurer, 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 shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same;

(e) To create a series of and authorize Additional Bonds; 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, subject to prior written consent of the Bond Insurer, the Holders of not less than 65% 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 such Bonds (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 (except as provided in Section 2.09 of 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 or Mortgage.

Amendments to the Loan Agreement and the Mortgage

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, but subject to the prior written consent of the Bond Insurer, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement or the Mortgage as may be required (a) by the provisions of the Loan Agreement, the Mortgage 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 the Mortgage or (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement or the Mortgage without the written approval or consent of the Bond Insurer and the Holders of not less than 65% 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 Bond Insurer and the Holders of all the Bonds then outstanding.

Registration

The Bonds shall be fully registered as to principal and interest at the 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. Bonds may be exchanged only 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.

Limitations on Bond Insurer's Right to Consent or Approve

Any provisions of the Indenture or the Loan Agreement requiring the necessity to obtain the approval or the consent of the Bond Insurer, and the provisions of the Indenture or the Loan Agreement providing that certain actions shall be taken at the direction of the Bond Insurer, shall be of no force or effect with respect to the Bond Insurer during any time in which: (a) the Bond Insurer is in default in its obligation to make payments under the Bond Insurance Policy; (b) the Bond Insurance Policy for any reason ceases to be valid and binding on the Bond Insurer or is declared to be null and void, or the validity or enforceability of any provision of the Bond Insurance Policy is denied by the Bond Insurer or any governmental agency or authority having jurisdiction over the Bond Insurer or the Bond Insurance Policy, or both, or the Bond Insurer is denying further liability or obligation under the Bond Insurance Policy; (c) a petition has been filed and is pending against the Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and has not been dismissed within thirty days after such filing; or (d) the Bond Insurer has filed a petition, which is pending, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law, of any jurisdiction, whether now or hereafter in effect, or has consented to the filing of any petition against it under such law.

THE MORTGAGE

At or prior to the closing, the College will execute and deliver to the Authority, and the Authority will assign to the Trustee, a Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), to be dated as of May 1, 1992, to secure the Bonds. The following is a summary of certain provisions of the Mortgage.

Under the Mortgage, in order to secure its obligations under the Loan Agreement, including payment of Loan Repayments in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Bonds, the College grants to the Authority a security interest in the equipment described therein and a first mortgage lien on its right, title and interest in and to the land described in Exhibit A to the Mortgage (the "Mortgaged Land"), and any buildings now standing or hereafter constructed or placed upon the Mortgaged Land, including the new student residence facility to be acquired, constructed and equipped as part of the Project (collectively, the "Mortgaged Property"). The Authority is also granted a security interest in all of the general intangibles, rents, issues, condemnation awards, insurance proceeds and similar revenues and income (the "Revenues and Income") arising from the ownership of the Mortgaged Property, net of any taxes, operating expenses, utility charges, special assessments, license fees, other governmental charges or any other costs of collection or recovery thereof, including attorney's fees.

The Loan Agreement provides that the College may remove Project Equipment and Building Equipment from the Mortgaged Property, and release such equipment from the lien of the Mortgage, where applicable, upon the following conditions:

(a) the College may substitute equipment and related property for any Project Equipment and Building Equipment, provided that such property so substituted shall not materially impair the character or revenue producing significance of the Project Facilities, and such substituted property shall be subject to the lien of the Mortgage in place of the replaced equipment if such replaced equipment was subject to the lien of the Mortgage prior to the substitution;

(b) the College may remove any Project Equipment without substitution therefor provided that the College pay into the Redemption Account a sum equal to the then value of such Project Equipment;

(c) the College shall have the privilege of removing any Building Equipment without substitution therefor, provided that such removal does not impair the character or revenue producing significance of the Project Facilities.

Events of Default

The following are Events of Default under the Mortgage:

(a) If an event of default (as defined therein) under the Loan Agreement has occurred and is continuing; or

(b) If an event of default (as defined therein) under the Indenture has occurred and is continuing; or

(c) If the College violates or fails to perform any covenant under the Mortgage for a reason other than force majeure (as defined in the Loan Agreement) for a period of thirty days after written notice from the Authority or the Trustee specifying the default and requesting that it be remedied or for such further period of time as the Trustee shall permit; or

(d) If any representation of the College in the Mortgage is incorrect in any material respect.

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AUDIT REPORT

Year Ended
May 31, 1991

ADRIAN HELGESON AND COMPANY

Certified Public Accountants
1100 TCF Tower
121 South Eighth Street
Minneapolis, MN 55402

Effective October 1, 1991, practicing as
Virchow, Krause, Helgeson & Company

INDEPENDENT AUDITOR'S REPORT

August 7, 1991

To The Board of Regents
Augsburg College
Minneapolis, Minnesota

We have audited the accompanying balance sheet of Augsburg College as of May 31, 1991 and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Augsburg College at May 31, 1991 and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, the College has adopted depreciation accounting for all long-lived assets in the fiscal year ended May 31, 1991.

Adrian Helgeson and Company

Certified Public Accountants

AUGSBURG COLLEGE

BALANCE SHEET

MAY 31, 1991

WITH COMPARATIVE FIGURES FOR 1990

ASSETS	1991	1990
Current Funds		
Unrestricted		
Cash	$ 134,020	$ 54,520
Stocks, Bonds and Mutual Funds (Market Value $120,738 and $678,070)	126,275	685,345
Student Accounts Receivable (Less Allowance for Doubtful Accounts of $250,000 and $200,000)	1,317,231	1,088,430
Other Receivables	228,091	623,060
Inventories, at Lower of Cost or Market	193,035	227,791
Cash Value of Life Insurance (Net of Related Loans of $53,025)	111,999	99,037
Land Held for Resale	167,702	167,702
Prepaid Expenses and Other Assets	37,048	67,250
Due from Plant Funds	1,740,198	1,161,019
Due from Other Funds	369,419	296,709
	4,425,018	4,470,863
Restricted		
Cash	350	350
Due from Unrestricted Current Fund	1,048,190	1,083,263
	1,048,540	1,083,613
Totals	$ 5,473,558	$ 5,554,476
Loan Funds		
College Loan Funds		
Student Notes Receivable (Less Allowance for Doubtful Accounts of $400 Both Years)	$ 1,842	$ 2,613
Deposit with United Student Aid Funds, Inc.	15,000	15,000
Due from Unrestricted Current Fund	21,421	21,296
	38,263	38,909
Perkins Loan Fund		
Cash	97,909	129,865
Student Notes Receivable (Less Allowance for College Portion of Doubtful Notes of $35,000 Both Years)	5,395,580	4,947,952
Service Cancellations Receivable	10,236	13,214
	5,503,725	5,091,031
Nursing Student Loan Fund		
Cash	31,861	8,052
Student Notes Receivable	69,188	47,537
Due from Unrestricted Current Fund		1,995
	101,049	57,584
Totals	$ 5,643,037	$ 5,187,524

LIABILITIES AND FUND BALANCES	1991	1990
Current Funds		
Unrestricted		
Notes Payable	$ 2,342	$ 5,548
Accounts Payable	1,125,873	753,241
Accrued Payroll, Related Taxes and Benefits	1,033,456	983,141
Accrued Vacation Benefits	328,757	274,034
Deposit Accounts	381,360	336,174
Accrued Past Service Benefits	61,079	61,079
Accrued Unemployment Compensation	35,005	44,474
Other Liabilities	11,258	80,451
Due to Restricted Current Funds	1,048,190	1,083,263
Due to Other Funds	198,133	649,893
Total Liabilities	4,225,453	4,271,298
Fund Balance	199,565	199,565
	4,425,018	4,470,863
Restricted		
Fund Balances	1,048,540	1,083,613
Totals	$ 5,473,558	$ 5,554,476
Loan Funds		
College Loan Funds		
Fund Balances		
Unrestricted	$ 19,718	$ 19,718
Restricted	18,545	19,191
	38,263	38,909
Perkins Loan Fund		
Accounts Payable		4,197
Due to Unrestricted Current Fund	369,986	107,553
Fund Balances		
U.S. Government Grants Refundable	4,641,765	4,502,529
College Fund Balance - Restricted	491,974	476,752
	5,503,725	5,091,031
Nursing Student Loan Fund		
Due to Unrestricted Current Funds	15,300	
Fund Balances		
U.S. Government Grants Refundable	77,174	51,562
College Fund Balance - Restricted	8,575	6,022
	101,049	57,584
Totals	$ 5,643,037	$ 5,187,524

AUGSBURG COLLEGE

BALANCE SHEET

MAY 31, 1991

WITH COMPARATIVE FIGURES FOR 1990

ASSETS - Continued	1991	1990
Endowment Funds		
Assets Held in Bank Agency Account		
Cash and Cash Equivalents	$ 618,413	$ 570,885
Stocks (Market Value $2,259,695 and $2,166,656)	1,856,598	1,897,255
Bonds (Market Value $1,762,925 and $1,267,847)	1,738,275	1,298,343
U.S. Government Securities (Market Value $1,097,679 and $1,068,611)	1,078,575	1,087,788
Bonds (Market Value $44,150 and $44,150)	44,150	44,150
Accrued Interest Receivable	68,233	33,037
Cash Value of Life Insurance (Net of Related Loans of $121,804)	340,748	277,363
Due from Unrestricted Current Fund	23,592	
Totals	$ 5,768,584	$ 5,208,821
Deferred Gift Funds		
Annuity Funds		
Cash and Cash Equivalents	$ 194,535	
Cash Value of Life Insurance	7,865	$ 6,850
Prepaid Expenses	200	244
Due from Unrestricted Current Fund		154,176
	202,600	161,270
Unitrust Agreements		
Cash and Cash Equivalents	328,047	
Assets Held in Bank Agency Account		
Cash and Cash Equivalents	2,501	13,829
Stocks (Market Value $93,700 and $79,395)	70,624	60,787
U.S. Government Securities (Market Value $50,831 and $34,738)	50,072	35,007
Bonds (Market Value $79,831 and $87,290)	70,730	80,839
Prepaid Expenses		697
Accrued Interest Receivable	6,610	5,365
Due from Unrestricted Current Fund		264,462
	528,584	460,986
Pooled Life Income Fund		
Cash and Cash Equivalents	10,131	9,455
Prepaid Expenses	423	
	10,554	9,455
Totals	$ 741,738	$ 631,711

LIABILITIES AND FUND BALANCES - Continued	1991	1990
Endowment Funds		
Accrued Life Insurance Premiums Payable	$ 525	
Accrued Interest Payable	6,994	$ 6,994
Due to Unrestricted Current Fund		187,417
Total Liabilities	7,519	194,411
Fund Balances		
Endowment	5,330,418	4,632,294
Term Endowment	17,963	13,920
Funds Functioning as Endowment - Unrestricted	412,684	368,196
Total Fund Balances	5,761,065	5,014,410
Totals	$ 5,768,584	$ 5,208,821
Deferred Gift Funds		
Annuity Funds		
Accounts Payable	$ 80	$ 466
Annuities Payable	71,550	47,649
Fund Balances	130,970	113,155
	202,600	161,270
Unitrust Agreements		
Annuities Payable	2,221	
Fund Balances	526,363	460,986
	528,584	460,986
Pooled Life Income Fund		
Due to Unrestricted Current Fund	5,554	1,739
Undistributed Income		716
Fund Balance	5,000	7,000
	10,554	9,455
Totals	$ 741,738	$ 631,711

AUGSBURG COLLEGE

BALANCE SHEET

MAY 31, 1991

WITH COMPARATIVE FIGURES FOR 1990

ASSETS - Continued	1991	1990
Plant Funds		
Unexpended Plant Funds		
Cash and Cash Equivalents	$ 154,062	$ 6,472
Cash Value of Life Insurance	10,531	8,021
Other Investments	100,001	100,001
Other Assets	39,477	
Accrued Interest Receivable	6,666	9,819
Construction in Progress	1,163,424	344,872
	1,474,161	469,185
Renewal and Replacement Funds		
Cash and Cash Equivalents	392,012	
Held by Trustee		
Accrued Interest Receivable	59	67
Investments (Market Value Approximates Cost)	239,322	196,741
Due from Unrestricted Current Fund	529,541	786,605
	1,160,934	983,413
Retirement of Indebtedness Funds		
Held by Trustee		
Cash	639	114
Accrued Interest Receivable	96	1,149
Investments (Market Value $395,144 and $433,696)	395,144	435,926
General Bond Reserve Deposits	272,527	194,863
Government Interest Subsidy Receivable		23,007
	668,406	655,059
Investment in Plant		
Land	2,499,147	2,243,177
Improvements Other than Buildings	1,285,204	1,251,047
Buildings	23,344,644	23,059,469
Equipment	5,638,241	5,358,909
	32,767,236	31,912,602
Less: Accumulated Depreciation	12,176,252	11,377,790
	20,590,984	20,534,812
Totals	$23,894,485	$22,642,469
Agency Funds		
Accounts Receivable	$ 14,269	$ 4,726
Due from Unrestricted Current Fund	174,541	207,964
Totals	$ 188,810	$ 212,690

LIABILITIES AND FUND BALANCES - Continued	1991	1990
Plant Funds		
Unexpended Plant Funds		
Note Payable to Minnesota Higher Education Facilities Authority - Series Two-Z Bonds of 1990	$ 846,929	
Due to Unrestricted Current Fund	728,542	$ 597,408
Fund Balances (Deficit)		
Unrestricted	1,518,567	1,416,435
Restricted	(1,619,877)	(1,544,658)
	1,474,161	469,185
Renewal and Replacement Funds		
Fund Balances		
Unrestricted	930,454	795,505
Restricted	230,480	187,908
	1,160,934	983,413
Retirement of Indebtedness Funds		
Accrued Interest Payable	86,471	66,080
Fund Balances - Restricted	581,935	588,979
	668,406	655,059
Investment in Plant		
Augsburg Loan Certificates Payable	15,871	16,385
Contracts and Mortgages Payable	412,381	401,828
Equipment Lease Obligations Payable		14,838
Dormitory and Student Union Bonds of 1966	1,790,000	1,840,000
Long-Term Leases Payable to Minnesota Higher Education Facilities Authority		
Series A Bonds of 1972	1,890,000	1,925,000
Series I Bonds of 1974	560,000	660,000
Note Payable to Minnesota Higher Education Facilities Authority-Series A Bonds of 1983	154,398	297,150
Note Payable to Bank	3,359,810	3,421,608
Note Payable - Other	40,834	50,834
Due to Unrestricted Current Fund	1,541,197	1,350,216
Total Liabilities	9,764,491	9,977,859
Net Investment in Plant	10,826,493	10,556,953
	20,590,984	20,534,812
Totals	$23,894,485	$22,642,469
Agency Funds		
Funds Held in Custody for Others	$ 188,810	$ 212,690
Totals	$ 188,810	$ 212,690

See accompanying Notes to Financial Statements.

AUGSBURG COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MAY 31, 1991

	Current Funds		Loan Funds	Endowment Funds	Deferred Gift Funds	Plant Funds			
	Unrestricted	Restricted				Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant
Revenues and Other Additions									
Unrestricted Current Fund Revenues	$25,267,864								
Governmental Grants and Contracts - Restricted		$2,124,472	$ 87,235					$ 46,014	
Private Gifts and Grants - Restricted		1,596,933		$ 465,638	$ 80,481	$323,285			
Endowment Income - Restricted		239,556							
Investment Income			6,181	17,573	5,018	26,142	$ 13,968	49,472	
Realized Gains (Losses) on Sale of Investments				172,988				(1,670)	
Reinstatement of MHEFA Series A and Series I Assessments								58,333	
Interest on Loans Receivable			105,322						
Service Cancellation Recoveries			9,284						
Late Fees Recovered			13,511						
Increase in Cash Value of Life Insurance				63,381	1,015	2,510			
Plant Facilities Expenditures ($884,618 Net of $337,852 Related Debt, Including $298,434 Charged to Current Funds Expenditures)									$ 546,766
Retirement of Indebtedness						53,070			551,706
Adjustment of Actuarial Liability for Annuities Payable					(3,322)				
Total Revenues and Other Additions	25,267,864	3,960,961	221,533	719,580	83,192	405,007	13,968	152,149	1,098,472
Expenditures and Other Deductions									
Educational and General Expenditures	20,385,943	3,855,200							
Auxiliary Enterprises Expenditures	3,293,392	20,960							
Indirect Cost Recoveries Earned		93,927							
Transfer to Agency Funds		20,417							
Administrative and Collection Costs			8,187						
Loan Cancellations, Assignments and Write-Offs			40,521						
Noncapitalized Expenditures						10,000	130,302		
Capitalized Expenditures							248,332		
Matured Deferred Gift					2,000				
Retirement of Indebtedness								604,776	
Interest on Indebtedness						17,050		657,315	
Campaign Expenses						263,791			
Disposal of Equipment									29,984
Proceeds from Loan Certificates									486
Depreciation									798,462
Total Expenditures and Other Deductions	23,679,335	3,990,504	48,708		2,000	290,841	378,634	1,262,091	828,932

AUGSBURG COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MAY 31, 1991

	Current Funds		Loan Funds	Endowment Funds	Deferred Gift Funds	Plant Funds			
	Unrestricted	Restricted				Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant
Transfers Among Funds - Additions (Deductions)									
Mandatory									
Loan Funds Matching Grant	($ 9,152)		$ 9,152						
Principal and Interest	(818,331)					($205,549)		$1,023,880	
Renewals and Replacements	(29,000)						$ 29,000		
Nonmandatory									
Transfer from Unrestricted Current Fund to									
Restricted Current Funds	(12,766)	$ 12,766							
Endowment Funds	(27,075)			$ 27,075					
Unexpended Plant Funds	(100,000)					100,000			
Renewal and Replacement Funds	(513,583)						513,583		
Retirement of Indebtedness Funds	(78,622)							78,622	
Transfer from Restricted Current Funds to									
Unexpended Plant Funds		(18,296)				18,296			
Transfer from Renewal and Replacement Funds to									
Retirement of Indebtedness Funds							(396)	396	
Total Transfers	(1,588,529)	(5,530)	9,152	27,075		(87,253)	542,187	1,102,898	
Net Increase (Decrease) for the Year		(35,073)	181,977	746,655	$ 81,192	26,913	177,521	(7,044)	$ 269,540
Fund Balance (Deficit) May 31, 1990, as Previously Reported	199,565	1,083,613	5,075,774	5,014,410	581,141	(128,223)	983,413	588,979	21,934,743
Adjustment for the Cumulative Effect on Prior Years of Adopting Depreciation Accounting									11,377,790
Fund Balance (Deficit) May 31, 1990, as Adjusted	199,565	1,083,613	5,075,774	5,014,410	581,141	(128,223)	983,413	588,979	10,556,953
Fund Balance (Deficit) May 31, 1991	$ 199,565	$1,048,540	$5,257,751	$5,761,065	$662,333	($101,310)	$1,160,934	$ 581,935	$10,826,493

See accompanying Notes to Financial Statements.

AUGSBURG COLLEGE

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

FOR THE YEAR ENDED MAY 31, 1991

WITH COMPARATIVE FIGURES FOR 1990

	1991				1990			
	Unrestricted	Restricted	Total	Percentage	Unrestricted	Restricted	Total	Percentage
Revenues								
Tuition and Fees	$17,995,109		$17,995,109	72.3%	$16,078,667		$16,078,667	72.7%
Governmental Grants	120,487	$1,958,845	2,079,332	8.4	81,918	$1,784,217	1,866,135	8.4
Private Gifts and Grants	674,424	1,769,773	2,444,197	9.8	662,934	1,293,823	1,956,757	8.8
Endowment Income	35,190	147,542	182,732	.7	35,398	96,540	131,938	.6
Sales and Services of Educational Activities	30,284		30,284	.1	79,174		79,174	.4
Other Sources	2,168,369		2,168,369	8.7	2,014,242		2,014,242	9.1
Matured Deferred Gift	2,000		2,000					
Total Revenues Before Auxiliary Enterprises	21,025,863	3,876,160	24,902,023	100.0%	18,952,333	3,174,580	22,126,913	100.0%
Sales and Services of Auxiliary Enterprises	4,242,001		4,242,001		4,093,333		4,093,333	
Total Revenues	25,267,864	3,876,160	29,144,024		23,045,666	3,174,580	26,220,246	
Expenditures and Mandatory Transfers								
Educational and General								
Instruction	7,735,174	530,850	8,266,024	33.3%	7,162,351	265,729	7,428,080	33.8%
Public Service	1,552,765	379,982	1,932,747	7.8	1,288,433	273,107	1,561,540	7.1
Academic Support	1,097,106	355,530	1,452,636	5.9	897,700	318,369	1,216,069	5.6
Student Services	1,982,746	328,240	2,310,986	9.3	1,869,905	173,931	2,043,836	9.3
Institutional Support	3,184,358	102,302	3,286,660	13.2	2,973,898	218,854	3,192,752	14.6
Operation and Maintenance of Plant	2,126,123	40,007	2,166,130	8.7	1,915,708	42,298	1,958,006	8.9
Scholarships and Grants	2,707,671	2,118,289	4,825,960	19.4	2,090,855	1,862,095	3,952,950	18.0
Educational and General Expenditures	20,385,943	3,855,200	24,241,143	97.6	18,198,850	3,154,383	21,353,233	97.3
Mandatory Transfers for Loan Fund Matching Grant	9,152		9,152		9,837		9,837	
Mandatory Transfers for Principal and Interest	592,162		592,162	2.4	580,645		580,645	2.7
Total Educational and General	20,987,257	3,855,200	24,842,457	100.0%	18,789,332	3,154,383	21,943,715	100.0%
Auxiliary Enterprises								
Expenditures	3,293,392	20,960	3,314,352		3,266,174	20,197	3,286,371	
Mandatory Transfers for Principal and Interest	226,169		226,169		335,078		335,078	
Mandatory Transfers for Renewals and Replacements	29,000		29,000		39,000		39,000	
Total Auxiliary Enterprises	3,548,561	20,960	3,569,521		3,640,252	20,197	3,660,449	
Total Expenditures and Mandatory Transfers	24,535,818	3,876,160	28,411,978		22,429,584	3,174,580	25,604,164	
Excess of Revenues Over Expenditures and Mandatory Transfers	732,046		732,046		616,082		616,082	
Other Transfers and Additions (Deductions)								
Transfer Between Unrestricted Current Fund and Restricted Current Funds	(12,766)	12,766			(28,519)	28,519		
Transfers from (to) Endowment Funds	(27,075)		(27,075)			6,500	6,500	
Transfer to Unexpended Plant Funds	(100,000)	(18,296)	(118,296)		(250,000)	(43,991)	(293,991)	
Transfer to Renewal and Replacement Funds	(513,583)		(513,583)		(209,304)		(209,304)	
Transfer to Retirement of Indebtedness Funds	(78,622)		(78,622)		(128,259)		(128,259)	
Transfer to Agency Funds		(20,417)	(20,417)					
Excess (Deficiency) of Restricted Receipts Over Transfers to Revenue		(9,126)	(9,126)			450,129	450,129	
Total Other Transfers and Additions (Deductions)	(732,046)	35,073	(767,119)		(616,082)	441,157	(174,925)	
Increase (Decrease) in Fund Balances	$ -	($ 35,073)	($ 35,073)		$ -	$ 441,157	$ 441,157	

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1991

Note 1. Significant Accounting Policies

Augsburg College is a four-year liberal arts college of the Evangelical Lutheran Church in America. The accounting policies of the College reflect practices common to colleges and universities and conform to generally accepted accounting principles. The more significant accounting policies are summarized below:

Accounting Basis - The financial statements of Augsburg College have been prepared on the accrual basis. The statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases.

Fund Accounting - The accounts of the College are segregated into six groups or funds - current, loan, endowment, deferred gift, plant and agency. Each group is treated as a separate entity, having its own assets, liabilities and fund balance to be used for the purpose for which it is designated.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Governing Board. Externally restricted funds may only be utilized in accordance with the purposes established by the donor or grantor of such funds and are in contrast with unrestricted funds over which the Governing Board retains full control to use for any institutional purpose.

Revenues - All gains and losses arising from the sale, collection or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets, except for income from investments of endowment funds, which is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in the unrestricted current fund. Income from pooled endowment funds investments (all investments except those which are specifically assigned to certain endowment funds) is distributed to each participating fund on the basis of average balances.

Gains and losses on the sale of investments are credited or debited to a net adjusted gains or losses on investments account, which is part of the principal of the fund.

All other unrestricted revenue (including gifts, grants and bequests) is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Investments - Investments are recorded at cost, except those items received as gifts, which are valued at fair market value on the date acquired.

Note 1. Significant Accounting Policies - (Continued)

Inventories - Bookstore inventories are recorded at a percentage of retail value, which approximates cost and is not in excess of market. Inventories of supplies are valued at the lower of cost or market, determined on a first-in, first-out basis.

Physical Plant and Equipment - Physical plant assets are stated at cost at the date of acquisition less accumulated depreciation. The college depreciates its assets on the straight-line basis over estimated useful life as follows: buildings - 50 years and equipment - 5 years. Normal repair and maintenance expenses and equipment replacement costs are charged to current funds operations as incurred.

Retirement Plans - The College has two contributory defined contribution retirement plans for academic and nonacademic personnel. Contributions are based on a percentage of compensation. The cost of the retirement plans is paid currently and amounted to $556,185 for the fiscal year.

Unemployment Compensation - The College has elected to pay unemployment compensation claims as they arise. A reserve of $35,005 has been established for this purpose. The actual expense for 1991 was $9,469.

Note 2. Change in Accounting Principle

During the fiscal year ended in 1991, the College adopted the Statement of Financial Accounting Standards No. 93, "Recognition of Depreciation by Not-for-Profit Organizations." The financial statements of the prior year have been restated to apply the new method of accounting retroactively.

Note 3. Augsburg Loan Certificates Payable

At May 31, 1991 the College was indebted to various individuals on loan certificates payable totaling $15,871. The majority of the certificates are due on demand and bear interest at 6% per annum.

Note 4. Contracts and Mortgages Payable

Contracts and mortgages payable totaled $412,381 and mature on various dates from 1992 to 2010. These balances related to the acquisition of residential real estate properties which have been pledged on the loans. Interest rates range from 8.0% to 13.0%.

Note 5. Dormitory and Student Union Bonds of 1966

Under a trust indenture dated April 1, 1966 the College sold to the U.S. Government its Dormitory and Student Union Bonds of 1966 totaling $2,610,000 to finance Urness Tower Dormitory and the College Center. The bonds bear interest at the rate of 3% and mature in amounts from $50,000 to $100,000 annually on April 1, 1992 to 2016. The balance owing at May 31, 1991 was $1,790,000.

Note 5. Dormitory and Student Union Bonds of 1966 (Continued)

The bonds are secured by the general obligation of the College and additionally by (1) a first mortgage on Urness Tower and the College Center; (2) a first lien on and pledge of the net revenues derived from the operations or ownership of the mortgaged facilities; and (3) the student union fees of not less than $30 per year to be charged and collected from each full-time student.

The College must deposit sufficient funds each September 15 and March 15 into a bond and interest sinking fund in order to meet the interest on the outstanding bonds due on the next interest date and one-half of the principal due within the succeeding twelve months and maintain a debt service reserve of $103,000. The agreement also provides for transfers of $29,000 annually to a repair and replacement reserve account until the account reaches $180,000.

Note 6. Long-Term Lease Payable - Mortensen Tower

The College entered into a lease agreement with the Minnesota Higher Education Facilities Authority dated December 1972 whereby the Authority acquired a site for and constructed at the College a building to provide an apartment-type student housing facility and appurtenant furnishings and equipment and related site improvements. Under a trust indenture dated December 1, 1972 the Authority sold its First Mortgage Revenue Bonds totaling $2,200,000 in order to finance the project. The bonds bear interest at rates varying from 5.3% to 5.6% and mature in amounts from $35,000 to $165,000 annually on December 1, 1991 to 2012. Bonds outstanding at May 31, 1991 totaled $1,890,000.

The College must pay base rent for the use of the facilities, a sum equal to (1) the amount payable as principal and interest on the bonds; (2) a payment to restore the bond and interest sinking fund to an amount equal to the next semiannual principal and interest payment reduced by the balance in the debt service reserve fund; (3) such amount as may be necessary to restore the debt service reserve to $126,974; and (4) $10,000 annually to a repair and replacement reserve fund until the fund equals $50,000, and thereafter to maintain the fund at $50,000. The gross revenues of the Tower Apartments and 4% of all general tuition fees have been pledged to guarantee the timely payment of base rent.

The lease is a net lease. Additional rent is payable at the rate of $2,750 per year, plus trustee's fees, real estate taxes, assessments and insurance. Since the lease is in substance a finance arrangement, it is treated as debt for financial statement purposes.

Note 7. Long-Term Lease Payable - Ice Arena

The College entered into a lease agreement with the Minnesota Higher Education Facilities Authority dated March 1, 1974 whereby the Authority acquired a site for and constructed at the College an ice center building with two rinks and seating, dressing rooms, offices, service shop and concession areas. Under a trust indenture dated March 1, 1974 the Authority sold its First Mortgage Revenue Bonds totaling $1,600,000 in order to finance the project. The bonds bear interest at rates varying from 6.0% to 6.2% and mature in amounts from $110,000 to $200,000 annually on May 1, 1992 to 1995. Bonds outstanding at May 31, 1991 totaled $560,000.

The College must pay base rent for the use of the facilities, a sum equal to (1) the amount payable as principal and interest on the bonds; (2) a payment to restore the bond and interest sinking fund to an amount equal to the next semiannual principal and interest payment reduced by the balance in the debt service reserve fund; and

Note 7. Long-Term Lease Payable - Ice Arena (Continued)

(3) such amount as may be necessary to restore the debt service reserve to $120,000. The gross revenues of the Ice Arena have been pledged to guarantee the timely payment of base rent.

The lease is a net lease. Additional rent is payable at the rate of $2,000 per year, plus trustee's fees, taxes, assessments and insurance. Since the lease is in substance a finance arrangement, it is treated as debt for financial statement purposes.

Note 8. Note Payable - Minnesota Higher Education Facilities Authority

The College entered into a loan agreement with the Minnesota Higher Education Facilities Authority dated September 1, 1983 for a loan in the amount of $773,563. The Authority sold its Pooled Revenue Bonds, Series 1983-A in order to finance the loan to the College. Proceeds of the loan were used for the renovation of Science Hall.

The bonds have an interest rate of 8.50% and mature in the amount of $154,398 on September 1, 1991. The indebtedness at May 31, 1991 was $154,398 and is secured by a letter of credit issued by the First National Bank of Minneapolis.

Note 9. Notes Payable

The College entered into a loan agreement with First Bank National Association dated June 25, 1987 for a loan totaling $7,000,000. Proceeds of the loan were used to construct a new communication, theater and worship center. The note is secured by a first mortgage on the new building and an assignment of pledges made to the Twenty-First Century Fund Drive.

The loan is payable in monthly installments of $35,368 including interest at 10.68% based on a twenty-year amortization schedule with the unpaid balance due on June 30, 1994. The amount outstanding as of May 31, 1991 was $3,359,810.

The College was indebted on an interest-free loan from Marriot Corporation payable over five years. The balance at May 31, 1991 was $40,834.

Note 10. Note Payable - Minnesota Higher Education Facilities Authority

On June 27, 1990 the College entered into a loan and note purchase agreement with the Minnesota Higher Education Facilities Authority. The agreement called for the issuance of $900,000 Minnesota Higher Education Facilities Authority Revenue Notes, Series Two-Z. The funds from the Series Two-Z issue were loaned to the College for the acquisition of a telephone system and administrative computer system consisting of hardware and software.

The Series Two-Z notes were issued with two maturity dates and interest rates. The five-year note in the amount of $442,490 with a basic interest rate of 7.44% matures in 1995 with semiannual principal and interest payments of $53,797. The ten- year note in the amount of $457,510 with a basic interest rate of 7.54% matures in 2000 with semiannual principal and interest payments of $32,982. The indebtedness at May 31, 1991 on these notes are $405,153 and $441,776. The notes are a general obligation of the College, additionally secured by a purchase money security interest in the equipment acquired in connection with the project.

Note 11. Future Maturities of Long-Term Debt

Annual maturities of all long-term debt, including lease obligations, for each of the five years subsequent to May 31, 1991 are $663,372, $644,790, $567,358, $3,740,141 and $352,417, respectively.

Note 12. Interfund Borrowing

At May 31, 1991 long-term interfund borrowings consisted of the following item:

Balance due from the Investment in Plant Fund to the Unrestricted Current Fund consisting of expenditures for plant additions in excess of available funds which is being amortized over 15 years.	$1,541,197

All other interfund borrowings of the College are currently payable without interest except that the amount payable by the Unrestricted Current Fund to the Endowment Fund has an 8% interest rate.

Note 13. Construction in Progress

Construction in progress of $1,163,424 consisted of costs to date for installation of a new telephone system, administrative computer hardware and software systems, and a chiller and energy saving equipment in classroom buildings. The total costs of these projects upon completion is expected to approximate $1,185,000.

Note 14. Commitments

The College has a steam purchase agreement with the University of Minnesota under which the University will furnish all of the College's steam requirements until 1995. Certain minimum payments are required irrespective of the College taking delivery of steam. Estimated future minimum payments remaining at May 31, 1991 amounted to approximately $168,541.

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SPECIMEN BOND INSURANCE POLICY

ConnieLee

Connie Lee Insurance Company
2445 M Street, N.W.
Washington, D.C. 20037
(202) 835-0090
(800) 877-5333

BOND INSURANCE POLICY

Policy Number: **Premium:**

Issuer:

Bonds:

Connie Lee Insurance Company ("Connie Lee"), a Wisconsin stock insurance company, in consideration of the payment of the premium and subject to the terms and conditions contained in this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as designated in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of any Owner or, at the election of Connie Lee, directly to such Owner, that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Connie Lee will make such payments to or for the benefit of each Owner on the later of the day on which such principal or interest becomes Due for Payment or the Business Day next following the Business Day on which Connie Lee shall have received Notice of Nonpayment. Connie Lee will disburse to or for the benefit of the Owner the face amount of principal of and interest on the Bond which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by Connie Lee, in form reasonably satisfactory to it, of (i) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Owner's rights to payment of such principal or interest then Due for Payment shall thereupon vest in Connie Lee. Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (Washington, D.C. time) on such Business Day; otherwise, it will be deemed received on the next Business Day. Upon disbursement in respect of a Bond, Connie Lee shall become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal of or interest on such Bond and shall be fully subrogated to all of the Owner's rights thereunder, including the Owner's right to payment thereof, to the extent of any payment by Connie Lee hereunder. Payment by Connie Lee to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Connie Lee under this Policy.

This Policy is non-cancellable for any reason and the premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity.

The following terms shall have the meanings specified for all purposes of this Policy. The term "Owner" means, as to a particular Bond, the person other than the Issuer or any party whose direct or indirect obligation constitutes the underlying security for the Bonds who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means (a) when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Connie Lee shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" with respect to a Bond means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Bond. "Nonpayment" shall also include any payment of principal or interest made to an Owner by or on behalf of the Issuer of such Bond which has been recovered from such Owner pursuant to any applicable bankruptcy law by a trustee in bankruptcy in accordance with a final, non-appealable order of a court having competent jurisdiction. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Connie Lee, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions in the District of Columbia or the Insurer's Fiscal Agent are authorized or required by law to remain closed.

Connie Lee may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent (a) copies of all notices required to be delivered to Connie Lee pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Connie Lee and shall not be deemed received until received by both and (b) all payments required to be made by Connie Lee under this Policy may be made directly by Connie Lee or by the Insurer's Fiscal Agent on behalf of Connie Lee. The Insurer's Fiscal Agent is the agent of Connie Lee only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Connie Lee to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

In Witness Whereof, Connie Lee has caused this Policy to be affixed with its corporate seal and to be executed on its behalf by its duly authorized representative.

CONNIE LEE INSURANCE COMPANY

[SEAL]

Date:

____
Authorized Representative

Form CL-01
(Rev. 12/90)