OFFICIAL STATEMENT DATED MAY 28, 1996

NEW ISSUES
(Book Entry Only)

Rating: Moody's: Baa

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.")

Minnesota Higher Education Facilities Authority
(Augsburg College)

$7,700,000
Mortgage Revenue Bonds, Series Four-F1
(the "Series Four-F1 Bonds")

$4,140,000
Mortgage Revenue Bonds, Series Four-F2
(the "Series Four-F2 Bonds")

(collectively referred to as the "Bonds" or the "Issues")

Dated Date: May 1, 1996

Interest Due: Each May 1 and November 1, commencing November 1, 1996

Series Four-F1 Bonds

Maturity (May 1)	Amount	Interest Rate	Yield or Price	Maturity (May 1)	Amount	Interest Rate	Yield or Price
1997	$40,000	4.00%	4.00%	2003	$40,000	5.20%	5.40%
1998	$40,000	4.50%	4.50%	2004	$40,000	5.30%	5.50%
1999	$40,000	4.50%	4.75%	2005	$35,000	5.40%	5.60%
2000	$30,000	4.60%	4.90%	2006	$40,000	5.50%	5.70%
2001	$35,000	5.00%	5.00%	2007	$40,000	5.60%	5.80%
2002	$40,000	5.00%	5.20%				

$215,000 6.00% Term Bonds Due May 1, 2012 Price 100%
$7,065,000 6.25% Term Bonds Due May 1, 2023 Price 98.75%

Series Four-F2 Bonds

$4,140,000 5.75% Term Bonds Due May 1, 2016 Price 100%

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), the Bonds are subject to optional redemption prior to maturity, as 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 and in the event of a Determination of Taxability, as described herein. Series Four-F1 Bonds maturing May 1, 2012 and May 1, 2023 and Series Four-F2 Bonds maturing May 1, 2016 are subject to mandatory redemption in installments as described herein. Series Four-F2 Bonds are also subject to special mandatory redemption from Contributions and Pledge Receipts as described herein.

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

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 as described herein. The Loan Repayments are general obligations of the College.

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 LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Moore, Costello & Hart, P.L.L.P., St. Paul and Minneapolis, Minnesota; and for the Underwriter by Holmes & Galey, Ltd., Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter at DTC on or about May 30, 1996.

The Underwriter intends to engage in secondary market trading in the Bonds, subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase the Bonds at the request of any holder thereof. For information with respect to the Underwriter, see "UNDERWRITING" herein.

DOUGHERTY DAWKINS, 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 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 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

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OFFICIAL STATEMENT

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
(AUGSBURG COLLEGE)

$7,700,000
MORTGAGE REVENUE BONDS, SERIES FOUR-F1

$4,140,000
MORTGAGE REVENUE BONDS, SERIES FOUR-F2

(DTC Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Augsburg College, an institution of higher education located in Minneapolis, Minnesota, (the "College"), in connection with the issuance of the Authority's $7,700,000 Mortgage Revenue Bonds, Series Four-F1 (the "Series Four-F1 Bonds") and $4,140,000 Mortgage Revenue Bonds, Series Four-F2 (the "Series Four-F2 Bonds"). The Series Four-F1 Bonds and the Series Four-F2 Bonds are collectively referred to as the "Bonds" or the "Issues."

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 being issued pursuant to the Trust Indenture (the "Indenture") between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, as trustee (the "Trustee").

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. A portion of the proceeds of the Series Four-F1 Bonds will be loaned to the College to be used, together with available College funds, to refund the outstanding principal of the following Authority issues, issued on behalf of the College: (i) Revenue Notes, Series Two-Z, dated August 1, 1990 (the "Series Two-Z Notes"), and (ii) Lease and Purchase Agreement, Series Three-P, dated April 23, 1993 (the "Series Three-P Lease"), together referred to as the "Prior Obligations." The balance of the proceeds of the Series Four-F1 Bonds and the Series Four-F2 Bonds will be loaned to the College to finance the acquisition, construction, furnishing and equipping of a Library and Information Technology Center to be owned and operated by the College and located on the campus of the College and to purchase and install energy management equipment in College-owned buildings (the "Project"), to fund a debt service reserve and to pay certain issuance costs.

The Bonds are secured by a pledge of the Loan Repayments which are general obligations of the College and a mortgage on and a security interest in the land, building, equipment and certain personal property associated with the Library and Information Technology Center (the "Mortgaged Property"). The Bonds are also payable from moneys received by the College after June 1, 1996 as contributions and payments on pledges restricted or designated by the donor to finance the Library and Information Technology Center or allocated by the Board of Regents of the College to the Library and Information Technology Center (the "Contributions and Pledge Receipts") which the College has agreed to deposit into an account held by the Trustee (the "Gift Receipts Account"); provided that Contributions and Pledge Receipts may not be used for the payment of principal of and interest on Series Four-F1 Bonds until the retirement of all Series Four-F2 Bonds unless an Event of Default has occurred and is continuing. Moreover, the College will not be obligated to deposit Contributions and Pledge Receipts for the payment of Series Four-F1 Bonds in the Gift Receipts Account to the extent it would violate donor restrictions on the Contributions and Pledge Receipts. Since a portion of the proceeds of the Series Four-F1 Bonds are being used to finance the refunding of the Prior Obligations and the energy management equipment, donor restrictions on the Contributions and Pledge Receipts would be violated by application of such funds to the portion of the Series Four-F1 Bonds not used to finance the Library and Information Technology Center. See "SUMMARY OF SECURITY FOR THE BONDS — Application of Contributions and Pledge Receipts." The Trustee shall have a security interest in the Gift Receipts Account as well as funds, securities and deposits in other accounts held by the Trustee (other than the Refinancing Account to be applied to prepayment of the Prior Obligations).

The Reserve Account will be funded in the sum of the Reserve Amount for the Series Four-F1 Bonds and the Reserve Amount for the Series Four-F2 Bonds. At closing, the Reserve Amount for the Series Four-F1 Bonds is $770,000 and the Reserve Amount for the Series Four-F2 Bonds is $238,050 (together, the "Reserve Requirement"). See the definition of "Reserve Requirement" in Appendix IV hereto. The Series Four-F1 Bond Reserve Subaccount will be funded at closing from Series Four-F1 Bond proceeds in the full amount of the Reserve Amount for such Series. The Series Four-F2 Reserve Subaccount will be funded from Series Four-F2 Bond proceeds at closing in the amount of $119,025 (representing one-half of the related Reserve Amount) and the balance is to be funded from anticipated interest earnings on funds held in the Series Four-F2 Reserve Subaccount and Contributions and Pledge Receipts.

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 descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices IV and V for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

RISK FACTORS

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

Risk of Insufficient Collateral

The Bonds are secured by (a) a pledge of amounts payable under the Loan Agreement, (b) amounts in the respective subaccounts of the Reserve Account which will be held by the Trustee and, unless an Event of Default has occurred and is continuing, applied to the payment of principal and interest on the applicable series of Bonds, and (c) a mortgage on and security interest in the Mortgaged Property. The Bonds are additionally secured by a security interest in Contributions and Pledge Receipts on deposit in the Gift Receipts Account; provided that, unless an Event of Default has occurred and is continuing, Contributions and Pledge Receipts may not be used for the payment of principal of and interest on Series Four-F1 Bonds until the retirement of Series Four-F2 Bonds. The College has underway a capital campaign to raise funds for the Library and Information Technology Center (see Appendix I — "Capital Campaign"). However, Bondholders will have no security interest in any moneys collected pursuant to the capital campaign except Contributions and Pledge Receipts after deposit in the Gift Receipts Account. Furthermore, after the payment in full or defeasance of the Series Four-F2 Bonds, the College is not required to deposit Contributions and Pledge Receipts into the Gift Receipts Account if the College provides the Trustee with an opinion of counsel to the effect that donor restrictions may be violated by doing so. See "SUMMARY OF SECURITY FOR THE BONDS — Application of Contributions and Pledge Receipts." If an Event of Default occurs, there can be no assurance that such collateral will be sufficient to pay the principal of, premium, if any, and interest on the Bonds. The Bonds are not secured by a mortgage on or security interest in any property financed with the Prior Obligations, the energy management equipment financed with Bond proceeds, or the facilities in which energy management equipment is being installed.

Adequacy of Revenues, Contributions and Pledge Receipts

Payment of principal of and interest on the Bonds is intended to be made from Loan Repayments of the College. The College's ability to make Loan Repayments will be dependent on its ability to generate sufficient unrestricted revenues in excess of expenditures and receive Contributions and Pledge Receipts. The receipt of such revenues, Contributions and Pledge Receipts and the College's expenditures are subject to many conditions and factors, some of which are beyond the control of the College and will change in the future to an extent that cannot be presently determined. Also see "SUMMARY OF SECURITY FOR THE BONDS — Prior Revenue Liens" and Appendix I, "Existing Indebtedness." No assurance can be given that Contributions and Pledge Receipts will be sufficient to pay all debt service on the Series Four-F2 Bonds and to complete the Project. To the extent Contributions and Pledge Receipts are not sufficient to pay debt service on the Series Four-F2 Bonds, the College will be required to pay the Series Four-F2 Bonds from general revenues.

Reliance on Tuition and Fees

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

Financial Aid

Approximately 84% of the College's students currently receive some form of financial aid covering tuition and fees or living expenses from the College and other sources. No assurance can be given that federal and State financial aid will continue to be funded at current levels or that the College will continue to fund student aid 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 and computed pro forma debt service coverage excluding the Series Four-F2 Bonds is provided in APPENDIX I under the caption "Annual Debt Service by Fiscal Year and Pro Forma Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and debt service requirements for the Bonds and other indebtedness of the College. The table does not purport to show the coverage of the annual debt service on the Series Four-F2 Bonds, which is expected to be paid from Contributions and Pledge Receipts.

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 Loan Repayments, the Reserve Account, the Mortgaged Property and other funds held by the Trustee under the Indenture.

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 Library and Information Technology Center is designed for educational 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 a 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.

CONTINUING DISCLOSURE

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

THE BONDS

General

The Bonds will be dated May 1, 1996. The Series Four-F1 Bonds will mature annually each May 1, commencing May 1, 1997, as set forth on the cover page of this Official Statement, and the Series Four-F2 Bonds will mature May 1, 2016. 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 May 1 and November 1, commencing November 1, 1996.

Book Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Security certificate will be issued for each maturity of the Bonds of each series, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc.; the American Stock Exchange, Inc.; and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Authority believes to be reliable, but neither the College nor the Authority takes any responsibility for the accuracy thereof.

Prior Redemption

Mandatory Redemption — Series Four-F1 Bonds

Series Four-F1 Bonds maturing on May 1, 2012 and 2023 shall be called for redemption on May 1 in the years 2008 through 2011 and 2013 through 2022, respectively, at the principal amount thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Series Four-F1 Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

Term Bonds Due May 1, 2012		Term Bonds Due May 1, 2023			
Year	Amount	Year	Amount	Year	Amount
2008	$40,000	2013	$ 45,000	2019	$ 885,000
2009	$40,000	2014	$105,000	2020	$ 940,000
2010	$45,000	2015	$335,000	2021	$1,000,000
2011	$45,000	2016	$360,000	2022	$1,060,000
2012*	$45,000	2017	$380,000	2023*	$1,125,000
		2018	$830,000		

* *Maturity.*

The Series Four-F1 Bonds maturing in 2012 and 2023, 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 Series Four-F1 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 canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption obligations.

Mandatory Redemption — Series Four-F2 Bonds

Series Four-F2 Bonds shall be called for redemption on May 1 in the years 2006 through 2015 at the principal amount thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Series Four-F2 Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, in the respective amounts set forth on the following page.

Term Bonds Due May 1, 2016			
Year	Amount	Year	Amount
2006	$280,000	2012	$390,000
2007	295,000	2013	415,000
2008	315,000	2014	440,000
2009	330,000	2015	465,000
2010	350,000	2016*	490,000
2011	370,000		

* *Maturity.*

The Series Four-F2 Bonds, 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 Series Four-F2 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 canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption obligations.

Special Mandatory Redemption — Series Four-F2 Bonds

The Series Four-F2 Bonds are subject to special mandatory redemption on May 1, 1997, and on any interest payment date thereafter, in whole or in part, and if in part, selected by random means, in minimum aggregate amounts of $100,000 and any larger aggregate amount in integral multiples of $5,000, at par plus accrued interest from amounts on deposit in the Gift Receipts Account and not required to be transferred to the Series Four-F2 Bond Subaccount, the Series Four-F2 Sinking Fund Subaccount, the Construction Account or the Series Four-F2 Reserve Subaccount. Redemption under this clause shall be credited to future sinking fund redemption obligations relating to the Series Four-F2 Term Bonds in chronological order against redemption by application of moneys in the Series Four-F2 Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account as provided in the Indenture. The Series Four-F1 Bonds are not subject to Special Mandatory Redemption.

Optional Redemption — Series Four-F1 Bonds

At the request of the College, the Authority may elect on May 1, 2006, and on any day thereafter, to prepay Series Four-F1 Bonds due on or after May 1, 2007. Redemption may be in whole on any date or in part on any interest payment date thereafter and if in part in such order of maturity as directed by the College and selected by random means within a maturity. All prepayments shall be at the redemption prices (expressed as percentages of the principal amount thereof to be redeemed) plus accrued interest to the redemption dates, as follows:

	Redemption Price
May 1, 2006 through April 30, 2007	102%
May 1, 2007 through April 30, 2008	101%
May 1, 2008 and thereafter	100%

Optional Redemption — Series Four-F2 Bonds

At the request of the College, the Authority may elect on May 1, 2006 to prepay Series Four-F2 Bonds in whole on any date thereafter or in part on any interest payment date thereafter and if in part as directed by the College and selected by random means. All prepayments shall be at the redemption prices (expressed as percentages of the principal amount thereof to be redeemed) plus accrued interest to the redemption dates, as follows:

	Redemption Price
May 1, 2006 through April 30, 2007	102%
May 1, 2007 through April 30, 2008	101%
May 1, 2008 and thereafter	100%

Extraordinary Optional Redemption

The Bonds will also be subject to optional redemption at par and accrued interest in integral multiples of $5,000, as a whole on any day or in part on any interest payment date, in certain cases of damage to or destruction or condemnation of the Project Facilities, and on any date upon a Determination of Taxability as provided in the Loan Agreement (see "Determination of Taxability" and "SUMMARY OF DOCUMENTS — The Loan Agreement").

Partial Redemption

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

In the case of Bonds of denominations greater than $5,000, if less than 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 Mortgage or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than 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.

Determination of Taxability

If a Determination of Taxability is made that the interest payable on either or both series of Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the affected Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date Of Taxability effective until the respective dates on which the principal of the affected Bonds is paid. If a Determination of Taxability should occur, any monetary damages resulting from the economic loss incident thereto shall be limited to the stepped-up interest rate on the affected Bonds. See "Tax Exemption" and Appendix IV, "DEFINITION OF CERTAIN TERMS."

The College will have the option to prepay, to the extent that interest on either or both series of Bonds becomes subject to federal income taxes, the Loan represented by the affected Series of Bonds, in full or in part on the next date for which due notice can be given or any date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability). If both series of Bonds are affected by a Determination of Taxability, the College will have the option to prepay, pro rata, the Loan, in full or in part.

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.

USE OF PROCEEDS

Refunding of the Prior Obligations

A portion of the net proceeds of the Series Four-F1 Bonds will refund the following Authority obligations issued on behalf of the College:

Prior Obligations	Redemption Value	Call Date
Revenue Notes, Series Two-Z	$ 259,233	August 1, 1996
Lease and Purchase Agreement, Series Three-P	$1,521,666	June 1, 1996

At bond closing, the required amount of net proceeds of the Series Four-F1 Bonds and available general funds of the College, if necessary, will be deposited into the Refinancing Account.

The Project

A portion of the net proceeds of the Bonds will finance the acquisition, construction, furnishing and equipping of a new Library and Information Technology Center, a 75,000 square foot building to be constructed on the College's campus on the block immediately north of the .George Sverdrup Library. The building will be of brick and concrete construction with three stories above ground and one below ground. The Library and Information Technology Center will house the College library and departments that deal with technology, including administrative computing, academic computing, telecommunications and the audio-visual department. Construction is expected to begin by June 1996 and be complete by September 1997. The total cost of the Library and Information Technology Center is approximately $11.75 million. The College has retained BWBR Architects for the design of the building. Following the closing of the Bonds, the College expects to enter into a contract with Kraus-Anderson Construction Company to be general contractor.

A portion of the net proceeds of the Bonds will also finance the acquisition and installation of various types of energy management equipment. These improvements will include lighting retrofits, lighting controls, variable speed drives for certain fans and updating the campus energy management system. The College anticipates operating savings of approximately $137,000 annually over the next ten years.

ESTIMATED SOURCES AND USES OF FUNDS

Sources	
Series Four-F1 Bonds	$ 7,700,000
Series Four-F2 Bonds	4,140,000
College Funds	3,672,490
Construction Fund Earnings	195,000
Total Sources	$15,707,490
Uses	
Library and Information Technology Construction	$11,750,000
Energy Improvements	935,517
Series Two-Z Redemption	259,233
Series Three-P Redemption	1,521,666
Underwriters Discount	145,040
Original Issue Discount	92,009
Costs of Issuance	115,000
Reserve Account Deposit	889,025
Total Uses	$15,707,490

In the event issuance costs including underwriter's discount 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.

SUMMARY OF SECURITY FOR THE BONDS

General

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 related subaccount of the Reserve Account for each series of Bonds. The Bonds will be additionally secured by Contributions and Pledge Receipts; provided that, unless an Event of Default has occurred and is continuing, Contributions and Pledge Receipts may not be used for the payment of principal of and interest on Series Four-F1 Bonds until the retirement of Series Four-F2 Bonds.

The Bonds are secured by the pledge of the Loan Repayments which are a general obligation of the College. 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.

The College covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the general funds of the College 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 Mortgaged Property to the Authority to secure the College's 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.

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

Application of Contributions and Pledge Receipts

The College anticipates that debt service on the Series Four-F2 Bonds will be paid from Contributions and Pledge Receipts. No assurance can be given that Contributions and Pledge Receipts will be adequate for that purpose. All Contributions and Pledge Receipts received after June 1, 1996 shall be deposited at least every thirty days into the Gift Receipts Account, unless further deposits would be in violation of donor restrictions, to be held and administered by the Trustee. Unless an Event of Default has occurred and is continuing, until the retirement of the Series Four-F2 Bonds, moneys in the Gift Receipts Account may be transferred to the Series Four-F2 Bond Subaccount, the Series Four-F2 Sinking Fund Subaccount, the Construction Account in an aggregate amount not to exceed $500,000, the Series Four-F2 Reserve Subaccount or the Redemption Account for redemption of Series Four-F2 Bonds as required under the Indenture (see "ACCOUNTS"). After the Series Four-F2 Bonds have been retired, remaining moneys in the Gift Receipts Account, if any, may be used for the payment of Series Four-F1 Bonds. If the Series Four-F2 Bonds are no longer outstanding and the College delivers an opinion of counsel to the Trustee to the effect that donor restrictions on the Contributions and Pledge Receipts may be violated by application of such funds to remaining principal or interest on the Series Four-F1 Bonds, the College may cease depositing Contributions and Pledge Receipts into the Gift Receipts Account effective on the date specified by the College.

While an Event of Default is continuing, the Trustee shall apply Contributions and Pledge Receipts to the payment of the Series Four-F1 Bonds and the Series Four-F2 Bonds without preference, priority or distinction as to lien of any Bond over any of the others. See Appendix V, "THE INDENTURE."

The Trustee shall have a security interest in all funds, securities and deposits in the Gift Receipts Account as well as all the other Accounts (other than the Refinancing Account) held by the Trustee, pledged for payment of principal of and interest on the Bonds. Gifts not restricted to the Library and Information Technology Center will not be deposited in the Gift Receipts Account. The Trustee will not have a security interest in Contributions and Pledge Receipts prior to their deposit in the Gift Receipts Account. For information concerning the history of and future expected collections of moneys for the Library and Information Technology Center, see Appendix I, "Capital Campaign."

Prior Revenue Liens

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, 1995, 4% of tuition and fees equaled $985,768. Gross revenues of Mortenson Tower, also pledged to the Series A Bonds, totaled $657,947 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, which totaled $258,117 for the 1995 fiscal year. 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 in the Loan Agreement that:

a. For at least two of the preceding three complete Fiscal Years, the Revenue/Expenditure Test must be met.

b. 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 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 incurred or proposed to be incurred; provided that if the additional Funded Debt proposed to be incurred 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 (b), 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 (b), there shall be added to Net Income Available for Debt Service for each Fiscal Year during the Test Period the amount of such 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 (b), 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 purpose of these covenants, the following terms shall have the following meanings:

"Adjusted Increase (Decrease) in Unrestricted Net Assets" means the Increase (decrease) in Unrestricted Net Assets, as reported in the Statement of Activities section of the audited financial report of the College; adjusted to: (a) exclude depreciation expense and include (as a reduction to unrestricted net assets) the cost of current-year equipment acquisitions which have been capitalized, (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment, (c) exclude extraordinary gains or losses, and (d) exclude unrealized net gains or losses on investments.

"Board-controlled" means, when used with reference to quasi-endowment funds, funds designated by the Board of Regents, and not by the donor, to function as quasi-endowment funds and which may be transferred to the Unrestricted Current Fund by action of the Board of Regents and used for the general purposes of the College.

"Debt Service Coverage Ratio" means 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 of and interest on Funded Debt during the period.

"Funded Debt" shall mean indebtedness (including a guarantee of indebtedness) for borrowed money having a maturity date of more than one year from the date of creation thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including such indebtedness whenever payable if renewable at the sole option of the College for a term (including such renewal) of more than one year pursuant to the terms thereof or of a revolving loan agreement for a period of more than one year from the date of creation thereof unless and to the extent the lender thereunder may at its option require repayment at intervals of one year or less and including lease rental obligations with a term of more than one year which, under generally accepted accounting principles, are shown on the balance sheet as a liability.

"Maximum Annual Debt Service" means 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.

"Net Income Available for Debt Service" means (i) for the Fiscal Year ended May 31, 1995 and prior Fiscal Years, Unrestricted Current Fund revenues over Unrestricted Current Fund expenditures (excluding depreciation, amortization and interest from Unrestricted Current Fund expenditures), plus income from investment of funds held by any indenture trustee which is restricted to pay principal or interest on, or to redeem or purchase Funded Debt which is taken into account in calculating Maximum Annual Debt Service, all as determined by generally accepted accounting principles as applied in preparation of the College financial statements for such Fiscal Years and (ii) for any Fiscal Year ended after May 31, 1995, the Adjusted Increase (Decrease) in Unrestricted Net Assets (plus interest payments on Funded Debt).

"Revenue/Expenditure Test" means (i) for the Fiscal Year ended May 31, 1995 and prior Fiscal Years, that Unrestricted Current Fund revenues were at least equal to Unrestricted Current Fund expenditures, including mandatory transfers, according to principles of accounting used in the preparation of the College's financial statements for such Fiscal Years; and (ii) for any Fiscal Year ending after May 31, 1995, the Adjusted Increase in Unrestricted Net Assets shall not be less than zero.

For purposes of (a) and (b) above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by Virchow, Krause & Company in the report of the College's financial statements for the Fiscal Year ended May 31, 1995, if relating to such Fiscal Year or prior Fiscal Years and for the Fiscal Year ended May 31, 1996 if relating to such Fiscal Year or any subsequent Fiscal Year.

The above-described covenants may be modified to reflect changes in presentation of the financial statements. The College may elect on or before September 30, 1998 to submit modifications to the Trustee accompanied by, among other things, evidence that the rating on the Bonds will not be adversely affected by the modification to the covenants and certain representations of the College. Any modifications are intended to enable the College's auditors to certify compliance with the covenants based upon the financial statements as presented under new accounting standards and not to make the covenants less restrictive. See Appendix I — "Financial Statements", for a discussion on the changes in financial reporting for not-for-profit organizations which may require modification of the above-described covenants.

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, a Gift Receipts 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 into the Construction Account, except that the amount of $889,025 will be deposited into the Reserve Account and accrued interest will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the College as Contributions and Pledge Receipts or other Loan Repayments are to be deposited into the Gift Receipts Account and transferred into the Bond and Interest Sinking Fund Account, the Construction 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 and, if requested by the College, used to pay Project Costs of the Library and Information Technology Center in the maximum aggregate amount of $500,000.

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 accrued interest and the initial deposit to the Reserve Account, less the amount of the underwriter's discount and the amount of the deposit to the Refinancing Account. In addition, the College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of available general funds (other than Bond proceeds) all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds (par value minus original issue discount according to the reoffering scale). The Trustee, at the request of the College, shall transfer up to $500,000 from the Gift Receipts Account to the Construction Account, if certain conditions are met, as authorized by the Indenture. 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 Project. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account.

Refinancing Account

There shall be deposited at closing $1,651,297.81, which, together with general College funds, if necessary, will be used to call and retire the Prior Obligations on their next respective call date.

Bond and Interest Sinking Fund Account; Subaccounts

The Bond and Interest Sinking Fund Account is divided into four subaccounts: the Series Four-F1 Bond Subaccount, the Series Four-F2 Bond Subaccount, the Series Four-F1 Sinking Fund Subaccount and the Series Four-F2 Sinking Fund Subaccount. Initially, all accrued interest shall be deposited into the related Bond Subaccount. Thereafter, on or before each date on which Loan Repayments are due, the Trustee shall deposit in or transfer (i) to the Series Four-

F1 Subaccounts of the Bond and Interest Sinking Fund Account, first, if no Series Four-F2 Bonds are outstanding, from the Gift Receipts Account (to the extent available in the Gift Receipts Account), from time to time, the amount necessary, together with other funds on deposit to the credit of the Series Four-F1 Bond Subaccount or Series Four-F1 Sinking Fund Subaccount, to meet the interest and principal, if any, on the outstanding Series Four-F1 Bonds due on the next succeeding interest payment date and second, from Loan Repayments such amount as may be necessary and sufficient, with other funds in or credited to such Subaccounts, to meet the interest and principal on the Series Four-F1 Bonds due on the next interest payment date and (ii) to the Series Four-F2 Subaccounts of the Bond and Interest Sinking Fund Account, first, from the Gift Receipts Account from time to time amounts necessary and sufficient (to the extent available in the Gift Receipts Account) to pay the principal and interest due on the Series Four-F2 Bonds during the succeeding 13 months and, second, from Loan Repayments received from the College, the remaining amount as may be necessary to meet the interest and principal on the Series Four-F2 Bonds due on the next interest payment date. Deposits shall also be made to the Bond and Interest Sinking Fund Account from earnings on other accounts established under the Indenture and any other payments required by the Indenture, the Loan Agreement, the Mortgage or the Bond Resolution.

The Series Four-F1 Sinking Fund Subaccount and Series Four-F2 Sinking Fund Subaccount will be maintained within the Bond and Interest Sinking Fund Account for the retirement of Term Bonds for the respective series on each Sinking Fund redemption date. Deposits into the respective Sinking Fund Subaccounts shall be made at least 5 calendar days prior to May 1 in amounts equal to the redemption price of the principal specified for mandatory redemption on the next succeeding May 1.

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

The Reserve Account is divided into the Series Four-F1 Reserve Subaccount and the Series Four-F2 Reserve Subaccount. There shall be initially deposited into the respective Subaccounts from Bond proceeds the Reserve Amount for the Series Four-F1 Bonds and one-half of the Reserve Amount for the Series Four-F2 Bonds. The remaining half of the Reserve Amount for the Series Four-F2 Bonds will be funded from transfers of Contributions and Pledge Receipts not needed to make deposits to the Series Four-F2 Bond Subaccount or Series Four-F2 Sinking Fund Subaccount and not requested by the College to be transferred to the Construction Account, together with earnings on the Series Four-F2 Reserve Subaccount until the Reserve Amount for the Series Four-F2 Bonds is met. So long as no Event of Default exists, the related Subaccount of the Reserve Account is irrevocably pledged to the payment of principal of and interest on the respective series of 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 (as appropriate) into the related subaccount of 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 shall be valued at market value. Investments in the Reserve Account shall be valued by the

Trustee not less frequently than as of the first day of the calendar month next preceding May 1, 1997 and semiannually thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the amount of the Reserve Requirement, or more than the amount (if less than the Reserve Requirement) allowed for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess allocable to each subaccount of the Reserve Account to the related Subaccount of the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days; provided that until the amount on deposit in the Series Four-F2 Reserve Subaccount equals the related Reserve Amount, the difference between the amount on deposit and the Reserve Amount shall not be a deficiency to be restored.

Interest and income in the Series Four-F1 Reserve Subaccount shall be transferred to the Construction Account during the construction period and thereafter to the Series Four-F1 Bond Subaccount, 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 any excess interest and income to the Redemption Account. Interest and income on the Series Four-F2 Reserve Subaccount shall be retained in the Series Four-F2 Reserve Subaccount until the amount on deposit meets the Reserve Amount for the Series Four-F2 Bonds and thereafter shall be transferred to the Series Four-F2 Bond Subaccount 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 any excess interest and income to the Redemption Account. With respect to each Series, when funds on deposit in the related subaccount of the Reserve Account, together with available funds in any other Account or related Subaccount therein, shall be sufficient to pay the principal of and interest on all outstanding Bonds of either of the series, as the case may be, when due, such funds shall be transferred, as appropriate, into the related Subaccount of 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.

Gift Receipts Account

The College shall deposit into the Gift Receipts Account all Contributions and Pledge Receipts at least every 30 days, provided that it is not in violation of donor restrictions; provided that any contributions or pledge receipts not so designated, restricted or allocated to the Library and Information Technology Center or to finance the Library and Information Technology Center are not required to be deposited in the Gift Receipts Account and are not required to be made available for the payment of principal and interest on any Bonds. So long as an Event of Default does not exist, all moneys and investments in the Gift Receipts Account shall be used to pay debt service on the Series Four-F2 Bonds when due or at the redemption date if Series Four-F2 Bonds are called for redemption in whole or in part. The Trustee shall transfer from time to time amounts first, to the Series Four-F2 Bond Subaccount and second, to the Series Four-F2 Sinking Fund Subaccount to the extent moneys and investments credited to such subaccount do not at least equal the total amount of principal of and interest due or to become due on the Series Four-F2 Bonds within the succeeding 13 months, after adjusting for interest to be received on Authorized Investments in such subaccount and for any redemption of Series Four-F2 Bonds to be met from amounts on deposit in the Redemption Account or to be transferred to the Redemption Account from the Gift Receipts Account. If moneys are sufficient in the Series Four-F2 Bond Subaccount and the Series Four-F2 Sinking Fund Subaccount, the Trustee shall transfer amounts to the Series Four-F2 Reserve Subaccount as needed to increase the amount to the required Reserve Amount. However, the College may, from time to time, submit a written request to the Trustee to transfer amounts from the Gift Receipts Account to the Construction Account and the Trustee shall transfer the requested amounts, not to exceed $500,000 in aggregate, to the Construction Account, so long as no withdrawals have been made from the Series Four-F2 Reserve Subaccount and the amount therein is at least equal to the initial deposit ($119,025). The Trustee shall not transfer amounts from the Gift Receipts Account to any Series Four-F1 subaccount until the Series Four-F2 Bonds are retired. To the extent that moneys and investments in the Gift Receipts Account are not required to be transferred to the Series Four-F2 Bond Subaccount, the Series Four-F2 Sinking Fund Subaccount, the Construction Account or the Series Four-F2 Reserve Subaccount, any remaining amounts in the Gift Receipts Account shall be transferred to the Redemption Account and used by the Trustee for the special mandatory redemption of outstanding Series Four-F2 Bonds.

If the Series Four-F2 Bonds are no longer outstanding, funds in the Gift Receipts Account, if any, are required to be transferred to the Construction Account or to pay or redeem Series Four-F1 Bonds.

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 Construction Account, Bond and Interest Sinking Fund Account, Reserve Account, Gift Receipts Account and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states 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; 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. A representative of the Minnesota Higher Education Services Office and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

J. Luther Anderson has been the Executive Director of the Authority since June 30, 1995, at which time he replaced the retiring Executive Director.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $350 million. The Authority has had 92 issues (including refunded and retired issues) totaling $448,984,189, of which $237,270,581 (excluding the Bonds) is outstanding as of May 1, 1996. An additional $2,000,000 has been authorized but unissued as of that date. 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. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

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

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

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

The 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

The Authority has retained Springsted Incorporated, Public Finance Advisors, of St. Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon College officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

UNDERWRITING

The Bonds are being purchased by Dougherty Dawkins, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $11,602,950.65 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $145,040.00 and original issue discount of $92,009.35 with respect to Series Four-F1 Bonds).

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

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

RATING

As noted on the cover page hereof, Moody's Investors Service has assigned a long-term rating of "Baa" to the Bonds. The rating reflects only the view of such rating agency. Further information concerning the rating is available from Moody's. There is no assurance that the 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.

Moody's defines a "Baa" rating as follows:

> "Bonds that are rated 'Baa' are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well."

LITIGATION

The Authority and the College are unaware of any pending or overtly threatened in writing 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, LLP, 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, P.L.L.P., of St. Paul and Minneapolis, Minnesota; and for the Underwriter by Holmes & Galey, Ltd., Minneapolis, Minnesota.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed or refinanced by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State 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. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum from the Date Of Taxability until the respective dates on which the principal of the Bonds is paid. (See "THE LOAN AGREEMENT — Determination of Taxability" in Appendix IV). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

Under present provisions of the Code, interest on the Bonds is exempt from federal income taxes, including the alternative minimum tax imposed with respect to individuals and corporations 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, LLP, 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 Series Four-F1 Bonds with stated maturities in 1999, 2000, 2002 through 2007 and the Term Bonds maturing in 2023 (the "Discount Bonds") is less than the principal amount of Series Four-F1 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.

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 Services Office in accordance with Minnesota Statutes.

It is the policy of the College not to discriminate unlawfully 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 a 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, consisting of 80 members from four synods of the ELCA, ten members from the Board of Regents, five faculty members, two College administrators and two students.

<u>Board of Regents</u>

Officers:

Chairperson
Barbara C. Gage

Vice Chairperson
Raymond A. Grinde

Vice Chairperson
Charles S. Anderson

Secretary
Inez M. Schwarzkopf

Treasurer
David L. Swanson

The Rev. Roger C. Eigenfeld	Senior Pastor, St. Andrew's Lutheran Church, Mahtomedi, Minnesota
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
Thomas K. Guelzow	Guelzow & Senteney, Ltd.
Norman R. Hagfors	President, Norsen, Inc., Minneapolis, Minnesota

James E. Haglund	President and Owner, Central Container Corporation, Minneapolis, Minnesota
Beverly J. Thompson Hatlen	Homemaker, Apple Valley, Minnesota
Allen A. Housh	President, A.A. Housh and Associates, Edina, Minnesota
George O. Johnson, Ph.D.	Associate Professor and Division Head, Health Services Administration, University of Minnesota, Minneapolis, Minnesota
Dr. Ruth E. Johnson	Assistant Professor of Medicine, Mayo Clinic, and Director of Mayo Breast Clinic, Rochester, Minnesota
The Honorable LaJune Thomas Lange, J.D.	Judge, Hennepin County Government Center, Minneapolis, Minnesota
The Rev. Maynard L. Nelson	Senior Pastor, Calvary Lutheran Church, Minneapolis, Minnesota
Mr. Richard A. Norling	President and Chief Executive Officer, Fairview Hospital and Healthcare Services, Minneapolis, Minnesota
Glen E. Person	Retired Businessman, Eden Prairie, Minnesota
Harvey M. Peterson	President, Catco Company, St. Paul, Minnesota
Wayne G. Popham	Senior Attorney, Popham Haik Schnobrich Kaufman Ltd., Minneapolis, Minnesota
Curtis A. Sampson	President and Chief Executive Officer, Communications Systems, Hector, Minnesota
Inez M. Schwarzkopf	Assistant Vice President of the Mission Investment Fund — ELCA, St. Paul, Minnesota
Glen J. Skovholt	Vice President of Government and Community Affairs, Honeywell, Inc., Minneapolis, Minnesota
Gladys I. Strommen	Homemaker, St. Paul, Minnesota
Leland N. Sundet	Chairman and Chief Executive Officer, Sundet Companies, Eden Prairie, Minnesota
David L. Swanson	Retired Businessman, Minneapolis, Minnesota
Jean M. Taylor	Vice President Development, Taylor Corporation, Bloomington, Minnesota
Michael W. Thompson	Realtor, Edina Realty, Inc., Edina, Minnesota
Pamela L. Tibbetts	Senior Vice President, Corporate Development, Fairview, Minneapolis, Minnesota

Kathryn H. Tunheim	President, Tunheim Santrios Co., Minneapolis, Minnesota
William A. Urseth	President and Chief Executive Officer, U.S. Directives, U.S. Restaurant, Minneapolis, Minnesota
Joan L. Volz	Attorney, U.S. West Communications, Denver, Colorado
flo wiger, Ph.D.	Associate Professor, St. Cloud State University, St. Cloud, Minnesota
May Ka-Yee Yue	President, Financial Services Associates, Inc., Edina, Minnesota

<u>President</u>

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 and the Anderson Hall.

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.

<u>Vice President, Finance and Management</u>

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. Marie McNeff, 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 of 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 — contains the Hoversten Chapel, the main campus chapel. 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, the Karen Housh Tutor Center and the Evans Learning Laboratory are 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 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 Modern 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

Anderson Hall — the newest residence hall, houses 192 students in four types of living units. (1993)

Urness Tower — houses all new students and some upper-class 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. (1967)

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

Approximately 44% of the students enrolled in the undergraduate day program 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 (B.S. option), Computer Science (B.S. option), Music Therapy, Nursing (Weekend College only), Physics (B.S. option), Space Physics 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 the Master of Arts in Leadership, Master of Arts in Education-Leadership and Master of Social Work graduate degrees.

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. Students enrolled in Weekend College 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.

The Augsburg Weekend College program offers the following majors: Accounting, Business Administration (specializations in finance, international business, management, and marketing), Communication (concentrations in general communication, organizational communication and mass communication), 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	Day Program Headcount	Weekend College FTE	Graduate Program FTE	Weekend College and Graduate Program Headcount	Total FTE	Total Headcount
Actual:							
1989	1,504	1,584	851	43	1,176	2,398	2,760
1990	1,583	1,670	955	40	1,295	2,578	2,965
1991	1,569	1,672	996	59	1,351	2,624	3,023
1992	1,484	1,572	935	115	1,352	2,534	2,924
1993	1,499	1,589	989	133	1,375	2,621	2,964
1994	1,543	1,617	922	134	1,341	2,599	2,958
1995	1,552	1,615	804	158	1,243	2,514	2,858
Estimated:*							
1996	1,552	1,622	778	161	1,212	2,491	

* *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 current full-time students enrolled for the fall 1995 semester, approximately 85% are Minnesota residents, 11% from other states and 4% from foreign countries.

Applications, Acceptances and Enrollments

Day School Freshmen:

Year	Applicants	Acceptances	Enrolled	Acceptance Ratio	Enrollment Ratio
1991	682	537	287	78.7%	53.5%
1992	634	481	240	75.9	49.9
1993	662	513	257	77.5	50.1
1994	651	493	267	75.7	54.2
1995	677	494	258	73.0	52.2

Day School Transfers:

Year	Applicants	Acceptances	Enrolled	Acceptance Ratio	Enrollment Ratio
1991	415	240	159	57.8%	66.2%
1992	378	282	164	74.6	58.2
1993	373	303	195	81.2	64.4
1994	417	338	211	81.1	62.4
1995	333	269	167	80.8	62.1

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 1992/93 through 1996/97.

	1992/93	1993/94	1994/95	1995/96	1996/97
Tuition and Fees	$10,756	$11,292	$11,902	$12,490	$13,140
Room	2,084	2,168	2,234	2,346	2,450
Full Board	1,938	2,036	2,138	2,245	2,344
Other Student Charges*	85	100	100	100	130
Total	$14,863	$15,596	$16,374	$17,181	$18,064

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

Part-time undergraduate students (students taking less than three courses during the semester terms) are charged $1,350 per credit for courses taken in 1995/96. The graduate program charges $1,040 per graduate course credit and the Weekend College program charges $1,020 per course credit for 1995/96.

1995/96 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Comprehensive Fees)

College	Tuition & Fees	Room & Board	Comprehensive Fees
Carleton College	$20,300	$4,125	$24,425
Macalester College	16,686	4,975	21,661
St. Olaf College	15,000	3,850	18,850
Gustavus Adolphus College	14,760	3,760	18,520
Hamline University	13,808	4,342	18,150
Minneapolis College of Art & Design	13,942	3,660	17,602
University of St. Thomas	13,106	4,374	17,480
College of Saint Catherine	13,190	4,282	17,472
College of St. Benedict	13,089	4,370	17,459
St. John's University	13,089	4,224	17,313
Augsburg College	**12,604**	**4,591**	**17,195**
Bethel College	12,260	4,460	16,720
College of St. Scholastica	12,534	3,807	16,341
St. Mary's University of Minnesota	11,280	3,770	15,050
Concordia College (St. Paul)	10,815	3,930	14,745
Concordia College (Moorhead)	10,720	3,280	14,000
Average	$13,574	$4,113	$17,686

NOTE: *Charges apply to new entering students only. Several colleges have differential tuition for upperclassmen, housing cost freezes for returning students or other policies that result in variation in costs.*

Source: *Minnesota Private College Council.*

Faculty and Staff

The teaching student-faculty ratio for 1995/96 is 14.7 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 128 full-time and 144 part-time teaching faculty. Total employment is approximately 530. The total compensation for Fiscal Year 1994/95 was approximately $14.677 million.

Compensation of Full-Time Instructional Faculty

Academic Rank	Number of Faculty	Average Total Compensation
Professor	30	$45,400
Associate Professor	35	37,300
Assistant Professor	61	33,500
Instructor	2	26,100

Of the full-time faculty, 107 hold Ph.D.s or terminal degrees in their fields and 20 hold Masters degrees. Approximately 54% 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 $750,094 for the Fiscal Year ended May 31, 1995.

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 33.5 FTE employees. The current contract expires May 31, 1997. This is the only bargaining unit at the College.

Financial Aid

Approximately 84% of the College's students receive some form of financial aid from federal, State, College or private sources. 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.

	1991/92	1992/93	1993/94	1994/95	1995/96[a]
Augsburg College	$ 3,537,328	$ 4,049,824	$ 4,577,591	$ 4,769,620	$ 5,000,000
Federal Government[b]	7,385,223	7,885,323	12,727,839	13,459,641	13,500,000
State of Minnesota	3,293,009	3,747,964	2,650,482	2,763,350	2,750,000
Other	791,490	737,218	770,174	962,618	1,000,000
Total	$15,007,050	$16,420,329	$20,726,086	$21,955,229	$22,250,000
Percent of Enrollment Aided[c]	90%	90%	84%	84%	84%

(a) *1995/96 numbers are estimates.*

(b) *Includes PELL Grants, Supplemental Educational Opportunity Grants, STAFFORD and other Guaranteed Student Loans, National Direct Student Loans and College Work Study Program.*

(c) *For all years shown above, 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 capital improvements. As of March 19, 1996, the College has received gifts and pledges totaling $54,764,806, including $34,804,821 in payments and approximately $19,959,985 in pledges and future support commitments outstanding. The campaign is ongoing through 1998.

Of the building portion of the Twenty-First Century Fund capital campaign, approximately $12 million is being solicited for the Library and Information Technology Center. As of March 29, 1996, the College has received gifts, commitments and pledges totaling $9,291,813 for the Library and Information Technology Center, comprised of $3,509,817 in cash payments,

$1,267,500 in oral commitments, $3,514,496 in written pledges outstanding and a gift of $1,000,000 to be paid from an existing trust. The College expects that approximately 40% of the commitments and pledges will be collected in three years and approximately 60% of the commitments and pledges will be collected within five years and substantially all within ten years. The timing of receipt of the $1,000,000 gift from the trust is uncertain. Contributions and Pledge Receipts which are received after June 1, 1996 will be deposited into the Gift Receipts Account and applied toward the payment and redemption of the Bonds or payment of Project Costs for the Library and Information Technology Center in an amount not to exceed $500,000, in accordance with the provisions of the Indenture (see ACCOUNTS — Gift Receipts Account" and "THE BONDS — Special Mandatory Redemption").

Endowment, Funds Functioning as 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
1991	$ 5,348,381	$412,684	$ 662,333
1992	7,213,345	506,735	571,651
1993	8,451,270	588,448	1,156,601
1994	9,264,768	592,705	1,261,245
1995	10,313,354	625,930	1,315,958

Although the earnings on and appreciation of the Endowment and Funds Functioning as Endowment may be expended by the College for a variety of purposes, subject to certain restrictions imposed by law, the donors of such funds or the Board of Regents, only the assets of Funds Functioning as Endowment could be expended for the general, unrestricted purposes of the College, including payment of principal and interest on indebtedness.

As of May 31, 1995, the market value of Endowment was $11,350,523 and the market value of Funds Functioning as Endowment was $688,877. As of March 31, 1996, the market value of Endowment was $12,414,894 and the market value of Funds Functioning as Endowment was $712,084.

College Investments

The College's investment policy, which is established by the Finance Committee of the Board of Regents, has a target mix of 60% equity securities and 40% fixed income securities for the College's invested funds. The annual spending rate of the College's endowment fund is at 5% of market value of the fund, as established by Board of Regents policy.

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	Current Funds		Loan	Endowment	Deferred	Plant
May 31	Unrestricted	Restricted	Funds	Funds	Gift Funds	Funds
1991	$674,424	$3,721,405	$87,235	$ 465,638	$ 80,481	$ 369,299
1992	651,802	5,090,740	70,396	1,325,755	5,267	668,044
1993	669,349	4,338,768	59,694	990,690	832,596	685,648
1994	711,968	4,499,984	70,462	1,209,270	97,813	1,665,094
1995	659,353	4,797,000	135,174	898,152	75,007	582,551

Financial Statements

The College's fiscal year ends May 31 of each year. Financial records have historically been maintained on the fund accounting system and financial statements are prepared on the accrual basis of accounting. Appendix V sets forth the financial statements of the College for the year ended May 31, 1995, audited by Virchow, Krause & Company, Certified Public Accountants & Consultants, Minneapolis, Minnesota. The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

The College expects that the presentation of financial statements prepared for the Fiscal Year ended May 31, 1996 will be significantly different from the presentation contained in Appendix V. The Financial Accounting Standard Board ("FASB") has adopted two Statements of Financial Accounting Standards ("SFAS"), SFAS No. 116 and SFAS No. 117, which affect financial reporting by not-for-profit organizations. These standards will affect the College's financial statements beginning with the Fiscal Year ended May 31, 1996. Changes in presentation will impair the comparability between financial statements for the Fiscal Years ended prior to May 31, 1996 and financial statements for 1996 and thereafter.

SFAS No. 116 establishes accounting standards for contributions and applies to all entities that receive or make contributions. Generally, contributions received, including unconditional promises to give, will now be recognized as revenues, at their fair values, in the period received. This is a departure from prior standards under which colleges did not recognize promises to give until the asset was in hand.

SFAS No. 117 establishes standards for general-purpose external financial statements that will be more comparable to for-profit entities. The new statement requires classification of an organization's net assets, as well as its revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. It requires three classes of net assets, permanently restricted, temporarily restricted and unrestricted, to be displayed in a statement of financial position. It also requires the amount of change in each of those classes of net assets to be displayed in a statement of activities. Revenues that are classified as temporarily restricted or permanently restricted consist almost entirely of donor-restricted contributions. Most other types of revenue will be accounted for in the unrestricted asset class.

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 1995/96. These tables should be read in conjunction with the financial statements found in Appendix V.

Augsburg College
Summary of Unrestricted Current Fund Revenues, Expenditures and Other Changes

	Fiscal Year ended May 31,				
	1991	1992	1993	1994	1995
REVENUES					
Tuition & Fees	$17,995,109	$20,900,227	$21,848,311	$23,121,955	$24,644,208
Government Grants	120,487	116,673	137,927	139,026	146,606
Private Gifts and Grants	674,424	651,802	669,349	711,968	659,353
Endowment Income	35,190	84,765	67,490	116,463	111,647
Mat. Dfd. Gift & Sales Ed. Act.	32,284	142,194	17,372	39,706	64,850
Other Sources	2,168,369	651,267	844,818	972,303	1,203,436
Total Revenues Before Auxiliary Enterprises	$21,025,863	$22,546,928	$23,585,267	$25,101,421	$26,830,100
Auxiliary Enterprises	4,242,001	3,262,318	3,316,516	3,708,145	3,868,525
TOTAL REVENUES	$25,267,864	$25,809,246	$26,901,783	$28,809,566	$30,698,625
EXPENDITURES AND MANDATORY TRANSFERS					
Educational and General					
Instruction	7,735,174	9,846,275	10,189,756	10,759,595	10,974,301
Public Service	1,552,765	172,030	148,108	154,774	221,053
Academic Support	1,097,106	1,209,032	1,424,356	1,531,793	1,521,406
Student Services	1,982,746	2,196,805	2,637,151	2,804,034	2,880,870
Institutional Support	3,184,358	3,364,304	3,428,352	3,444,713	3,990,936
Operation and Maintenance	2,126,123	1,958,521	2,181,892	2,352,076	2,402,003
Scholarships and Grants	2,707,671	2,910,217	3,307,119	3,903,808	4,260,891
Educational and General Expenditures	$20,385,943	$21,657,184	$23,316,734	$24,950,793	$26,251,460
Mandatory Transfers for Principal and Interest	592,162	676,328	339,768	249,075	339,455
Loan Fund Matching Grants	9,152	7,821	7,822	12,434	45,056
Total Education and General	$20,987,257	$22,341,333	$23,664,324	$25,212,302	$26,635,971
Auxiliary Enterprises					
Expenditures	3,293,392	2,417,579	2,472,833	2,486,929	2,642,011
Mandatory Transfers for Principal and Interest	226,169	333,230	275,101	576,919	681,933
Renewal & Replacement	29,000	5,484	0	30,000	10,112
Total Auxiliary Enterprises	$3,548,561	$2,756,293	$2,747,934	$3,093,848	$3,334,056
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	$24,535,818	$25,097,626	$26,412,258	$28,306,150	$29,970,027
Excess of Revenues over Expenditures & Mandatory Transfers	***$732,046***	***$711,620***	***$489,525***	***$503,416***	***$728,598***
Other Transfers & Additions (Deductions)					
NonMandatory Transfers	732,046	711,620	489,090	503,416	728,598
Net Increase (Decrease) in Fund Balance	$0	$0	$435	$0	$0

Source: Audited Financial Statements

AUGSBURG COLLEGE

1995/96 BUDGET COMPARED TO 1996/97 BUDGET

Unrestricted Current Fund

	Budget 1995/96	Estimated Actual 1995/96*	Budget 1996/97
Revenues			
Tuition	$25,337,940	$25,475,849	$26,780,009
Board	1,379,470	1,395,429	1,449,096
Room	1,746,429	1,672,111	1,715,808
Subtotal	$28,463,839	$28,543,388	$29,944,913
Less: Financial Aid	(4,799,320)	(4,699,320)	(5,437,025)
Net Tuition, Board and Room	$23,664,519	$23,844,068	$24,507,888
Private Gifts	$ 640,000	$ 480,000	$ 640,000
Work Study Revenue	494,386	425,773	435,000
C. Center Fees	259,489	278,154	278,638
Other Revenue	2,078,151	2,206,681	2,179,181
Total Net Revenue	$27,136,545	$27,234,676	$28,040,707
Expenditures and Transfers			
Faculty and Staff Compensation	$16,026,738	$15,821,613	$16,798,350
Student Salaries	996,017	1,107,769	996,068
Consultants and Other Service Contracts	1,644,954	1,687,362	1,685,043
Equipment and Capital Improvements	1,366,392	1,613,392	1,306,392
Supplies and Other	1,738,903	1,716,623	1,729,551
Travel and Business Meetings	892,255	915,055	914,565
Utilities, Taxes and Insurance	1,587,067	1,609,067	1,489,771
Debt Service	1,062,268	1,062,268	1,151,983
Advertising, Legal and Other	488,961	463,961	534,877
Miscellaneous	1,111,340	1,115,630	1,096,523
Total Expenditures and Transfers	$26,914,895	$27,112,741	$27,703,123
Net Surplus (Deficit)	$ 221,650	$ 121,936	$ 337,584

* *Projection as of April 25, 1996.*

Source: *Figures provided are unaudited and represent the College's Unrestricted Current Fund budget, up-dated, based on results through April 25, 1996. 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 May 1, 1996

1. $2,610,000 Dormitory and Student Union Bonds of 1966, dated April 1, 1966 and due annually 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; $1,530,000 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 5.5% to 5.6%; final maturity due December 1, 2012; $1,680,000 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. The Series Two-Z Notes (in the original amount of $900,000), dated June 27, 1990, being refunded with a portion of the Series Four-F1 Bonds; $274,825.34 is outstanding.

4. $9,645,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-G, dated May 1, 1992; interest rates range from 5.3% to 6.5%; final maturity due January 1, 2017; $9,230,000 is outstanding. The bonds are secured by a first mortgage on Anderson Hall, the full faith and credit of the College and debt service reserve of $816,995.

5. The Series Three-P Lease (in the original amount of $1,560,000), dated April 23, 1993, being refunded with a portion of the Series Four-F1 Bonds; $1,460,000 is outstanding.

6. Promissory note, dated January 14, 1993, in the amount of $168,500; interest rate is 3.0%; final maturity is January 1, 2000; $76,956.79 is outstanding.

7. The Series Four-F1 Bonds and the Series Four-F2 Bonds.

Total long-term debt as of May 1, 1996, adjusted to include the Bonds, but to exclude the Prior Obligations is $24,356,956.79.

Annual Debt Service by Fiscal Year and Pro Forma Coverage Statement

The table on page I-16 shows (i) the debt service of the College for each of the listed Fiscal Years on the Series Four-F1 Bonds; (ii) the debt service of the College for each of the listed Fiscal Years ending May 31 with respect to all existing long-term indebtedness; (iii) the combined total annual debt service for each of such Fiscal Years, excluding the Series Four-F2 Bonds; (iv) the debt service for each of such Fiscal Years on the Series Four-F2 Bonds; and (v) the combined total annual debt service for each of such Fiscal Years for all existing long-term indebtedness and the Series Four-F1 and Series Four-F2 Bonds.

The Series Four-F2 Bonds are excluded from the Pro Forma Debt Service Coverage shown on page I-15 since the College anticipates that debt service on the Series Four-F2 Bonds will be supported by Contributions and Pledge Receipts received after June 1, 1996. No assurance can be given that such Contributions and Pledge Receipts will be adequate to pay debt service on the Series Four-F2 Bonds or that the general revenues of the College will not be required for this purpose.

The debt service on the Series Four-F1 Bonds will be supported from general revenues of the College.

For purposes of the following table, "Net Income Available for Debt Service" for the Fiscal Year ending May 31, 1995 means the sum of (i) unrestricted current fund revenues less unrestricted current fund expenditures for such Fiscal Year plus (ii) estimated energy savings from energy improvements being financed with the Series Four-F1 Bonds and (iii) interest earned on trustee held bond accounts, all (except for the energy savings) as stated in the audited financial statements of the College attached to this Official Statement as Appendix VI.

Pro Forma Coverage Statement
Fiscal Year Ended May 31, 1995 Amounts

Unrestricted current fund (UCF) revenues:		$ 30,698,625
Unrestricted current fund (UCF) expenditures, excluding mandatory transfers:		(28,893,471)
Excess of UCF revenues over UCF expenditures, excluding mandatory transfers:		$ 1,805,154
Plus:	Estimated energy cost savings:*	$ 137,000
	Interest earned on trustee-held bond accounts:	68,136
Net Income Available for Debt Service		**$ 2,010,290**
Maximum Annual Debt Service (Excluding Series Four-F2 debt service):		**$ 1,585,133**
Debt Service Coverage Ratio (Excluding Series Four-F2 debt service):		**1.27**

* *Estimated by Honeywell Energy Audit Report dated April 30, 1996.*

This Pro Forma Coverage Statement is intended merely to show the relationship of the Fiscal Year ended May 31, 1995 Net Income Available for Debt Service of the College as defined in the Loan Agreement and estimated expenditure savings resulting from issuance of the Series Four-F1 Bonds to a projected statement of combined annual debt service of the College, excluding debt service on the Series Four-F2 Bonds. It is not intended and should not be considered a projection of future Net Income Available for Debt Service, revenues, expenses, debt service or debt service coverage of the College. No assurance can be given that the future Net Income Available for Debt Service, revenues, expenses, debt service and debt service coverage of the College or the respective relationships thereof will correspond to the Net Income Available for Debt Service, revenues, expenses and debt service or the respective relationships thereof shown by or reflected in the Pro Forma Coverage Statement or the Table on page I-16.

ANNUAL PROFORMA DEBT SERVICE BY FISCAL YEAR

Fiscal Yr Ending May 31 (1)	Debt Service Series Four-F1 (2)	Existing Long Term Debt Service (3)	Total Debt Service Without Series Four-F2 (4)	Debt Service Series Four-F2 (5)	Total Debt Service w/Series Four-F1 & Series Four-F2 (6)
1997	$515,323	$1,061,335	$1,576,658	$238,050	$1,814,708
1998	513,723	1,064,860	1,578,583	238,050	1,816,633
1999	511,923	1,066,835	1,578,758	238,050	1,816,808
2000	500,123	1,077,200	1,577,323	238,050	1,815,373
2001	503,743	1,075,865	1,579,608	238,050	1,817,658
2002	506,993	1,072,815	1,579,808	238,050	1,817,858
2003	504,993	1,073,215	1,578,208	238,050	1,816,258
2004	502,913	1,071,795	1,574,708	238,050	1,812,758
2005	495,793	1,083,515	1,579,308	238,050	1,817,358
2006	498,903	1,077,395	1,576,298	518,050	2,094,348
2007	496,703	1,074,695	1,571,398	516,950	2,088,348
2008	494,463	1,080,090	1,574,553	519,988	2,094,540
2009	492,063	1,087,975	1,580,038	516,875	2,096,913
2010	494,663	1,088,375	1,583,038	517,900	2,100,938
2011	491,963	1,091,265	1,583,228	517,775	2,101,003
2012	489,263	1,091,320	1,580,583	516,500	2,097,083
2013	486,563	1,098,570	1,585,133	519,075	2,104,208
2014	543,750	1,037,625	1,581,375	520,213	2,101,588
2015	767,188	815,075	1,582,263	519,913	2,102,175
2016	771,250	811,200	1,582,450	518,175	2,100,625
2017	768,750	814,725	1,583,475	0	1,583,475
2018	1,195,000	0	1,195,000	0	1,195,000
2019	1,198,125	0	1,198,125	0	1,198,125
2020	1,197,813	0	1,197,813	0	1,197,813
2021	1,199,063	0	1,199,063	0	1,199,063
2022	1,196,563	0	1,196,563	0	1,196,563
2023	1,195,313	0	1,195,313	0	1,195,313
Totals:	$18,532,915	$21,815,745	$40,348,660	$7,843,863	$48,192,523

Note: The Series Four-F2 Bonds are subject to special mandatory redemption from amounts in the Gift Receipts Account as described herein.

The Series Four-F2 Bonds are excluded from the Pro Forma Debt Service Coverage as shown on page I-15, since they are expected to be supported by Contributions and Pledge Receipts. No assurance can be given that Contributions and Pledge Receipts will be adequate to pay debt service on the Series Four-F2 Bonds or that the general revenue of the College will not be required for this purpose.

PROPOSED FORM OF LEGAL OPINIONS

FAEGRE & BENSON

PROFESSIONAL LIMITED LIABILITY PARTNERSHIP

2200 NORWEST CENTER, 90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
TELEPHONE 612-336-3000
FACSIMILE 612-336-3026

$__________
Minnesota Higher Education Facilities Authority
Mortgage Revenue Bonds, Series Four-F1 and Series Four-F2
(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 (initially book entry only) Mortgage Revenue Bonds, Series Four-F1 (Augsburg College), in the aggregate principal amount of $__________ and Mortgage Revenue Bonds, Series Four-F2 (Augsburg College) in the aggregate principal amount of $__________ (together, the "Bonds"), dated May 1, 1996, in the denomination of $5,000 each and integral multiples thereof, maturing on May 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

$ Series Four-F1 Bonds

May 1 of the Year	Amount	Basic Interest Rate	May 1 of the Year	Amount	Basic Interest Rate

$ Series Four-F2 Bonds

May 1 of the Year	Amount	Basic Interest Rate	May 1 of the Year	Amount	Basic Interest Rate

The Bonds are subject to optional redemption and, with respect to the Series Four-F2 Bonds, special mandatory redemption prior to the stated maturities thereof as provided in the Bonds and the Indenture. The Series Four-F1 Bonds due in the year ____ and the Series Four-F2 Bonds due in the year _____ shall be redeemed through operation of the mandatory Sinking Fund Subaccounts of the Bond and Interest Sinking Fund Account provided for in the Indenture, as defined below. Interest on the Bonds is payable on each May 1 and November 1, commencing November 1, 1996. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the affected Bonds will bear additional interest at the rate of 2.00% per annum from the Date of Taxability (as defined). 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 Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to the Augsburg College, a Minnesota nonprofit corporation and institution of higher education located in the City of Minneapolis, Minnesota (the "College"), in order to finance improvements to its educational facilities and to prepay certain outstanding obligations issued to finance improvements to educational facilities, all owned or to be owned and operated by the College and located on its main campus in Minneapolis, Minnesota. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College and the Trust Indenture (the "Indenture") between the Authority and 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, each dated as of May 1, 1996, one or more opinions of Moore, Costello & Hart P.L.L.P. as counsel to the College, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Moore, Costello & Hart P.L.L.P., as to the Loan Agreement having been duly authorized and executed and being binding upon the College and as to the corporate organization, tax-exempt status, good standing and powers of the College, and a title insurance commitment as to title to the Project Site (as defined in the Loan Agreement and Indenture), 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, to issue the Bonds, to loan the proceeds thereof to the College and to execute and deliver the assignment of the Mortgage, the Loan Agreement and the Indenture to secure the Bonds.

2. The Loan Agreement, the assignment of the Mortgage and the Indenture 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, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture.

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

within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. 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 and the Loan Agreement 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, May ___, 1996.

ANNUAL REPORT INFORMATION

The Annual Report Date will be the earlier of (a) thirty days after the Board of Regents of the College approves and accepts the audited financial statements or (b) 270 days after the fiscal year-end, commencing with the fiscal year ended May 31, 1996. The Annual Report will contain:

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

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

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

      - Student Body
      - Applications, Acceptances and Enrollments
      - Tuition and Fees
      - Faculty and Staff
      - Financial Aid

   b. Provide information as to gifts, bequests and grant support for the most recent complete fiscal year, identifying major sources.

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

3. For the first Annual Report to be filed after May 31, 1996, a comparison of the financial statements prepared for the fiscal year ended May 31, 1996 and the financial statements included in the Official Statement, with a qualitative discussion and, to the extent feasible, a quantitative comparison of the differences in standards and the impact of the change on the presentation of the financial information resulting from the Statement of Financial Accounting Standards Nos. 116 and 117.

   The events enumerated in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, are as follows:

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

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APPENDIX IV

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.

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, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates.

Authorized Institution Representative: The President, the Vice President, Finance and Management and 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 Secretary of its Board of Regents or the President or any Vice President of the College. 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: The Series Four-F Bonds and any Additional Bonds then outstanding.

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

Bond Resolution: The Series Resolution of the Authority to be adopted on May 15, 1996, authorizing the Series Four-F Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: (a) The period from the Bond Closing to the close of business on May 1, 1997 and (b) each succeeding 12-month period ending at the close of business on May 1 of each year in which the outstanding Series Four-F 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 on the Project Site acquired from funds other than the proceeds of the Prior Obligations or the Bonds.

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

College: Augsburg College, a Minnesota nonprofit corporation, 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.

Contributions: Contributions to the College specifically designated or restricted by the donor to be used to finance the Library and Information Technology Center, or allocated to the Library and Information Technology Center pursuant to a resolution of the Board of Regents.

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

Event of Default: An Event of Default described in the Indenture or Loan Agreement and summarized in Appendix V — 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 commencing on June 1 in each year.

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

Gift Receipts Account: The account established under the Indenture into which certain Contributions and Pledge Receipts shall be deposited from time to time by the College.

Holder, Bondholder, or Owner: The person in whose name a Bond is registered.

Indenture: The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, as Trustee, dated as of May 1, 1996, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: Augsburg College, a Minnesota institution of higher education located in Minneapolis, Minnesota and owned and operated by the College.

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

Issue: The Bonds.

Loan Agreement: The Loan Agreement between the Authority and the College relating to the Series Four-F Bonds, dated as of May 1, 1996, as amended or supplemented from time to time.

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

Mortgage: The Combination Mortgage, Security Agreement and Fixture Financing Statement, dated as of May 1, 1996 from the College to the Authority, and assigned by the Authority to the Trustee, as amended or supplemented from time to time.

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

Off Site Equipment: The Project Equipment not located on the Project Site.

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, shared use agreements, party wall agreements 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 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) the Mortgage, and (v) those additional encumbrances set forth in Exhibit C to the Loan Agreement and Exhibit C to the Mortgage.

Pledge Receipts: Payments on Pledges specifically designated or restricted by the donor to be used to finance the Library and Information Technology Center, or allocated to the Library and Information Technology Center pursuant to resolution of the Board of Regents.

Pledges: Written pledges or donors' expressions of the intent of the donors to pay to the College, Contributions in a lump sum or installments from time to time.

Prior Obligations: The Series Two-Z Notes and the Series Three-P Lease.

Prior Obligations Project: The Series Two-Z Project and the Series Three-P Project.

Prior Obligations Purchaser: Norwest Investment Services, Inc. as original purchaser, paying agent and registrar for the Series Two-Z Notes and as lessor under the Series Three-P Lease.

Project: The acquisition, construction, furnishing and equipping of a Library and Information Technology Center, which will be approximately 75,000 square feet when completed, to be owned and operated by the College and acquisition and installation of energy management equipment in College-owned buildings, all located on the Project Site.

Project Building: The Library and Information Technology Center to be acquired, improved or constructed with proceeds of the Bonds, including investment earnings.

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

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds or the Prior Obligations, including investment earnings, and installed and located in or as part of the Project Buildings or elsewhere as part of the Prior Obligations Project.

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

Project Site: The land on which the Project Building is to be located.

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 Indenture. 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 pursuant to the Indenture for the prepayment of the Prior Obligations.

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 $889,025. A Series Four-F1 Reserve Subaccount and a Series Four-F2 Reserve Subaccount will be created within the Reserve Account and applied to payment of the Series Four-F1 Bonds and the Series Four-F2 Bonds, respectively, from the applicable Reserve Amount on deposit in each Reserve Subaccount. 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 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 sum of the Reserve Amount for the Series Four-F1 Bonds and the Reserve Amount for the Series Four-F2 Bonds. The Reserve Amount for Series Four-F1 Bonds shall mean the lesser of maximum amount of principal of and interest on the Series Four-F1 Bonds payable in any remaining Bond Year or 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 Series Four-F1 Bonds or 125% of the average annual debt service of the Series Four-F1 Bonds. The Reserve Amount for Series Four-F2 Bonds shall mean the lesser of maximum amount of interest on the Series Four-F2 Bonds payable in any remaining Bond Year or 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 Series Four-F2 Bonds or 125% of the average annual debt service of the Series Four-F2 Bonds and (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 or (if less) 125% of the average annual debt service of the Additional Bonds.

Series Four-F Bonds: The Series Four-F1 Bonds and the Series Four-F2 Bonds.

Series Four-F1 Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Four-F1 (Augsburg College).

Series Four-F2 Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Four-F2 (Augsburg College).

Series Three-P Lease: The Minnesota Higher Education Facilities Authority Lease and Purchase Agreement, Series Three-P (Augsburg College — Sublessee), dated April 23, 1993 in the original principal amount of $1,560,000.

Series Three-P Project: The acquisition and installation of Astroturf surface for and an inflatable air structure over the Anderson-Nelson Athletic Field and related Astroturf vacuum/sweeper and air structure storage shed, at the College's main campus.

Series Two-Z Notes: The Minnesota Higher Education Facilities Authority Revenue Notes, Series Two-Z (Augsburg College), dated August 1, 1990 in the original principal amount of $900,000.

Series Two-Z Project: The acquisition and installation of a new campus telecommunications system, including wiring upgrade, and a new administrative computer system and equipment and software, at the College's main campus.

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.

Site Equipment: The Project Equipment located on the Project Site.

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

Trustee, Registrar, Paying Agent: Norwest Bank Minnesota, National Association, Minneapolis, Minnesota.

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APPENDIX V

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The College represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than June 1, 1998 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 College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax-exempt status of interest on the Bonds. 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, provided that the Trustee, at the request of the College, shall transfer up to $500,000 from the Gift Receipts Account to the Construction Account.

Redemption of Prior Obligations

In order to provide funds to lend to the College for redemption of the Prior Obligations, from the proceeds of the Series Four-F1 Bonds, the Trustee shall deposit $1,651,297.81 in the Refinancing Account, to be used for payment and redemption of all the outstanding Prior Obligations on their respective payment and redemption dates.

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) Into the Gift Receipts Account all Contributions and Pledge Receipts received after June 1, 1996 promptly when received, as more fully described in Section 6.13 of the Loan Agreement; provided that if the Series Four-F2 Bonds are no longer outstanding and the College delivers an opinion of legal counsel to the Trustee to the effect that donor restrictions on the Contributions and Pledge Receipts may be violated by application of such funds to remaining principal or interest on the Series Four-F1 Bonds, the College may cease depositing Contributions and Pledge Receipts into the Gift Receipts Account effective on the date specified by the College and

(b) at least 5 calendar days prior to each May 1 and November 1, commencing November 1, 1996, into each of the Series Four-F1 Bond Subaccount and the Series Four-F2 Bond Subaccount a sum which will be equal to the amount payable as interest on the applicable Series Four-F Bonds on such interest payment date, and at least 5 calendar days prior to each May 1, commencing on May 1, 1997, a sum equal to the amount payable as principal on the applicable series of Series Four-F 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, 5.04 or 5.07 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds) and Section 6.13 of the Loan Agreement (relating to amounts on deposit in the Gift Receipts Account); and

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

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

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

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

(g) At least 5 calendar days prior to each May 1, commencing May 1, 2008 into the Series Four-F1 Sinking Fund Subaccount and commencing May 1, 2006, into the Series Four-F2 Sinking Fund Subaccount of the Series Four-F Bond and Interest Sinking Fund Account, the amount, if any, as shall be necessary and sufficient to redeem on the next succeeding May 1, at par plus accrued interest, the amount of the Series Four-F1 Bonds and Series Four-F2 Bonds, respectively, specified in the Indenture.

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs and replacements as are necessary so that the Project and the Prior Obligations Project will each remain a "project" under the Act and interest on the Bonds will be excludable from gross income for purposes of 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 the acquisition and construction of the Project or with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided the College may in good faith contest any liens filed or established against the Project Facilities and may permit the items so contested to remain undischarged and unsatisfied during the period of such contest unless the Authority or Trustee shall notify the College that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities will be subject to loss or forfeiture, in which event the College shall promptly pay all such items.

Taxes and Other Governmental Charges

The College will pay all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the College, or the Project Facilities or any improvements, equipment or related property installed or brought 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 Building and contents and Project Equipment, including fire and extended coverage in an amount not less than the lesser of (i) the full insurable replacement value of the Project Building and Project Equipment or (ii) the principal amount of the outstanding Bonds or (if greater) 80% of the full insurable replacement value of the Project Building and Project Equipment, with a deductible amount of up to $50,000.

(b) Comprehensive general public liability insurance, including blanket contractual and personal injury liability 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, provided that the College may be self-insured with respect to all or any part of its liability for workers' compensation.

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 College and the Trustee at least thirty days before the cancellation or modification becomes effective.

Damage or Destruction

If the Project Building or Project Equipment shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $100,000, the College will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $100,000, the College shall either repair, rebuild or restore the damaged Project Building and Project Equipment, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement with Net Proceeds.

If the damage or destruction relates to Off Site Equipment, only Net Proceeds equal to depreciated book value of the Off Site Equipment so damaged or destroyed shall be applied to redeem or purchase Bonds.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any of the Project Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, all Net Proceeds of any award not exceeding the outstanding principal amount of Bonds shall be paid to and held by the Trustee in a separate condemnation award account. The College shall, within 180 days after receipt of such award, either redeem the Bonds in whole or in part or rebuild, restore or replace such facilities, as more fully provided in the Loan Agreement. If the condemnation relates to Off

Site Equipment, only Net Proceeds equal to depreciated book value of the Off Site Equipment so taken shall be applied to redeem or purchase Bonds.

Removal or Release of Project Equipment and Building Equipment

The College may remove or release Project Equipment and Building Equipment from the Project Facilities and release from the lien of the Mortgage, where applicable, if no Default exists and upon the following conditions:

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

(b) the College may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the College pays a sum equal to the then value of such released equipment as determined by an independent engineer selected by the College, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Series Four-F Bonds; provided that if the depreciated book value of any item of equipment so released was less than $25,000, such release without substitution and such deposit to the Redemption Account may be effected without such determination of value and Certificates by an independent engineer or an Authorized Institution Representative upon such showing by the College as may be satisfactory to the Trustee; and

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

In connection with (a), (b), and (c) above, if the depreciated book value of the Project Equipment or Building Equipment to be substituted, removed or released equals or exceeds $25,000 the College will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the removal of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

Release of Real Property

The College may release any part of the Land from the Mortgage not containing any permanent structure only upon receipt by the Trustee of a certificate of an Authorized Institution Representative stating, among other things, that no Default exists under the Loan Agreement and that the property to be released is not necessary for the operating unity and efficiency of the Project Facilities and that such release will not impair the structural integrity of the Project Facilities for their intended purposes nor inhibit ingress to or egress from the Project Facilities and provided further that the College pays to the Trustee for deposit in the Redemption Account cash equal to the value of the Land as determined by an independent appraiser and obtain an opinion of bond counsel to the effect, among other things, that all conditions precedent to the Loan Agreement relating to such release have been complied with.

The College may also release Land not containing any permanent structure necessary for operating unity and efficiency of the Project Facilities from the Mortgage without depositing cash in the Redemption Account upon a showing that the fair market value of the land and the Project Building remaining subject to the Mortgage after such release is at least 125% of the then outstanding principal amount of the Bonds and upon receipt of the certificate of the

Authorized Institution Representative and the opinion of bond counsel and a survey described in the foregoing sentence.

The College may grant to itself or others easements, licenses, rights of way, shared use agreements, party wall agreements and other rights or privileges in the nature of easements with respect to the Land, free from the lien of the Mortgage, or may release existing easements, licenses, rights of way and other rights or privileges with or without consideration; provided, however, that prior to any such grant or release, there shall have been supplied to the Trustee a Certificate of an Authorized Institution Representative and, if requested by the Trustee, of an Independent Engineer to the effect that (i) such grant or release is not detrimental to the proper operation of the Project Facilities and (ii) such grant or release will not impair the operating unity or the efficiency of the Project Facilities on such Land or materially and adversely affect the character thereof.

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 and maintain the Institution as an institution of higher education under the laws of Minnesota and its accreditation as an institution of higher education by recognized accrediting organizations 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 unlawful discrimination and requiring that the institution be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

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

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt non-hospital 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. Under the Loan Agreement, unless the College obtains an opinion of nationally recognized bond counsel that the tax-exempt status of the Bonds will not be affected, in no event will the University affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets as an entirety if the effect of any such transaction would be to cause the sum of the principal amount of the Series Four-F Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the College or such other resulting entity, and all organizations under common management or control with the College or such resulting entity (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, to 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.

Determination of Taxability

In the event a Determination of Taxability is made that interest payable on either Series Four-F1 Bonds or Series Four-F2 Bonds is includible in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the applicable Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption as a whole or in part on the next practicable date and any date thereafter and the redemption price in either event shall be equal to par plus accrued interest plus additional interest from the Date of Taxability.

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 "Summary of Security for the Bonds" 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 comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of gender, religion, race, color, or creed or national origin in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Authority or 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 Services Office, 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 available moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account, Gift Receipts Account or Redemption Account on a Bond principal or interest payment date or redemption date are insufficient to pay when due principal of 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(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or

(c) 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

(d) 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

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

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

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

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

(i) If the College sells or otherwise disposes of any interest in the Gift Receipts Account or any money or investments held therein or creates or permits to exist any lien, security interest or other charge or encumbrance upon or with respect to the Gift Receipts Account or any money or investments held therein, in violation of the provisions of Section 6.13 of the Loan Agreement, except as provided in or contemplated by the Loan Agreement, the Indenture or the Mortgage.

The term "force majeure" as used in clause (d) 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 (d) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the 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.

THE INDENTURE

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

Granting Clauses

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

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

(2) 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 (but not the Refinancing 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

(3) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the 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 or willful default of the Trustee).

Additional Bonds

In addition to the Series Four-F 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 Series Four-F 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 and comply with certain financial covenants set forth in the Loan Agreement. 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 interest on the outstanding Bonds remains excludable from gross income of the holders for federal income tax purposes.

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

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

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

(c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the 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 shall, by notice in writing delivered to the Authority, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable subject, however, to the right of the Holders of a majority in aggregate principal amount of Bonds then outstanding, by written notice to the Authority and to the Trustee, to annul such declaration and destroy its effect at any time if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds outstanding and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other indebtedness secured by the Indenture (except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last interest payment date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

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

The Trustee shall apply moneys received by it through enforcement of remedies under the Indenture, Loan Agreement or Mortgage, without preference, priority or distinction as to lien of any of the Bonds over any of the others, notwithstanding the provisions in the Loan Agreement and Indenture which (in the absence of an Event of Default) create a priority of application of Contributions and Pledge Receipts and Series Four-F2 Subaccounts of the Bond and Interest Sinking Fund Account and the Series Four-F2 Subaccount of the Reserve Account to the payment of the Series Four-F2 Bonds.

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 $10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court.

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 no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all Bonds outstanding.

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

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

Defeasance

If the Authority and the 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, premium, if any, and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of or obligations whose principal and interest are guaranteed by 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 College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee on or 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 or obligations guaranteed by 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 at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

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

Supplemental Indentures

The Authority and the Trustee 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 indenture or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which could have been contained in the Indenture or any supplemental indenture and which shall not impair the security of the same;

(e) 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, the Holders of not less than 51% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all 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 of priority of any Bond or Bonds over any other Bond or Bonds, except (so long as no Event of Default has occurred and is continuing) with respect to the application of amounts held in the respective subaccounts of the Reserve Account and Contributions and Pledge Receipts held in the Gift Receipts Account or any other Account or Subaccount, 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, 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 Holders of not less than 51% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the Loan Repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

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

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, 1996, 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 first mortgage lien on its right, title and interest in and to the land described in Exhibit A to the Mortgage (the "Land"), and any buildings now standing or hereafter constructed or placed upon the Land, including the Library and Information Technology Center and equipment located therein, constituting the Project Facilities (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.

The Loan Agreement provides that the College may release land and equipment from the lien of the Mortgage upon certain conditions more fully described under the captions "THE LOAN AGREEMENT — Removal or Release of Project Equipment and Building Equipment" and "THE LOAN AGREEMENT — Release of Real Property" in this Appendix.

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 or the Loan Agreement is incorrect in any material respect.

AUDIT REPORT

Year Ended
May 31, 1995

Virchow, Krause & Company
Certified Public Accountants & Consultants

1100 TCF Tower • 121 S. Eighth Street
Minneapolis, MN 55402-2848

INDEPENDENT AUDITORS' REPORT

To The Board of Regents
Augsburg College
Minneapolis, Minnesota

We have audited the accompanying balance sheet of Augsburg College as of May 31, 1995 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, 1995 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.

VIRCHOW, KRAUSE & COMPANY

Virchow, Krause & Company

Minneapolis, Minnesota
August 1, 1995

AUGSBURG COLLEGE

BALANCE SHEET
May 31, 1995
With Comparative Figures for 1994

	Current Funds					Plant Funds					
ASSETS	Unrestricted	Restricted	Loan Funds	Endowment Funds	Deferred Gift Funds	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant	Total All Funds 1995	Total All Funds 1994
Cash and cash equivalents	$ 193,710	$1,101,402	$ 414,314		$ 426,538	$1,533,315	$1,347,510			$ 5,016,789	$ 4,616,685
Receivables											
Student notes, net of combined allowance for College portion of doubtful notes of $35,400 each year (Note 2)			5,608,564							5,608,564	5,578,729
Student accounts, net of allowance for doubtful accounts of $300,000 each year	1,060,712									1,060,712	1,137,733
Due from U.S. Government	34,617	289,565	31,396							355,578	19,691
Accrued interest	13,484				24,798	6,667	1,155	$ 5,060		51,164	51,110
Other	254,057		2,820							256,877	425,178
Inventories	96,063									96,063	146,090
Cash surrender value of life insurance	164,058				10,475	16,678				191,211	174,572
Prepaid expenses and other assets	120,828									120,828	83,385
Endowment investments (Note 3)				$11,391,289						11,391,289	9,812,648
Investments											
Marketable securities (Note 4)	51,277	62,638			1,727,875					1,841,790	1,797,725
Contract for deed receivable	159,893									159,893	167,702
Real estate held for sale											
Other (cost approximates market)	50,000					100,001		175,041		325,042	311,164
Deposits held by trustee											
Cash and cash equivalents							251,906	1,141,279		1,393,185	1,649,170
Construction in progress (Note 5)						612,773				612,773	46,378
Property, plant and equipment, net (Note 6)									$27,507,755	27,507,755	27,932,129
Due from other funds	1,953,305		20,441							1,973,746	1,426,436
TOTAL ASSETS	$4,152,004	$1,453,605	$6,077,535	$11,391,289	$2,189,686	$2,269,434	$1,600,571	$1,321,380	$27,507,755	$57,963,259	$55,376,525
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	$ 619,801				$ 6,029	$ 187,131				$ 812,961	$ 854,543
Accrued liabilities	1,840,647							$ 359,742		2,200,389	2,150,184
Deposit accounts	1,184,445									1,184,445	957,967
Long-term debt											
Bonds payable to U.S. Government (Note 7)									$ 1,590,000	1,590,000	1,640,000
Bonds, notes and leases payable to Minnesota Higher Education Facilities Authority (Note 8)									13,029,426	13,029,426	13,464,190
Other notes payable (Note 9)						95,968			453,412	549,380	527,692
Annuities payable					842,657					842,657	840,872
Funds held in custody for others	286,670	$ 135,143								421,813	131,099
Due to other funds	20,441		$ 184,248	$ 452,005	25,042		$ 76,977		1,215,033	1,973,746	1,426,436
Total Liabilities	3,952,004	135,143	184,248	452,005	873,728	283,099	76,977	359,742	16,287,871	22,604,817	21,992,983
Fund Balances											
Unrestricted	200,000		8,727	625,930		1,608,472	1,347,510			3,790,639	3,402,715
Restricted		1,318,462	636,330	10,313,354	1,315,958	377,863	176,084	961,638		15,099,689	13,866,135
U.S. Government grants - refundable			5,248,230							5,248,230	5,054,219
Net investment in plant									11,219,884	11,219,884	11,060,473
Total Fund Balances	200,000	1,318,462	5,893,287	10,939,284	1,315,958	1,986,335	1,523,594	961,638	11,219,884	35,358,442	33,383,542
TOTAL LIABILITIES AND FUND BALANCES	$4,152,004	$1,453,605	$6,077,535	$11,391,289	$2,189,686	$2,269,434	$1,600,571	$1,321,380	$27,507,755	$57,963,259	$55,376,525

See accompanying notes to financial statements.

AUGSBURG COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended May 31, 1995

	Current Funds					Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment Funds	Deferred Gift Funds	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant
REVENUES AND OTHER ADDITIONS									
Unrestricted current fund revenues	$30,698,625								
Governmental grants and contracts - restricted		$2,910,938	$ 135,174					$ 46,014	
Private gifts and grants - restricted		1,886,062		$ 898,152	$ 75,007	$ 536,537			
Endowment income - restricted		420,050							
Investment income			2,211			51,688	$ 12,591	68,136	
Realized gains on sale of investments				47,751					
Interest on loans receivable			136,859						
Service cancellation recoveries			21,649						
Late fees recovered			23,269						
Adjustment of actuarial liability for annuities payable					23,205				
Increase in cash value of life insurance				69,954	232	1,874			
Matured deferred gift				5,935					
Plant facilities expenditures (including $359,952 charged to current funds expenditures)									$ 853,514
Retirement of indebtedness						4,032			584,400
TOTAL REVENUES AND OTHER ADDITIONS	30,698,625	5,217,050	319,162	1,041,792	98,444	594,131	12,591	114,150	1,437,914
EXPENDITURES AND OTHER DEDUCTIONS									
Educational and general expenditures	26,251,460	4,975,512							
Auxiliary enterprises expenditures	2,642,011	36,919							
Indirect cost recoveries earned		122,406	64,553						
Transfer to agency		9,046							
Administrative and collection costs			16,693						
Loan cancellations, assignments and write-offs			37,368						
Capitalized expenditures						136,913	356,649		
Matured deferred gift					43,731				
Retirement of indebtedness								588,432	
Interest on indebtedness								905,715	
Campaign expenses						93,048			
Disposal of plant assets, net									101,732
Proceeds from loan certificates									615
Depreciation									1,176,156
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	28,893,471	5,143,883	118,614		43,731	229,961	356,649	1,494,147	1,278,503

AUGSBURG COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended May 31, 1995

	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	($ 45,056)		$ 45,056						
Principal and interest	(1,021,388)					($ 346,891)		$1,368,279	
Renewal and replacement	(10,112)						$ 10,112		
Nonmandatory									
Transfer from unrestricted current fund to									
Endowment funds	(40,019)			$ 40,019					
Unexpended plant funds	(23,055)					23,055			
Renewal and replacement funds	(640,783)						640,783		
Retirement of indebtedness funds	(24,741)							24,741	
Transfer from restricted current funds to									
Unexpended plant funds		($ 52,246)				52,246			
Transfer from renewal and replacement funds to									
Retirement of indebtedness funds							(17,770)	17,770	
Transfer from unexpended plant funds to									
Retirement of indebtedness funds						(6,892)		6,892	
TOTAL TRANSFERS	(1,805,154)	(52,246)	45,056	40,019		(278,482)	633,125	1,417,682	
NET INCREASE FOR THE YEAR		20,921	245,604	1,081,811	$ 54,713	85,688	289,067	37,685	$ 159,411
FUND BALANCES - BEGINNING OF YEAR	200,000	1,297,541	5,647,683	9,857,473	1,261,245	1,900,647	1,234,527	923,953	11,060,473
FUND BALANCES - END OF YEAR	$ 200,000	$1,318,462	$5,893,287	$10,939,284	$1,315,958	$1,986,335	$1,523,594	$ 961,638	$11,219,884

See accompanying notes to financial statements.

AUGSBURG COLLEGE

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
For the Year Ended May 31, 1995
With Comparative Figures for 1994

	1995				1994			
	Unrestricted	Restricted	Total	Percentage	Unrestricted	Restricted	Total	Percentage
REVENUES								
Tuition and fees	$24,644,208		$24,644,208	77.4%	$23,121,955		$23,121,955	78.4%
Governmental grants	146,606	$2,709,825	2,856,431	9.0	139,026	$2,699,071	2,838,097	9.6
Private gifts and grants	659,353	1,975,486	2,634,839	8.2	711,968	1,433,876	2,145,844	7.3
Endowment income	111,647	327,120	438,767	1.4	116,463	261,552	378,015	1.3
Sales and services of educational activities	27,054		27,054	.1	15,789		15,789	.1
Other sources	1,203,436		1,203,436	3.8	972,303		972,303	3.2
Matured deferred gift	37,796		37,796	.1	23,917		23,917	.1
Total Revenues Before Auxiliary Enterprises	26,830,100	5,012,431	31,842,531	100.0%	25,101,421	4,394,499	29,495,920	100.0%
Sales and services of auxiliary enterprises	3,868,525		3,868,525		3,708,145		3,708,145	
TOTAL REVENUES	30,698,625	5,012,431	35,711,056		28,809,566	4,394,499	33,204,065	
EXPENDITURES AND MANDATORY TRANSFERS								
Educational and General								
Instruction	10,974,301	1,138,001	12,112,302	38.3%	10,759,595	895,546	11,655,141	39.4%
Public service	221,053	423,554	644,607	2.0	154,774	359,508	514,282	1.7
Academic support	1,521,406	93,032	1,614,438	5.1	1,531,793	100,210	1,632,003	5.6
Student services	2,880,870	430,738	3,311,608	10.5	2,804,034	504,940	3,308,974	11.2
Institutional support	3,990,936	266,031	4,256,967	13.5	3,444,713	173,380	3,618,093	12.2
Operation and maintenance of plant	2,402,003	56,186	2,458,189	7.8	2,352,076	50,525	2,402,601	8.1
Scholarships and grants	4,260,891	2,567,970	6,828,861	21.6	3,903,808	2,270,721	6,174,529	20.9
Educational and General Expenditures	26,251,460	4,975,512	31,226,972	98.8	24,950,793	4,354,830	29,305,623	99.1
Mandatory transfers for loan funds matching grant	45,056		45,056	.1	12,434		12,434	.1
Mandatory transfers for principal and interest	339,455		339,455	1.1	249,075		249,075	.8
Total Educational and General	26,635,971	4,975,512	31,611,483	100.0%	25,212,302	4,354,830	29,567,132	100.0%
Auxiliary Enterprises								
Expenditures	2,642,011	36,919	2,678,930		2,486,929	39,669	2,526,598	
Mandatory transfers for principal and interest	681,933		681,933		576,919		576,919	
Mandatory transfers for renewals and replacements	10,112		10,112		30,000		30,000	
Total Auxiliary Enterprises	3,334,056	36,919	3,370,975		3,093,848	39,669	3,133,517	
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	29,970,027	5,012,431	34,982,458		28,306,150	4,394,499	32,700,649	
EXCESS OF REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	728,598		728,598		503,416		503,416	
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)								
Transfers from (to) endowment funds (net)	(40,019)		(40,019)		(23,724)	459,160	435,436	
Transfer to unexpended plant funds	(23,055)	(52,246)	(75,301)		(116,719)	(208,757)	(325,476)	
Transfer to renewal and replacement funds	(640,783)		(640,783)		(217,728)		(217,728)	
Transfer to retirement of indebtedness funds	(24,741)		(24,741)		(145,245)		(145,245)	
Transfer to agency funds		(9,046)	(9,046)			(16,323)	(16,323)	
Excess of restricted receipts over transfers to revenue		82,213	82,213			168,449	168,449	
TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	(728,598)	20,921	(707,677)		(503,416)	402,529	(100,887)	
INCREASE IN FUND BALANCES	$ -	$ 20,921	$ 20,921		$ -	$ 402,529	$ 402,529	

See accompanying notes to financial statements.

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 five groups or funds - current, loan, endowment, deferred gift and plant. 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. The College records current year appropriated capital gains as endowment income. To the extent the endowment spending rate exceeds current year income and gains, prior years accumulated gains are transferred to the current funds.

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.

Cash Equivalents - The College considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Investments are recorded at cost, except those items received as gifts, which are valued at fair market value on the date acquired. When the market value of an investment is below the carrying value and the decline is determined to be permanent, the resulting write-down is accounted for as a realized loss in the fund which owns the investment.

Inventories - 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 lives 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 $750,094 for the fiscal year.

Minnesota State Tuition Grants - During the year ended May 31, 1995, the State of Minnesota awarded scholarships to Augsburg students totalling $2,135,010. The College considers these awards to be agency accounts and accordingly, they are not included in the accompanying financial statements as revenue or expenditures.

Recent Statements Issued by the Financial Accounting Standards Board - In June 1993, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards Nos. 116 and 117, *Accounting for Contributions Received and Contributions Made* and *Financial Statements of Not-for-Profit Organizations*, respectively. Statement 116 requires, among other things, the recognition at fair value of contributions received, including unconditional promises to give, in the period received. Statement 117 establishes standards for general-purpose external financial statements. Focusing on the entity as a whole, this Statement requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows, and that net assets and the changes in net assets be classified as permanently restricted, temporarily restricted, or unrestricted.

Statements 116 and 117 will be adopted by the College no later than the fiscal year ending May 31, 1996. The effect of these new standards on the College's financial statements is unknown at this time.

Reclassifications - Certain amounts appearing in the 1994 financial statements have been reclassified to conform with the 1995 presentation.

NOTE 2 - STUDENT LOANS

Student loan funds are provided by the Federal government and private donors. They are revolving funds in which repayments are used to make loans available to other students.

The student loan fund assets as of May 31, 1995 are as follows:

	Perkins Loan Funds	Nursing Loan Funds	College Loan Funds	Total
Cash	$ 394,213	$ 20,101		$ 414,314
Student notes, net	5,529,887	75,855	$ 2,822	5,608,564
Due from U.S. Government	31,396			31,396
Other receivables			2,820	2,820
Due from unrestricted current fund			20,441	20,441
	$ 5,955,496	$ 95,956	$ 26,083	$6,077,535

NOTE 3 - ENDOWMENT INVESTMENTS

The following summarizes the College's endowment investments at May 31, 1995 and 1994.

	1995 Cost	1995 Market	1994 Cost	1994 Market
Cash and cash equivalents	$ 3,134,688	$ 3,134,700	$1,627,593	$1,627,600
Marketable securities				
U.S. Government and agency securities	1,793,305	1,822,700	1,789,836	1,687,000
Other fixed income securities	904,872	959,500	861,171	844,000
Stocks	4,924,468	5,488,600	4,994,581	5,192,000
Cash surrender value of life insurance policies and contracts	603,894	603,900	513,940	513,900
Other	30,062	30,000	25,527	25,500
	$11,391,289	$12,039,400	$9,812,648	$9,890,000

NOTE 4 - MARKETABLE SECURITIES

The following summarizes the College's marketable securities at May 31, 1995 and 1994:

	1995 Cost	1995 Market	1994 Cost	1994 Market
U.S. Government and agency securities	$ 419,042	$ 412,400	$ 451,851	$ 435,000
Other fixed income securities	891,505	952,700	903,763	941,000
Stocks	343,351	393,900	272,626	284,000
Mutual funds	187,892	191,200	169,485	162,000
	$ 1,841,790	$ 1,950,200	$1,797,725	$1,822,000
Fund Allocation				
Unrestricted current fund	$ 51,277	$ 57,600	$ 29,182	$ 18,000
Restricted current funds	62,638	62,900	59,710	60,000
Deferred gift funds	1,727,875	1,829,700	1,708,833	1,744,000
	$ 1,841,790	$ 1,950,200	$1,797,725	$1,822,000

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS
May 31, 1995

NOTE 5 - CONSTRUCTION IN PROGRESS

Construction in progress of $612,773 consisted of costs to date for renovation of the dining hall, lower level Anderson Hall, Mortensen Hall room repair and campus signage. The total costs of these projects upon completion is expected to approximate $752,000.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at May 31, 1995 and 1994:

	May 31, 1995	May 31, 1994
Land	$ 2,589,147	$ 2,549,147
Buildings	28,916,514	28,959,219
Improvements other than buildings	4,570,548	4,175,657
Equipment and library books	7,537,762	7,220,751
	43,613,971	42,904,774
Less: Accumulated depreciation	16,106,216	14,972,645
	$27,507,755	$27,932,129

NOTE 7 - DORMITORY AND STUDENT UNION BONDS OF 1966

These bonds were issued by the College to the U.S. Government to finance Urness Tower Dormitory and the College Center. The bonds bear interest at the rate of 3% and mature in amounts from $60,000 to $100,000 annually on April 1, 1996 to 2016. The outstanding balance at May 31, 1995 was $1,590,000.

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.

NOTE 8 - LONG-TERM NOTES AND LEASES PAYABLE TO MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

The following is a summary of the notes and leases payable to the Minnesota Higher Education Facilities Authority.

	Original Balance	Balance as of May 31, 1995	Balance as of May 31, 1994
Series A bonds of 1972	$2,200,000	$ 1,730,000	$ 1,775,000
Series Two-Z notes of 1990	900,000	344,426	484,190
Series Three-G bonds of 1992	9,645,000	9,445,000	9,645,000
Series Three-P lease and purchase agreement	1,560,000	1,510,000	1,560,000
		$13,029,426	$13,464,190

Series A Bonds of 1972 - Under a trust indenture dated December 1, 1972, the Minnesota Higher Education Facilities Authority sold First Mortgage Revenue Bonds totaling $2,200,000 and leased the project (Mortensen Hall) to the College. The bonds bear interest at rates varying from 5.4% to 5.6% and mature in amounts from $50,000 to $165,000 annually on December 1, 1995 to 2012.

NOTE 8 - LONG-TERM NOTES AND LEASES PAYABLE TO MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY (Continued)

Series Two-Z Notes of 1990 - On June 27, 1990, the College entered into a loan and note purchase agreement with the Minnesota Higher Education Facilities Authority. Series Two-Z notes totaling $900,000 were issued with two maturity dates and interest rates. The five-year note in the amount of $442,490 with an 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 an interest rate of 7.54% matures in 2000 with semiannual principal and interest payments of $32,982. The notes are a general obligation of the College, additionally secured by a purchase money security interest in the telephone and computer equipment.

Series Three-G Bonds of 1992 - On May 1, 1992, the Minnesota Higher Education Facilities Authority issued $9,645,000 of Mortgage Revenue Bonds and entered into a loan agreement with the College. The bonds mature annually on January 1, 1996 through January 1, 2004 in amounts ranging from $215,000 to $340,000. Term bonds in the amount of $3,055,000 and $3,940,000 mature on January 1, 2011 and January 1, 2017, respectively. The term bonds are subject to annual mandatory sinking fund redemption in installments ranging from $360,000 to $715,000, at the option of the Minnesota Higher Education Authority. All bonds maturing on or after January 1, 2001 may be redeemed prior to maturity on any interest payment date. The interest rate varies from 5.10% to 6.50% with interest payable semiannually each July 1 and January 1. The loan repayments are a general obligation of the College and are secured by a mortgage lien on certain of the College campus facilities and a security interest in the net revenues and income from these facilities. In addition, payment of the principal and interest on the bonds when due is guaranteed by a municipal bond insurance policy issued by Connie Lee Insurance Company.

Series Three-P Lease and Purchase Agreement of 1993 - On April 28, 1993, the College entered into a sublease and purchase agreement with the Minnesota Higher Education Facilities Authority. The agreement was for the amount of $1,560,000 at an interest rate of 6.08%. A principal loan repayment of $50,000, plus interest from June 1, 1995, is due December 1, 1995. Semiannual principal and interest payments of $129,601 will then be made from June 1, 1996 through December 1, 2002. The project funded improvements to the athletic field of the College which were completed in August 1993. The College granted a security interest in the project equipment to Norwest Investment Services, Inc., the lender in the transaction.

NOTE 9 - OTHER NOTES PAYABLE

On January 14, 1993, Augsburg College entered into a promissory note agreement with the United States Department of Education. Proceeds from the note in the amount of $168,500 will be repaid at a 3% annual interest rate. The note agreement provides for semiannual payments of $13,473, including principal and interest, from July 1, 1995 through January 1, 2000. The loan proceeds were used to fund energy-efficient equipment for the College and a security interest was granted in this equipment to the lender. The outstanding note balance at May 31, 1995 was $124,253.

Contracts and mortgages payable totaled $313,130 and mature on various dates from 1996 to 2005. These balances related to the acquisition of residential real estate properties which have been pledged on the loans. Interest rates range from 5.4% to 9.5%.

At May 31, 1995, the College was indebted to various individuals on loan certificates payable totaling $16,029. The majority of the certificates are due on demand and bear interest at 6% per annum.

During 1995 the College received a $100,000 interest-free loan from Marriot Corporation. The loan funded a portion of the dining hall improvements and is payable over 10 years. The balance of $95,968 at May 31, 1995, is included in the unexpended plant fund.

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS
May 31, 1995

NOTE 10 - FUTURE MATURITIES OF LONG-TERM DEBT AND INTEREST EXPENSE

Annual maturities of all long-term debt, including lease obligations, for each of the five years subsequent to May 31, 1995 are $830,000, $743,000, $790,000, $841,000, and $1,004,000, respectively. Total interest cost for the year ended May 31, 1995 was $920,604.

NOTE 11 - INTERFUND BORROWING

At May 31, 1995, long-term interfund borrowings included the following item:

Balance due from the investment in plant fund to the unrestricted current fund for plant projects	$1,215,033

All interfund borrowings of the College are payable without interest.

NOTE 12 - 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 1997. Certain minimum payments are required irrespective of the College taking delivery of steam. Estimated future minimum payments remaining at May 31, 1995 amounted to approximately $42,000.

NOTE 13 - PLEDGES

At May 31, 1995, the College has outstanding pledges receivable approximating $4,940,000 designated for the following purposes:

Unrestricted	$ 38,000
Restricted	187,000
Endowment	862,000
Plant	3,853,000
	$4,940,000

The pledges are expected to be collected over the next ten-year period. It was not practicable to estimate the net realizable value of these pledges.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash, short-term investments, marketable securities and other investments, receivables and notes, mortgages and contracts for deed. The College places substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution; however, cash balances may periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. Concentrations of credit risk with respect to the notes, mortgages and contracts for deed are limited due to the College holding a secured position in these agreements. Notes and other receivables are due from a variety of sources concentrated primarily in the midwestern United States. As of May 31, 1995, management considers the College to have no significant concentration of credit risk.