OFFICIAL STATEMENT DATED JULY 18, 2006

NEW ISSUE **Rating: Moody's Baa2**

In the opinion of Bond Counsel, according to present State of Minnesota and federal laws, regulations and rulings, assuming compliance with certain covenants, the interest on the Bonds is not includable in gross income for federal income tax purposes or in net taxable income of individuals, estates and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals and corporations. 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.")

$15,655,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Six-J1
(Augsburg College)

(DTC Book Entry Only)

Dated Date: July 1, 2006 **Interest Due: May 1 and November 1, commencing November 1, 2006**

The Bonds are to mature on May 1 as follows:

Year	Amount	Rate	Yield	CUSIP: 60416H	Year	Amount	Rate	Yield	CUSIP: 60416H
2013	$320,000	5.00%	4.51%	HG 2	2016	$375,000	5.00%	4.66%*	HK 3
2014	$340,000	5.00%	4.56%	HH 0	2017	$390,000	5.00%	4.71%*	HL 1
2015	$355,000	5.00%	4.61%	HJ 6					

$ 730,000	5.00%	Term Bond due May 1, 2010	Price 102.226%	CUSIP 60416H HD 9
$ 595,000	5.00%	Term Bond due May 1, 2012	Price 102.761%	CUSIP 60416H HF 4
$1,295,000	5.00%	Term Bond due May 1, 2020	Price 101.052%	CUSIP 60416H HP 2
$4,540,000	5.00%	Term Bond due May 1, 2028	Price 100.000%	CUSIP 60416H HQ 0
$6,715,000	5.00%	Term Bond due May 1, 2036	Price 98.469%	CUSIP 60416H HR 8

* *Priced to the May 1, 2015 optional call date.*

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), at the direction of Augsburg College (the "College"), a Minnesota nonprofit corporation, the Bonds are subject to redemption prior to maturity on May 1, 2015 or thereafter at par in whole or in part, as described herein. The Bonds also are subject to extraordinary optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and the Indenture. The Bonds are subject to extraordinary optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. The Term Bonds are subject to mandatory redemption in installments as described herein. See "THE BONDS – Prior Redemption" and "THE BONDS – Determination of Taxability" 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 Appendix VI, "THE DEPOSITORY TRUST COMPANY – Book Entry System" herein. Wells Fargo Bank, 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 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 will be a general obligation of the College.

THE BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA (THE "STATE"), NOR SHALL THEY CONSTITUTE A DEBT FOR WHICH THE FAITH AND CREDIT OF THE AUTHORITY OR THE STATE, 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 opinion as to validity and tax exemption of the Bonds by McGrann Shea Anderson Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Moore, Costello & Hart, P.L.L.P., Saint Paul and Minneapolis, Minnesota; and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter at DTC on or about July 27, 2006.

Dougherty & Company LLC

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, DTC, the Financial Advisor, the Underwriter and the Trustee, has been obtained from the College and is not guaranteed as to accuracy or completeness. Information relating to the Authority, DTC, the Financial Advisor, the Underwriter and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the 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 of such documents have not been included as appendices hereto, they will be furnished on request.

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

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

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

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

Any CUSIP numbers for the Bonds included in this Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds have been assigned by an organization unaffiliated with the Authority. The Authority is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth in this Official Statement. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

David D. Rowland, Chair	Senior Vice President, The St. Paul Travelers Companies, Inc., Eden Prairie, Minnesota
Michael D. Ranum, Vice Chair	Chief Financial and Administrative Officer, Hazelden Foundation, Circle Pines, Minnesota
Mary F. Ives, Secretary	Real Estate Business Owner, Grand Rapids, Minnesota
Gary D. Benson	Vice President, Kraus-Anderson Construction Company, Midwest Division, New Brighton, Minnesota
Kathryn Balstad Brewer	Retired Banker and Educator, New Brighton, Minnesota
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota
Mark Misukanis (Ex Officio)	Director of Fiscal Policy and Research, Minnesota Office of Higher Education, Saint Paul, Minnesota
Carla Nelson	Business Development and Marketing Director, Olmsted Financial Group, Rochester, Minnesota
Raymond VinZant, Jr.	Policy Representative, Office of U.S. Senator Norm Coleman, Saint Paul, Minnesota

There is one vacancy on the Board.

Marianne T. Remedios, Executive Director

Bond Counsel
McGrann Shea Anderson Carnival Straughn & Lamb, Chartered

Financial Advisor
Springsted Incorporated

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$15,655,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES SIX-J1
(Augsburg College)

(DTC BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota, and Augsburg College (the "College"), a Minnesota non-profit corporation and 501(c)(3) organization and the owner and operator of an institution of higher education with its campus located in Minneapolis, Minnesota, in connection with the issuance of the Authority's $15,655,000 Revenue Bonds, Series Six-J1 (Augsburg College) (the "Bonds," the "Series Six-J1 Bonds" or the "Issue").

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

The Bonds are also being issued pursuant to the Trust Indenture (the "Indenture") dated as of July 1, 2006 between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") dated as of July 1, 2006 between the College and the Authority relating to the Bonds, the Authority is loaning the proceeds of the Bonds to the College, and the College will covenant as a general obligation of the College to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The Bond proceeds, along with a portion of the proceeds of the Authority's Variable Rate Demand Revenue Bonds, Series Six-J2 (Augsburg College) and available College funds, will be used to finance the cost of constructing, equipping, and furnishing the Gateway project, a new multi-purpose facility which includes student housing, commercial space, administrative office space, classroom space and underground parking (the "Gateway Project"), to fund a Reserve Account, and to pay certain costs associated with the issuance of the Bonds.

The Bonds are secured by a pledge of the Loan Repayments, which are a general obligation of the College. Under the Loan Agreement, the College will agree to provide the funds necessary to make timely payment of the Loan Repayments. See "SOURCE OF PAYMENT FOR THE BONDS" herein.

The Bonds are also secured by the Reserve Account created under the Indenture and held by the Trustee. The Reserve Account will be funded in the amount of the Reserve Requirement from proceeds of the Bonds. (See "ACCOUNTS – Reserve Account" herein.)

The Bonds shall not be legal or moral obligations of the State, nor shall they constitute a debt for which the faith and credit of the Authority or the State, 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.

CONCURRENT FINANCING

By means of a separate Official Statement, to be dated on or about July 19, 2006, the Authority expects to offer its $5,000,000 Variable Rate Demand Revenue Bonds, Series Six-J2 (Augsburg College) (the "Variable Rate Bonds") which are expected to be issued concurrently with the Bonds and the proceeds of which will be loaned to the College and used for financing the constructing, equipping and furnishing of an addition to the College's existing Si Melby athletic facility; financing a portion of constructing, equipping, and furnishing of the Gateway Project; financing the renovation and expansion of the President's House, also known as the Augsburg House and Event Center; and paying certain costs associated with issuing the Variable Rate Bonds. The College expects to repay the Variable Rate Bonds in substantial part from future receipts of gifts and contributions.

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 by the Authority to the Trustee of amounts payable by the College under the Loan Agreement, and (b) amounts in the Reserve Account and other accounts and funds which will be held by the Trustee and applied to the payment of principal, premium, if any, and interest on the Bonds. The Bonds are not secured by a mortgage on or security interest in any real property or personal property. If an Event of Default occurs, there can be no assurance that security for the Bonds will be sufficient to pay the principal of, premium, if any, or interest on the Bonds when due.

Adequacy of Revenues; Prior and Future Liens

Payment of principal of and interest on the Bonds is intended to be made from the College's Loan Repayments. The College's ability to make Loan Repayments will be dependent on its ability to receive sufficient unrestricted revenues in excess of expenditures. The receipt of such revenues and the College's expenditures are subject to many conditions and factors, some of which may be beyond the control of the College and may change in the future to an extent that cannot be presently determined. Certain debt of the College is secured by prior pledges of fees and tuition and by mortgage liens, and the property pledged or mortgaged would not be available to pay Bondholders until the debt so secured has been paid. In addition, except to the extent limited, if at all, by agreements in connection with the Variable Rate Bonds or by other agreements the College may enter into in the future, the College may grant mortgages or security interests in any of its property to secure existing or future indebtedness and the holders of such secured indebtedness would have a claim on that property that is senior to the unsecured claim of the Bondholders. See Appendix I, "THE COLLEGE – Long-Term Indebtedness of the College."

Competition

Competition among institutions of higher education is intense. Universities and colleges compete principally based on location, tuition rates, degree offerings, and academic reputation. To the extent that competitors have or achieve an advantage with respect to any of these factors, the College could be adversely affected. In addition, competitive pressures could result in tuition reductions or the inability to raise tuition, which could adversely affect or change the College's unrestricted net assets.

Reliance on Tuition

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

Financial Aid

In Fiscal Year 2004/05 approximately 86% of the College's students received some federal, state or College financial aid covering some portion of tuition and fees or living expenses. No assurance can be given that federal, state or College financial aid will continue to be funded at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues. See also Appendix I, "THE COLLEGE – Financial Aid."

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.

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 Indenture, or the Bonds or the other obligations of the College under such documents. Accordingly, for payment of principal of and interest on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the College under the Loan Agreement and other funds, if any, the Trustee holds under the Indenture.

Bankruptcy

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

Construction Risks

The College has entered into a guaranteed maximum price contract for the Gateway Project. See "USE OF PROCEEDS" herein. However, construction of the Gateway Project is subject to ordinary risks associated with new construction, such as risks of cost overruns, noncompletion and delays due to a variety of factors, including, among other things, site difficulties, necessary design changes or final detailing, labor shortage or strife, delays in and shortages of materials, weather conditions, fire and casualty. Any delays in construction may adversely impact the College's ability to complete the Project by the expected completion date, which may result in, among other things, cost overruns and loss of expected rent or operating income.

Derivative Products

The College may enter into interest rate swaps or other similar arrangements in the future. Under certain market conditions, termination of an interest rate swap agreement prior to its expiration may require the College to pay a termination fee to the counterparty to the agreement and such payment could be material to the College. The College currently has no interest rate swaps or other similar agreements.

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

2. Adoption of federal, state or local legislation or regulations, such as limitations on tuition increases, having an adverse effect on the future operating or financial performance of the College.

3. International events, including any acts of war and terrorism, which may have adverse effects on enrollment and investments.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the College will enter into an undertaking (the "Undertaking") with the Trustee for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the College to certain information repositories annually, and to provide notices of the occurrence of any of the 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, "INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE," contains a summary of the financial information and operating data to be provided annually. The Continuing Disclosure Agreement may be amended under certain circumstances as permitted by the Rule. Furthermore, the College has reserved its right to discontinue providing information required by the Continuing Disclosure Agreement or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the College determines that such modification is required by the Rule. The College has never failed to comply with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the College to comply with the Undertaking will not constitute an event of default on the Bonds (although holders may 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.

Any filing under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

THE BONDS

General

The Bonds will be dated July 1, 2006. The Bonds will mature on May 1, commencing May 1, 2010, in the years set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each May 1 and November 1, commencing November 1, 2006.

Prior Redemption

Mandatory Redemption

The Bonds maturing on May 1 in the years 2010, 2012, 2020, 2028 and 2036 (the "Term Bonds") shall be called for redemption on May 1 in the years and in the principal amounts set forth immediately below, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account.

Term Bond Due May 1, 2010

Year	Amount
2008	$225,000
2009	$225,000
2010	$280,000*

Term Bond Due May 1, 2012

Year	Amount
2011	$290,000
2012	$305,000*

Term Bond Due May 1, 2020

Year	Amount
2018	$410,000
2019	$430,000
2020	$455,000*

Term Bond Due May 1, 2028

Year	Amount
2021	$475,000
2022	$500,000
2023	$525,000
2024	$550,000
2025	$580,000
2026	$605,000
2027	$635,000
2028	$670,000*

Term Bond Due May 1, 2036

Year	Amount
2029	$705,000
2030	$740,000
2031	$775,000
2032	$815,000
2033	$855,000
2034	$895,000
2035	$940,000
2036	$990,000*

* *Final Maturity*

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

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

1. have been delivered to the Trustee for cancellation; or

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

Optional Redemption

At the College's direction, the Authority may elect to redeem Bonds in whole or in part on May 1, 2015 and on any day thereafter. All optional redemptions shall be at a price of par plus accrued interest.

Extraordinary Optional Redemption

The Bonds will also be subject to optional redemption at par in integral multiples of $5,000, in whole or in part, plus accrued interest in certain cases of damage to or destruction or condemnation of the Project Facilities and upon a Determination of Taxability as provided in the Loan Agreement (see “THE BONDS – Determination of Taxability” herein and “SUMMARY OF DOCUMENTS – The Loan Agreement” in Appendix V).

Partial Redemption

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

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

Notice of Redemption

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

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date of Taxability effective until the date on which the principal of the Bonds is paid. **If a Determination of Taxability should occur, any monetary damages or loss resulting from**

or incident thereto shall be limited to the increased interest rate on the Bonds. See “TAX EXEMPTION” herein and Appendix IV, “DEFINITION OF CERTAIN TERMS.”

The College has the option to prepay the Loan, in whole or in part, on the next date for which due notice of redemption can be given, and on any date thereafter following a Determination of Taxability, at a price of par and accrued interest (including additional interest from the Date of Taxability and without a premium).

Book Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity. For further information on DTC, see Appendix VI, “The Depository Trust Company” herein

USE OF PROCEEDS

Bond proceeds, College contributions, and a portion of the proceeds from the sale of the Variable Rate Bonds will be used for constructing, equipping, and furnishing a new multi-purpose facility, to be initially known as the Gateway Project, which will include student housing, commercial space, administrative office space, classroom space and underground parking, funding the Reserve Account, and paying certain costs associated with the issuance of the Bonds.

The architect for the Gateway Project is BWBR Architects Total project costs (including site preparation, materials, architectural design services, etc.) are estimated to be $18,700,000. The College has entered into a guaranteed maximum price construction contract with Kraus-Anderson Construction Company to build the Gateway Project for $10,704,900. Additional costs will include the College’s purchase of certain building materials, which the College estimates to be approximately $6,519,000, and costs resulting from any changes in the Project by the College. Site clearing and site preparation are scheduled to begin in July 2006 and the Gateway Project is expected to be completed by September 2007.

The College expects that the Gateway Project will generate additional net revenues approximately equal to the debt service costs on the Bonds. These additional revenues include student housing fees, rental fees, parking and miscellaneous fees. However, the projections and assumptions regarding the generation of additional net revenues have not been independently reviewed or verified and there is no assurance that the net revenues will be realized in the amounts or at the times anticipated by the College.

SOURCES AND USES OF FUNDS FOR THE GATEWAY PROJECT

Sources:	
Bond Proceeds	$15,655,000
Variable Rate Bonds Proceeds	1,055,000
Earnings on Construction Fund	450,000
College Contributions	3,700,000
Total Sources:	$20,860,000
Uses:	
Gateway Project Construction Costs	$18,700,000
Debt Service Reserve	1,040,750
Capitalized Interest	826,389
Costs of issuance, including Underwriter's Discount	281,971
Net Original Issue Discount	10,890
Total Uses:	$20,860,000

In the event Bond issuance costs, including Underwriter's discount, exceed 2% of the Bond proceeds, defined as par less original issue discount, such excess shall be paid by the College from sources other than Bond proceeds.

SOURCE OF PAYMENT FOR THE BONDS

General

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

The Bonds shall not be legal or moral obligations of the State nor constitute a debt for which the faith and credit of the Authority or the State, 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 "GENERAL BOND RESERVE ACCOUNT").

Unsecured General Obligations of the College

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the College, the Reserve Account and other funds, if any, the Trustee holds under the Indenture. 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 will covenant and agree to charge tuition fees, other fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the College as they become due.

Neither the Bonds nor the Loan Agreement are secured by any mortgage on or security interest in any real or personal property of the College. Certain debt of the College is secured by prior pledges of fees and tuition and by mortgage liens, and the property pledged or mortgaged would not be available to pay Bondholders until the debt so secured has been paid. (See "Long-Term Indebtedness of the College" in Appendix I). In addition, except to the extent limited, if at all, by agreements in connection with the Variable Rate Bonds or by other agreements the College may enter into in the future, the College may grant a mortgage or security interest in any of its property to secure existing or future indebtedness and the holders of such secured indebtedness would have a claim on that property that is senior to the unsecured claim of the Bondholders.

Financial Covenants

The College will covenant in the Loan Agreement that:

a. For at least two of the preceding three complete Fiscal Years for which Audited Financial Statements are available, 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; 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.

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 and amortization expense and include (as a reduction to unrestricted net assets) the cost of current-year equipment acquisitions which have been acquired with unrestricted funds and capitalized, (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment, (c) exclude extraordinary gains or losses, (d) exclude gains or losses from refunding or refinancing of indebtedness, and (e) exclude unrealized net gains or losses on unrestricted investments.

“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 required to be paid on Funded Debt during the period; provided that for purposes of calculating Debt Service Coverage Ratio pursuant to the Loan Agreement, Maximum Annual Debt Service of (a) then outstanding Funded Debt and (b) Funded Debt thereafter incurred or proposed to be incurred shall be substituted for total amount of principal of and interest required to be paid 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 incurrence or assumption thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including such indebtedness whenever payable if renewable at the sole option of the 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 from the date of incurrence or assumption by the College 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 the Loan Agreement.

“Net Income Available for Debt Service” means the Adjusted Increase (Decrease) in Unrestricted Net Assets (plus interest payments on Funded Debt, excluding capitalized interest, if any).

“Revenue/Expenditure Test” means the Adjusted Increase in Unrestricted Net Assets shall not be less than zero.

“Test Period” means either the two most recent Fiscal Years for which audited financial statements are available or the most recent Fiscal Year for which audited financial statements are available, as appropriate.

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, LLP in the report of the College's financial statements for the Fiscal Year ended May 31, 2005.

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 Bond and Interest Sinking Fund Account, a Reserve Account and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account, except that the amount of Reserve Requirement 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 Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account and the Redemption Account as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Construction Account

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except those required to be deposited into the Bond and Interest Sinking Fund Account and the Reserve Account. Upon receipt of specified documentation, the Trustee will reimburse, or pay for the account of the College, costs incurred in connection with the Project, including costs of issuance. 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 Redemption Account or the Bond and Interest Sinking Fund Account under certain conditions. The College will agree in the Loan Agreement to provide, out of its own funds, for payment of all Project Costs that exceed the amounts available in the Construction Account and the construction subaccount established for the Gateway Project under the indenture for the Variable Rate Bonds.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. Deposits into the Bond and Interest Sinking Fund Account shall be made at least two Business Days prior to each Interest Payment Date in an amount sufficient, together with other amounts on deposit in such account, to pay interest and principal, if any, coming due on such Interest Payment Date.

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

Reserve Account

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

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the College shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the College for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than as of October 1, 2006 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 to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the 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 30 days.

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

Redemption Account

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

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

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Reserve 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, rated at least in the rating category of “AA” or “Aa”; revenue bond obligations of states and local governments insured by municipal bond insurance and rated “AAA” or “Aaa”; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements collateralized by United States government obligations and certain of its agencies; constant dollar value money market funds that invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements collateralized by United States government obligations and certain of its agencies and which are rated in the highest rating category by a national rating agency; 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 in the highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. The Indenture sets forth further restrictions as to type and maturity of investments.

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.

FUTURE FINANCING

The College regularly improves, expands and changes its physical plant and incurs long-term financing as needed for these purposes. Other than the Bonds and the Variable Rate Bonds the College does not anticipate financing any projects with debt within the next six months.

The College is in the initial planning stages for a science building which may be financed in whole or in part through debt. Timing of the project and the amount of debt financing to be used for the project is uncertain.

THE AUTHORITY

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

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

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $800 million. The Authority has had 154 issues (including refunded and retired issues) totaling over $1 billion, of which approximately $643 million is outstanding as of June 1, 2006. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

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

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

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

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

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

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

FINANCIAL ADVISOR

The Authority has retained Springsted Incorporated, Public Sector Advisors, of Saint Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon 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 & Company LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of $15,495,387.20 (representing the aggregate principal amount of the Bonds less net original issue discount of $10,890.30 and less an Underwriter's discount of $148,722.50) plus accrued interest with respect to the 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 "Baa2" to the Bonds. This rating reflects only the view of such rating agency. Further information concerning such rating is available from Moody's.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the College are not aware of any pending or overtly threatened in writing litigation which would affect the validity of or the tax-exempt nature of the interest on the Bonds or materially affect the ability of the 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 McGrann Shea Anderson Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the College by Moore, Costello & Hart, P.L.L.P., of Saint Paul and Minneapolis, Minnesota; and for the Underwriter by Faegre & Benson LLP, 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 by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and the 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 "SUMMARY OF DOCUMENTS – The Loan Agreement – Determination of Taxability" in Appendix V). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

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, 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.

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

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

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

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

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

Original Issue Premium

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

Original Issue Discount

The initial public offering price of the Term Bond maturing on May 1, 2036 (the “Discount Bond”) is less than the amount payable on such Bond at maturity. The difference between the initial public offering price of the Discount Bond (assuming a substantial amount of the Discount Bond is sold at such price) and its principal amount represents original issue discount. 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 America (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 Office of Higher Education 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, three College administrators, and two students.

<u>Board of Regents</u>

Chairperson* Jean M. Taylor	President, Taylor Corporation, Eagan, Minnesota
Secretary* Jackie P. Cherryhomes	Government Relations Consultant, Cherryhomes-Tyler LLC, Minneapolis, Minnesota
Vice Chairperson* H. Theodore Grindal	Partner, Lockridge, Grindal, Nouen P.L.L.P., Minneapolis, Minnesota
Treasurer* Joan L. Volz	Officer, First District Bar Association, Minneapolis, Minnesota

* *New Board officers will take office on September 1, 2006. H. Theodore Grindal will become the Chairperson, Dean C. Kopperud will become the Vice Chair, Dan W. Anderson will become the Treasurer and Jackie P. Cherryhomes will retain the Secretary position.*

Additional Members

Dan W. Anderson	President, Swenson Anderson Financial Group, Minneapolis, Minnesota
The Rev. Gary E. Benson	Directing Pastor, Zumbro Lutheran Church, Rochester, Minnesota
Michael O. Freeman	Partner, Lindquist & Vennum, P.L.L.P., Minneapolis, Minnesota
Anthony Genia, M.D.	Emergency Dept, Physician, Fairview University Medical Center, Minneapolis, Minnesota
Michael R. Good	President and Chief Executive Officer, Sotheby's International Realty Affiliates, Inc., Parsippany, New Jersey
Jodi Harpstead	Vice President and Chief Advancement Officer Lutheran Social Service of Minnesota
Norman Hagfors	Founder and President (retired) of Norsen, Inc. Minneapolis, Minnesota
James E. Haglund	President/Owner, Central Container Corporation, Minneapolis, Minnesota
Dr. Ruth E Johnson	Assistant Professor of Medicine, Mayo Medical School; founder, Mayo Breast Clinic, Rochester, Minnesota
Dean Kennedy	President, TFI, Dallas, Texas
Dean C. Kopperud	Director of Sales, Oppenheimer Funds, Inc. New York, New York
Gloria C. Lewis	Executive Director Big Brothers Big Sisters of the Greater Twin Cities, Minneapolis, Minnesota
Jennifer H. Martin	Senior Vice President of Human Resources, Thrivent Financial for Lutherans, Minneapolis, Minnesota
Mary O. McNeff	Professor Emeritus and Dean (retired) Augsburg College, Minneapolis, Minnesota
Paul S. Mueller, M.D.	Internal Medicine Consultant, Mayo Clinic Rochester, Minnesota
Ronald G. Nelson	Vice President and Controller (retired), 3M, Saint Paul, Minnesota
Beverly Oren	Dart Transit (retired), Saint Paul, Minnesota
Wayne G. Popham	Attorney, Popham Law Office, Minneapolis, Minnesota

The Rev. Peter Rogness	Bishop, Saint Paul Area Synod of the Evangelical Lutheran Church of America, Saint Paul, Minnesota
Glen J. Skovholt	President, Government and Community Strategies, Saint Paul, Minnesota
Philip R. Styrlund	President, The Summit Group, Apple Valley, Minnesota
P. Dawn (Heil) Taylor	CEO, Silver Glade Properties, LLC, Des Moines, Iowa
Emily Anne Tuttle	Former Minnesota State Senator, Former Hennepin County Commissioner, Orono, Minnesota
The Rev. Harold L. Usgaard	Bishop, South Eastern Minnesota Synod of the Evangelical Lutheran Church of America
Sandra Vargas	County Administrator, Hennepin County, Minneapolis, Minnesota

President

Paul C. Pribbenow, Ph.D., formerly president of Rockford College in Rockford, Illinois, was recently elected as the 11th president of Augsburg College by its Board of Regents. Dr. Pribbenow took office on July 1, 2006.

Dr. Pribbenow received his bachelor's degree in sociology/political science from Luther College, and his master's degree in divinity and his doctorate in social ethics from the University of Chicago.

Prior to his tenure at Rockford College, Dr. Pribbenow served as research fellow for the Center of Inquiry in the Liberal Arts at Wabash College in Indiana, and dean for College Advancement and secretary to the Board of Trustees. Prior to that position, he served as vice president for Institutional Advancement for The Art Institute of Chicago. He has also served as associate dean of the Divinity School of The University of Chicago.

Dr. Pribbenow succeeds William V. Frame, Ph.D. who served as President of Augsburg College from May 1997 through June 2006. Prior to joining Augsburg, Dr. Frame was vice president for finance and operations at Pacific Lutheran University in Tacoma, Washington.

Vice President, Finance and Administration

Mr. Richard Adamson is Vice President of Finance and Administration, a position he has held since 1999. In that position he serves as Chief Financial Officer of the College and contributes to overall College strategy and operations as a key member of the executive team of the College. Mr. Adamson is a Certified Public Accountant, and worked for the public accounting firm of Adrian Helgeson & Company for six years from 1983 to 1989. In 1989 Mr. Adamson was hired by Augsburg College as the Controller, a position he held up to 1999 when he was promoted to the Vice President of Finance and Administration position. Mr. Adamson earned his Bachelor's degree from the University of St. Thomas in 1983.

Campus

The College's 24-acre main campus is located near downtown Minneapolis, adjacent to the University of Minnesota West Bank campus and Fairview University Medical Center (Riverside Campus). Most of the campus buildings except Si Melby Hall, the sports and physical education center, and the Ice Arena are connected by a system of tunnels, ramps and skyways for weather protection and handicapped access. Major College buildings, including a brief description, are listed below. The year of construction is in parenthesis.

Augsburg House and Events Center -– located on West River Road and used for College events, and as the residence of the College’s President..

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

Lindell Library — contains the library, reading rooms, seminar rooms, work rooms, Information Technology Department, art gallery, Augsburg archives, classrooms, and faculty offices. (1996)

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 handicap accessible in 1990. It is included on the National Register of Historic Places. (1900)

Science Hall — houses classrooms, laboratories, a medium-sized auditorium, faculty and administration offices. (1949)

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

George Sverdrup Hall — contains offices and classrooms. (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 — houses 192 students in apartment-style 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 —contains 104 one- and two-bedroom apartments to accommodate 312 upper-class students. (1973)

New Hall — Apartment style living for upperclassmen. This building houses 165 students on three levels and has underground parking for 54 cars in the lower level. (1999)

Approximately 54% 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 Music Therapy, Nursing (Weekend College only), Space Physics and Social Work. Students may elect a Bachelor of Science degree program for the majors of Chemistry, Computer Science, and Physics. The Bachelor of Music degree is awarded to graduates with majors in Music Education and Music Performance.

The College offers undergraduate degrees in over 50 major areas of study. The College also grants six graduate degrees: the Master of Business Administration, the Master of Arts in Education, the Master of Arts in Leadership, the Master of Social Work, the Master of Arts in Nursing, and the Master of Science in Physician Assistant Studies, Minnesota’s only Physician Assistant training program. Majors in the Sciences, Business-related fields, and the teacher licensure program, which has been preparing K-12 teachers since 1923, are the top three areas of study.

Academic Calendar

The College follows the 4-4 calendar, with fall and spring semesters of approximately 14 weeks. Full-time students normally take four courses each semester. 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. In addition to classes offered on campus, Augsburg offers a variety of travel opportunities within the United States and abroad. Among the many Day and Weekend College options are independent or directed study opportunities and internships.

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 normally 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 thirteen majors plus six graduate majors: Accounting, Business Administration (specializations in finance, international business, management, and marketing), Communication (concentrations in general communication, public relations, human relations, and studio art communication), Computer Science, Economics, History, Elementary and Secondary Education, English, Management Information Systems, Nursing, Psychology, Religion and Social Work.

The College also offers a Bachelor of Science degree for a nursing degree completion program in Rochester, Minnesota. The nursing degree completion program began in the fall of 1998 and is provided through the Weekend College.

Graduate Program

The College offers six graduate degree programs: the Master of Arts in Leadership, Master of Social Work, Master of Arts in Nursing, Master of Arts in Education (MED), Master of Business Administration (MBA), and Master of Science in Physician Assistant Studies. The College implemented the MED program in the fall of 2002 and the MBA program in the fall of 2004. Recent growth in the number of graduate FTEs is largely the result of these programs.

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

The College began offering a cohort based MBA program in the fall of 2004. The program has been well received and it has quickly grown from approximately 50 students in 2004 to close to 300 students today. The College expects enrollment for the MBA Program to stabilize slightly above current levels.

Student Body

The 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
2001	1,663	1,773	852	101	1,183	2,690	2,964
2002	1,635	1,726	887	189	1,303	2,802	3,030
2003	1,739	1,778	857	263	1,394	2,859	3,172
2004	1,778	1,826	862	392	1,549	3,032	3,375
2005	1,691	1,827	826	567	1,737	3,084	3,564

Of the full-time students enrolled for the fall 2005 semester, approximately 86.4% were Minnesota residents, 11.2% were from other states and 2.4% were from foreign countries.

Applications, Acceptances and Enrollments

Day School Freshmen:

Year	Applicants	Acceptances	Enrolled	Acceptance Ratio	Enrollment Ratio
2001	869	656	337	75.5%	51.4%
2002	827	663	332	80.2%	50.1%
2003	883	723	348	81.9%	48.1%
2004	922	729	343	79.1%	47.1%
2005	996	758	320	76.1%	42.2%

As of June 20, 2006 1,175 freshman applications have been received, which is a 21.3% increase over 2005 freshman applications.

Day School Transfers:

Year	Applicants	Acceptances	Enrolled	Acceptance Ratio	Enrollment Ratio
2001	308	238	165	77.3%	69.3%
2002	300	246	192	82.0%	78.9%
2003	312	279	181	89.4%	64.9%
2004	324	257	173	79.3%	67.3%
2005	339	292	171	86.1%	58.6%

As of June 20, 2006 310 transfer applications have been received, which is a 9.2% increase over 2005 transfer applications. The highest number of transfer requests generally occur in July and August.

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 2002/03 through 2006/07.

	2002/03	2003/04	2004/05	2005/06	2006/07
Tuition and Fees	$17,825	$18,900	$20,260	$21,460	$22,900
Room	2,900	3,010	3,100	3,250	3,396
Full Board	2,790	2,890	2,980	3,090	3,208
Other Student Charges*	368	582	498	493	493
Total	$23,883	$25,382	$26,838	$28,293	$29,997

* *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 $2,860 per credit for courses taken in 2006/07. The graduate program charges $1,764 per graduate course credit and the Weekend College program charges $1,540 per course credit for 2006/07.

2006/2007 Undergraduate Rate Comparison of Minnesota Private Colleges
(Ranked by Comprehensive Charges)

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges
Carleton College	$34,272	$8,592	$42,864
Macalester College	31,038	7,982	39,020
St. Olaf College	28,200	7,400	35,600
Gustavus Adolphus College	26,700	6,400	33,100
University of St. Thomas	24,808	7,410	32,218
Hamline University	25,040	7,072	32,112
Minneapolis College of Art & Design	26,110	6,000	32,110
College of Saint Benedict	24,924	6,898	31,822
Saint John's University	24,924	6,496	31,420
College of St. Catherine	24,388	6,432	30,820
College of St. Scholastica	23,574	6,514	30,088
Augsburg College	**23,393**	**6,604**	**29,997**
Concordia University, Saint Paul	22,378	6,596	28,974
Bethel College	22,700	7,140	29,840
Saint Mary's University of Minnesota	20,719	5,920	26,639
Concordia College, Moorhead	20,980	5,090	26,070
Bethany Lutheran College	16,508	5,278	21,786
AVERAGE	$24,744	$6,696	$31,440

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

NOTE: Comprehensive charges are reduced for many students through financial assistance. Approximately 90 percent of private college students apply for and receive financial assistance, with the amounts and types of aid determined in relation to family resources, calculated need, government formulas and financial aid funding and other factors. Typical assistance provided to students includes Federal and State grants (if applicant qualifies), institutional grants, loans and work-study determined in relation to the student's needs and other factors.

Source: The Minnesota Private College Research Foundation

Faculty and Staff

The teaching student-faculty ratio for 2005/2006 was 14 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 163 full-time and 193 part-time teaching faculty, for a total of 356 members.

Total employment of faculty and staff is approximately 679. The total compensation for faculty and staff, including benefits, for Fiscal Year 2005/2006 was approximately $28.6 million.

Compensation of Full-Time Instructional Faculty

Academic Rank	Number of Faculty	Average Total Compensation
Professor	35	$65,431
Associate Professor	59	52,887
Assistant Professor	61	46,105
Instructor	8	39,548

Of the full-time faculty, 122 hold PhDs or terminal degrees in their fields and 41 hold Master's degrees. Approximately 56% are tenured.

Online Education Services

Capella University, a for profit provider of undergraduate and graduate online education services, has engaged the College to develop online learning courses and to provide instruction for those courses. The students enrolling in such courses are students of Capella University and not of the College. Capella University pays the College a fee for the course development and instruction services. The arrangement provides the College with additional revenues and expertise in designing and delivering online courses.

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 approximately $1,470,000 for the Fiscal Year ended May 31, 2005.

Unions

The International Union of Operating Engineers, Local 790, represents regular full-time and part-time maintenance, grounds, and custodial employees working at Augsburg College. The bargaining unit is made up of approximately 37 FTE employees. The current contract expires May 31, 2009. This is the only bargaining unit at the College.

Financial Aid

Approximately 86% 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 four-year summary of direct financial aid for students at the College.

	2001/02	2002/03	2003/04	2004/05
Augsburg College	$ 8,405,352	$ 9,026,594	$10,748,909	$11,916,312
Federal Government[(a)]	13,256,735	13,949,092	16,804,465	18,306,597
State of Minnesota	2,238,463	2,571,813	2,156,461	2,025,749
Other	3,125,785	3,485,169	3,573,394	3,581,363
Total	$27,026,335	$29,032,668	$33,283,229	$35,830,021
Percent of Enrollment Aided[(b)]	83%	83%	84%	86%

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

(b) *For all years shown above, percent of enrollment aided excludes Weekend College students.*

Capital Campaign

The College has announced a capital campaign named "Access to Excellence: The Campaign for Augsburg College" that has a goal of $55,000,000, consisting of $37,000,000 for capital expansion projects, $13,000,000 for endowment, and $5,000,000 for current operations. The campaign is anticipated to be completed in September 2006. The campaign has received approximately $54 million in gifts and pledges through May 31, 2006.

Endowment and Deferred Gifts

The net asset balances for the College's prior three Fiscal Years, as reported in the annual financial statements of the College, are as follows:

May 31	Endowment	Deferred Gifts
2003	$23,305,568	$1,210,298
2004	25,448,984	1,331,879
2005	28,663,679	611,602

Although the earnings on and appreciation of the 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 endowment assets categorized on the College's financial statements as unrestricted net assets could be expended for the general purposes of the College, including payment of principal and interest on indebtedness. The $28,663,679 of endowment assets for the Fiscal Year ended May 31, 2005 consists of $7,441,449 of unrestricted net assets, $0 temporarily restricted assets and $21,222,230 of permanently restricted assets. The endowment assets for Fiscal Year ended May 31, 2006 are estimated to be $30,468,642.

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 normal annual spending rate of the College's endowment fund is at 4% of market value of the fund, as established by Board of Regents policy. The College engages an outside investment advisor.

Gifts and Grants

Gifts and grants revenues received by net asset classification for the College's prior five Fiscal Years, as reported in the annual financial statements of the College, are as follows:

Year Ended May 31	Unrestricted	Temporarily Restricted	Permanently Restricted
2005	$3,980,407	$4,873,632	$2,445,001
2004	3,898,703	4,863,168	640,312
2003	4,222,643	3,246,628	823,106
2002	4,330,074	5,797,157	898,731
2001	4,077,861	3,216,470	1,136,603

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 VII sets forth the financial statements of the College for the year ended May 31, 2005, audited by Virchow, Krause & Company, LLP, Minneapolis, Minnesota. The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

Summaries of Unrestricted Revenues and Expenses

The following table sets forth Statements of Unrestricted Activities for the College's Fiscal Years ended May 31, 2001 through 2005. This table should be read in conjunction with the financial statements found in Appendix VII.

AUGSBURG COLLEGE

STATEMENT OF UNRESTRICTED ACTIVITIES
Years Ended May 31,

	2001	2002	2003	2004	2005
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and fees	$ 35,545,642	$ 36,872,637	$ 39,836,021	$ 45,191,230	$ 50,303,988
Less: Scholarships and grants	(9,646,319)	(10,160,710)	(10,836,610)	(12,259,123)	(13,775,386)
Net tuition and fees	25,899,323	26,711,927	28,999,411	32,932,107	36,528,602
Government grants	2,596,421	2,891,051	2,659,251	2,595,036	2,390,154
Private gifts and grants	1,481,440	1,439,023	1,563,392	1,303,667	1,590,253
Endowment income	189,285	179,893	159,225	150,253	132,162
Investment income (loss)	311,473	224,544	147,669	(50,425)	233,283
Gains (losses) on endowment investments	(2,606,297)	(2,694,982)	(411,484)	221,693	156,706
Sales and services of educational activities	30,444	27,287	30,125	22,003	42,997
Other sources	1,266,842	1,395,201	674,751	437,523	529,875
Sales and services of auxiliary enterprises	6,481,866	6,906,033	7,152,352	7,547,337	7,715,404
Adjustment of actuarial liability	(11,890)	(1,436)	(1,563)	7,805	(1,584)
	35,638,907	37,078,541	40,973,129	45,166,999	49,317,852
Net assets released from restrictions	4,588,841	3,718,105	3,292,550	6,022,844	7,001,025
Total Revenues, Gains and Other Support	40,227,748	40,796,646	44,265,679	51,189,843	56,318,877
EXPENSES AND LOSSES					
Program expenses					
Instruction	19,442,276	20,514,322	22,145,612	23,362,257	25,196,502
Academic support	4,009,551	4,021,718	4,367,050	4,302,087	3,954,469
Public service	1,329,445	1,415,323	1,015,421	328,987	417,724
Student services	5,133,835	5,359,351	5,355,067	5,936,223	6,273,909
Auxiliary enterprises	5,930,155	6,271,449	6,157,441	6,585,936	7,549,860
Support expenses					
Institutional support	6,518,812	6,571,545	6,844,289	8,005,429	8,461,841
Loss on debt refunding	-	-	-	-	581,892
Allocable expenses					
Operation and maintenance of plant	3,181,157	3,143,890	3,496,964	4,019,195	4,235,912
Depreciation and amortization	2,275,511	2,672,269	2,633,638	2,660,038	2,741,558
Interest	1,367,719	1,604,124	1,445,577	1,391,457	1,148,929
Less: Allocated expenses	(6,824,387)	(7,420,283)	(7,576,179)	(8,070,690)	(8,126,399)
Total Expenses and Losses	42,364,074	44,153,708	45,884,880	48,520,919	52,436,197
Change in Net Assets before Reclassifications	(2,136,326)	(3,357,062)	(1,619,201)	2,668,924	3,882,680
Reclassifications	-	-	(74,821)	-	(2,481,311)
Change in Net Assets	(2,136,326)	(3,357,062)	(1,694,022)	2,668,924	1,401,369
NET ASSETS -- Beginning of Year	24,157,484	22,021,158	18,664,096	16,970,074	19,638,998
NET ASSETS -- END OF YEAR	$ 22,021,158	$ 18,664,096	$ 16,970,074	$ 19,638,998	$ 21,040,367

Source: Audited Financial Statements

Long-Term Indebtedness of the College

The following table shows the long-term debt of the College as of June 1, 2006, adjusted for the issuance of the Series Six-J1 Bonds and the Variable Rate Bonds. See below for further discussion.

Date of Issue	Original Amount	Purpose	Final Maturity	Outstanding As of 6-1-06
4-1-66	$ 2,610,000	Dormitory Bonds	4-1-16	$ 875,000
12-1-72	2,200,000	First Mortgage Revenue Bonds Series A	12-1-12	945,000
Various	N/A	Miscellaneous Debt	1-1-09	281,093
12-1-98	2,550,000	Ice Arena Lease	2-1-10	1,185,000
1-1-99	15,840,000	Mortgage Revenue Bonds Series Four-Y	2-1-27	12,355,000
4-1-05	6,780,000	Revenue Bonds Series Six-C	2-1-23	6,780,000
7-1-06	15,655,000	Revenue Bonds Series Six-J1	2-1-36	15,655,000
7-27-06	5,000,000	Variable Rate Bonds Series Six-J2	2-1-21	5,000,000
		Total		$43,076,093

Long-Term Indebtedness as of June 1, 2006

1. $2,610,000 Dormitory and Student Union Bonds of 1966, dated April 1, 1966 ("1966 Bonds") and due annually April 1 through 2016 at 3% interest; $875,000 outstanding. The bonds are a general obligation of the College, secured by a first mortgage on Urness Tower and the College Center, a first lien on and pledge of the net revenues derived from the operations or ownership of the mortgaged facilities, and the student union fees of not less than $30 per year to be charged and collected from each full-time student. For Fiscal Year ended May 31, 2005, student union fees totaled $479,208 and the net revenues of Urness Tower totaled $924,690. The maximum annual debt service on the 1996 Bonds is $104,200.

2. $2,200,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series A, dated December 1, 1972 ("1972 Bonds"); interest rates range from 5.5% to 5.6%; final maturity due December 1, 2012; $945,000 outstanding. The bonds are a general obligation of the College, secured by a first mortgage on Mortenson Tower and its gross revenues, a pledge of 4% of general tuition and fees, a debt service reserve fund, and the Authority's General Bond Reserve. For Fiscal Year ended May 31, 2005, 4% of gross tuition and fees equaled $2,012,000 and gross revenues of Mortenson Tower totaled $1,102,221. The maximum annual debt service on the 1972 Bonds is $174,240.

3. The College has a mortgage, a loan certificate and an interest-free loan outstanding. The mortgage payable relates to the acquisition of residential real estate property which has been pledged on the loan. Monthly payments of $1,424, including interest at 8% are due on the mortgage through January 5, 2009.

   The College is indebted to various individuals on loan certificates payable. The majority of the certificates are due on demand and bear interest at 6% per annum.

   During 1996, the College received interest-free loans from Sodexho Marriot amounting to $110,000. During the year ended May 31, 2003 and 1997, additional interest-free advances of $150,000 and $90,000, respectively, were received. The advances funded a portion of the dining hall improvements and are payable in monthly installments of $1,602.

4. $2,550,000 sale-leaseback arrangement with Hennepin County on the College's Ice Arena Facilities, 1998 ("1998 Ice Arena Lease"); $1,185,000 outstanding. Hennepin County assumed ownership of the Ice Arena Facilities and the College makes annual payments of between $195,460 and $199,545 over a 20-year period ending December 1, 2018. The College could be excluded from using the Ice Arena Facilities during the lease term upon an event of default under the lease. At the earlier of the end of the lease term or prepayment of the lease indebtedness, ownership of the Ice Arena Facilities will revert back to the College.

5. $15,840,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Four-Y, dated January 1, 1999 ("1999 Bonds"); interest rates range from 3.60% to 5.30%, final maturity is October 1, 2027; $12,355,000 outstanding. The bonds are a general obligation of the College and secured by a first mortgage on the student resident hall financed by the Series Four-Y Bonds and the land comprising the project site, and by a debt service reserve fund. The maximum annual debt service on the 1999 Bonds is $1,219,676.

6. $6,780,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-C, dated April 1, 2005 ("2005 Bonds"); interest rates range from 4.15% to 5.00%, final maturity is May 1, 2023; $6,780,000 is outstanding. The bonds are a general obligation of the College and secured by a debt service reserve fund. The maximum annual debt service on the 2005 Bonds is $420,944.

Short-Term Indebtedness

The College maintains a $5,000,000 unsecured line of credit with a local bank, which expires on December 31, 2006. As of June 1, 2006, the College had no borrowings under the line of credit.

Annual Debt Service

The following table shows the College's annual debt service requirements based on the actual debt service on the Bonds and the actual debt service on the College's outstanding debt. The table excludes debt service on the Variable Rate Bonds which the College expects to repay from future receipts of gifts and contributions. Any additional College indebtedness will increase the College's debt service requirements in the future.

Annual Debt Service on the Bonds and Existing Long-Term Debt of the College

Fiscal Year	Debt Service on the Bonds	Outstanding Long-Term Debt Service	Combined Long-Term Debt Service
2007	$ 652,292	$ 2,072,830	$ 2,725,122
2008	1,007,750	2,082,021	3,089,771
2009	996,500	2,072,534	3,069,034
2010	1,040,250	2,069,173	3,109,423
2011	1,036,250	2,014,851	3,051,101
2012	1,036,750	2,021,003	3,057,753
2013	1,036,500	2,009,278	3,045,778
2014	1,040,500	1,989,673	3,030,173
2015	1,038,500	2,209,535	3,248,035
2016	1,040,750	2,189,528	3,230,278
2017	1,037,000	2,062,038	3,099,038
2018	1,037,500	1,743,868	2,781,368
2019	1,037,000	1,752,130	2,789,130
2020	1,040,500	1,549,833	2,590,333
2021	1,037,750	1,549,050	2,586,800
2022	1,039,000	1,550,090	2,589,090
2023	1,039,000	1,547,953	2,586,953
2024	1,037,750	462,388	1,500,138
2025	1,040,250	457,645	1,497,895
2026	1,036,250	461,843	1,498,093
2027	1,036,000	459,848	1,495,848
2028	1,039,250	456,793	1,496,043
2029	1,040,750	-	1,040,750
2030	1,040,500	-	1,040,500
2031	1,038,500	-	1,038,500
2032	1,039,750	-	1,039,750
2033	1,039,000	-	1,039,000
2034	1,036,250	-	1,036,250
2035	1,036,500	-	1,036,500
2036	1,039,500	-	1,039,500
	$30,694,042	$34,783,899	$58,207,941

The table does not include the debt service on the Variable Rate Bonds, the issuance of which will increase long-term debt service above what is shown. Furthermore, any additional College indebtedness will increase the College's debt service requirements in the future.

The following table shows the College's Net Income Available For Debt Service for Fiscal Year ended May 31, 2005, Adjusted Net Income Available for Debt Service for Fiscal Year ended May 31, 2005, maximum annual debt service on the Bonds plus existing outstanding long term debt of the College (but not including the Variable Rate Bonds), the coverage ratio of Fiscal Year 2005 Net Income Available for Debt Service to Maximum Annual Debt Service on the Bonds and existing outstanding long-term debt of the College and the coverage ratio of Adjusted Fiscal Year 2005 Net Income Available for Debt Service to Maximum Annual Debt Service on the Bonds and existing outstanding long-term debt of the College. The table is intended merely to show the relationship of the College's Net Income Available for Debt Service for Fiscal Year 2005 and the College's Adjusted Net Income Available for Debt Service for Fiscal Year 2005 to the College's Maximum Annual Debt Service on the Bonds and existing outstanding long-term debt of the College.

It is not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the College. There is no assurance that the future amounts available for debt service or Maximum Annual Debt Service will correspond to the amounts or relationship set forth in the table.

Fiscal Year 2005 and Adjusted Fiscal Year 2005
Net Income and Adjusted Net Income Available for Debt Service

Change in Net Assets before Reclassification	$3,882,680
Reclassifications	(2,481,311)
Change in Net Assets	$1,401,369
Plus:	
Depreciation and amortization	2,741,558
Interest expense	1,148,929
Loss on debt refinancing	581,892
Less:	
Equipment acquired with unrestricted funds and capitalized	(372,747)
Net assets released for equipment and buildings	(299,040)
Unrealized gains on investments	(156,706)
Fiscal Year 2005 Net Income Available for Debt Service[2] (A)	$5,045,255
Plus Reclassifications from prior years[1]	2,481,311
Adjusted Fiscal Year 2005 Net Income Available for Debt Service[2] (B)	$7,526,566
Maximum Annual Debt Service on the Bonds and existing outstanding long-term debt[3] (C)	$3,248,035
2005 Pro Forma Debt Coverage Ratio (A/C)	1.55 times
Adjusted 2005 Pro Forma Debt Coverage Ratio – before reclassifications (B/C)	2.32 times

[1] *In Fiscal Year 2005, certain unrestricted net assets that were realized in prior Fiscal Years were reclassified as restricted assets.*

[2] *No adjustment has been made for anticipated future net revenues from the Gateway Project (see "USE OF PROCEEDS").*

[3] *Excludes debt service on the Variable Rate Bonds which the College expects to repay from future receipts of gifts and contributions.*

PROPOSED FORM OF LEGAL OPINION

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$15,655,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Six-J1
(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) Revenue Bonds, Series Six-J1 (Augsburg College), in the aggregate principal amount of $15,655,000 (the "Bonds"), dated July 1, 2006, more fully described in and issued pursuant to the Indenture (defined below).

The Bonds are issued for the purpose of funding a loan from the Authority to Augsburg College, a Minnesota nonprofit corporation and institution of higher education located in the city of Minneapolis, Minnesota (the "College"), in order to finance educational facilities to be owned and operated by the College on its 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 Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee") each dated as of July 1, 2006, 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 and unrelated trade or business activities, good standing, and powers of the College. As to title to the Project Site (as defined in the Loan Agreement and Indenture), we have relied on information contained in owner and encumbrances reports, title insurance policies or commitments or title opinions, provided to us by the College or by counsel engaged by it, and have not undertaken any examination of 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 Loan Agreement and the Indenture to secure the Bonds.

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

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

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

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

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

Dated at Minneapolis, Minnesota, July __, 2006.

MCGRANN SHEA ANDERSON CARNIVAL
STRAUGHN & LAMB, CHARTERED

INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE

Annual Reporting

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, 2006. The Annual Report will contain:

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

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

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

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

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

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

Material Events to be Disclosed

The events enumerated in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, which are to be disclosed, if material, 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;
(v) Substitution of credit or liquidity providers, or their failure to perform;
(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.

DEFINITION OF CERTAIN TERMS

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

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

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

Authority: Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota.

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

Authorized Institution Representative: The President, the Academic Dean, the Vice President for Finance and Administration or any other person at the time designated to act on behalf of the College by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the College by the Chairperson or the 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 Articles IV and V of the Indenture and described in Section 5.04 of the Indenture.

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

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

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

Bond Purchase Agreement: The Bond Purchase Agreement, dated July 11, 2006, among the Authority, the College, and the Underwriter, relating to the Series Six-J1 Bonds.

Bond Resolution: The Series Resolution of the Authority, to be adopted on July 19, 2006, authorizing the Series Six-J1 Bonds, as the same may be amended, modified, or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Bonds, (a) the period from the Issue Date to the close of business on May 1, 2007, and (b) each succeeding 12-month period ending at the close of business on May 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

Bonds: The Series Six-J1 Bonds.

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

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

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

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

Certificate: means a certification in writing required or permitted by the provisions of the Loan Agreement or this Indenture to be signed and delivered to the Trustee or other proper person or persons.

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

Continuing Disclosure Agreement: The Continuing Disclosure Agreement between the Trustee and the College, to be dated as of July 1, 2006.

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

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

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

Direct Participant: Any securities broker or dealer, bank, trust company, clearing corporation or other organization entitled to directly record, clear and settle the transfers of beneficial ownership interest in any Bonds directly through the Depository and the Book-Entry System.

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

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

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

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

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

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

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, to be dated as of July 1, 2006, under which the Series Six-J1 Bonds are authorized to be issued, and including any indenture supplemental thereto.

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

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

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

Indirect Participant: Any person who is not a Direct Participant, who clears securities through or maintains a custodial relationship with a Direct Participant, either directly or indirectly, and who has access to the Book-Entry System.

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

Interest Payment Date: May 1 and November 1 of each year, commencing November 1, 2006 and any other date on which the principal of and interest on the Bonds shall be due and payable.

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

Issue Date: The date on which the Series Six-J1 Bonds are delivered to the original purchaser thereof upon original issuance.

Loan Agreement: The Loan Agreement between the Authority and the College, to be dated as of July 1, 2006, as from time to time amended or supplemented, relating to the Series Six-J1 Bonds.

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

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

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

Permitted Encumbrances: Means, as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an Independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities (including, with respect to Project Equipment, purchase money security interests and equipment leases), and as do not in the aggregate, in the opinion of Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the College, (iv) mortgages, liens and security interests granted to secure debt incurred as permitted by financial covenants then binding on the College and entered into in relation to the Variable Rate Bonds, whether such covenants are expressed in a Reimbursement Agreement or the Loan Agreement relating to the Variable Rate Bonds, and (v) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

Project: Subject to deletions pursuant to Section 3.01 of the Loan Agreement, the Project consists of the construction and equipping of a multi-use structure to be known initially as the Gateway Building. The design provides for student housing, administrative and classroom areas, retail space and underground parking totaling approximately 117,000 square feet, to be located on Riverside Avenue between 21^{st} and 22^{nd} Streets on the College's campus.

Project Buildings: The multi-use structure of three to four stories with underground parking which is to be constructed, furnished and equipped with proceeds of the Bonds, including investment earnings.

Project Costs: Costs of improvement, acquisition, construction and equipping of the Project, as more specifically described in the Indenture.

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

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

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

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account, (ii) to create and maintain the required balance in the Reserve Account, and (iii) to redeem or prepay outstanding Bonds or to purchase outstanding Bonds in the market at prices not exceeding the redemption price on the next available date for redemption. 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.

Reserve Account: The Reserve Account established under the Indenture, into which the Authority, the College and the Trustee shall deposit (a) on the Issue Date, from the proceeds of issuance and sale of the Series Six-J1 Bonds, an amount which is equal to the Reserve Requirement and (b) after the Issue Date, forthwith all amounts paid by the College as Loan Repayments not deposited or required to be deposited in the Bond and Interest Sinking Fund Account or the Redemption Account in order to maintain the funds and investments on deposit in the Reserve Account in an amount not less than the Reserve Requirement. Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or the Redemption Account are not sufficient therefor 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: The least of (i) the maximum amount of principal of and interest on the Bonds payable in any remaining Bond Year or (ii) 10% of the proceeds (par value less original issue discount, if any) received from the issuance and sale of the Bonds or (iii) 125% of the average annual debt service of the Bonds.

Series Six-J1 Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-J1 (Augsburg College), issued in the original principal amount of $15,655,000.

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

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

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

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

Variable Rate Bonds: The Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Six-J2 (Augsburg College), expected to be issued concurrently with the Bonds in the estimated original principal amount of $5,000,000.

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 agrees that it will proceed with all reasonable dispatch to (a) improve and construct the Project Buildings substantially in accordance with the construction documents now on file in the office of the College as such construction documents are from time to time amended by the College and (b) acquire and install all items of Project Equipment and all Building Equipment which, in the opinion of the College, is necessary for the full use and enjoyment of the Project Facilities. The College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, which shall not be unreasonably withheld, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds and an Opinion of Counsel who is bond counsel to the Authority shall be furnished to the College, the Authority and the Trustee to such effects. The acquisition, construction and installation of the Project shall be in accordance with all applicable zoning, planning and building regulations of governmental authorities having jurisdiction of the Project. The construction of the Project Buildings and acquisition and installation of the Project Equipment and Building Equipment may be performed in the manner determined by the College and by any means available to the College with or without advertisement for bids. The College will cause said construction, acquisition and installation of the Project to be substantially completed by no later than September 1, 2007 and amounts in the Construction Account to be expended by no later than December 31, 2007, delays subject to "force majeure", as that term is used in Loan Agreement, only excepted.

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 and premium, if any, on the Bonds when due. To provide for such payments, the College covenants to pay for the account of the Authority the following amounts:

(a) at least two (2) Business Days prior to each May 1 and November 1, commencing November 1, 2006, the College shall deposit into the Bond and Interest Sinking Fund Account, a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least two (2) Business Days prior to each May 1, commencing on May 1, 2008, a sum equal to the amount payable as principal of the Bonds on such principal payment date; provided, however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account (including amounts transferred from the Construction Account pursuant to Sections 4.03, 4.04 and 5.01 of the Indenture), and (ii) any credits permitted by Section 5.01, 5.02, 5.03 or 5.04 of the Indenture (relating to purchase and cancellation of term bonds and the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

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

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

(d) the College shall deposit into the Reserve Account any amounts required to be deposited therein by the Indenture; and

(e) the College shall deposit into any fund or account designated by the Trustee such amount as may be determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate); and

(f) The College shall deposit, at least two (2) Business Days prior to each May 1, commencing May 1, 2008, into the Bond and Interest Sinking Fund Account, a sum which will be equal to the amount, if any, as shall be necessary and sufficient to redeem on such May 1, at par plus accrued interest, the amount of the Series Six-J1 Term Bonds specified in Section 5.01 of the Indenture.

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

There is reserved to the 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 own, use and operate the Project Facilities at all times as educational facilities, eligible to be and defined as a “project” under the Act, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship nor primarily in connection with any part of a program of a school or department of divinity for any religious denomination. The College agrees not to use or permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the

Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501(c)(3) of the Code.

Maintenance of Project Facilities

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

Operating Expenses and Liens

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

Taxes and Other Governmental Charges

The College will pay, as the same respectively become due, any 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 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 governmental charges and, in the event of any such contest, may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the 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 taxes, assessments, license fees or charges shall be paid promptly.

Insurance

The College shall maintain, or cause to be maintained, at its cost and expense, insurance as follows:

(a) Insurance against loss and/or damage to the Project Facilities and contents under a policy or policies covering such risks as are ordinarily insured against by similar institutions, including (without limiting the generality of the foregoing) fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Facilities, but any such policy may have a deductible amount of not more than $250,000.

(b) Comprehensive general public liability insurance, including blanket contractual liability and personal injury liability and automobile insurance, including owned, non owned and hired automobiles, against liability for injuries to persons in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $10,000,000, with a deductible amount of not more than $250,000 per occurrence, and against liability for injury to property in the minimum amount for each occurrence of $250,000.

(c) Workers' compensation insurance respecting all employees of the College in such amount as is customarily carried by like organizations engaged in like activities of comparable size and liability exposure; 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 the insurance requirements and deductible amounts, including permission for the College to be self insured in whole or in part for any such coverage described in paragraph (b) relating to comprehensive general public liability, upon such terms and conditions as the Trustee may require, and (ii) shall permit modifications to such insurance requirements and deductible amounts, including permission for self insurance, in accordance with the recommendation of an Independent insurance consultant employed by the College and satisfactory to the Trustee.

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

Damage or Destruction

If prior to full payment of the Bonds (or the provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project Facilities shall be damaged or partially or totally destroyed by fire, flood, windstorm or other casualty, there shall be no abatement or reduction in the Loan Repayments payable by the College under this Loan Agreement, and, to the extent that the claim for loss resulting from such damage or destruction is not greater than $1,000,000, the College (i) 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 may be desired by the College and as will not impair the character or significance of the Project Facilities as educational facilities, and (ii) will apply for such purpose so much as may be necessary of any Net Proceeds of insurance policies resulting from claims for such losses not in excess of $1,000,000, or any additional moneys of the College necessary therefor. All Net Proceeds of insurance resulting from claims for losses up to such amounts shall be paid to the College.

To the extent that the claim for loss resulting from such damage or destruction exceeds $1,000,000, the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement. The Bonds may be redeemed in whole if (i) all or part of the Project Facilities are damaged or destroyed and cannot be reasonably restored within a period of six months, (ii) the College is prevented from carrying on its normal use and operation thereof for a period of six months, or (iii) the cost of restoration of the Project Facilities would exceed, by more than $500,000 (plus the amount of the deductible), the Net Proceeds of insurance carried thereon. The Bonds may be redeemed in part if (i) all or a portion of the Project Facilities have been damaged or destroyed, (ii) the Project Facilities so damaged or destroyed are not needed for the effective and economic operation of its institution of higher education, and (iii) the College elects not to repair, rebuild, restore or replace such Project Facilities.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any part of the Project Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, there shall be no abatement or reduction in the Loan Repayments payable by the College under this Loan Agreement, and, to the extent that the Net Proceeds of the award is not greater than $1,000,000, the College (i) will promptly replace, rebuild or restore the property so taken with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the College and as will not impair the character or significance of the Project Facilities as educational facilities, and (ii) will apply for such purpose so much as may be necessary of any Net Proceeds of the award not in excess of $1,000,000, or any additional moneys of the College necessary therefor. All Net Proceeds of the award up to such amounts shall be paid to the College. To the extent that the Net Proceeds of the award exceed $1,000,000, the College shall either replace, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

If the Bonds are to be redeemed in whole or in part, such redemption shall be as described in the second paragraph under the caption “Damage or Destruction” above and the available Net Proceeds shall be used for redemption of outstanding Bonds.

Removal of Project Equipment and Building Equipment

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

(a) the College may substitute equipment and related property for any Project Equipment and Building Equipment, provided that such substitution shall not materially impair the character or revenue producing significance or value of the Project Facilities; provided that if the depreciated book value of any item of Project Equipment so substituted is $25,000 or more, the College shall furnish to the Trustee a Certificate of an Authorized Institution Representative to such effect. Such substitution of any Building Equipment may be effected without a Certificate of an Authorized Institution Representative irrespective of its depreciated book value.

(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 said released equipment as determined by an Independent engineer selected by the College to the Trustee for deposit into the Redemption Account for the redemption and prepayment of the Bonds, provided that if the depreciated book value of any item of equipment so released is less than $25,000, such release without substitution and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent engineer or an Authorized Institution Representative upon such showing by the College as may be satisfactory to the Trustee.

(c) the College may remove any Building Equipment without substitution therefor, provided that such removal will not materially impair the character or revenue producing significance or value of the Project Facilities and the College shall furnish to the Trustee a Certificate of an Authorized Institution Representative to such effect; provided that if the depreciated book value of any item of Building Equipment so removed is less than $25,000, such removal may be effected without such certificate of an Authorized Institution Representative.

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's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting organizations; will not dissolve or otherwise dispose of all or substantially all of the assets of the College; and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions include the following: (a) if the surviving, resulting or transferee corporation or institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement, and shall be either a state college or a nonprofit corporation operating or authorized to operate an institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the institution be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of bond counsel, that such consolidation, merger, or transfer shall not cause interest on the Bonds to be includable in gross income of the recipient for federal income tax purposes.

In no event will the College affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax-exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the College or such other resulting entity, and all organizations under common management or control with the College or such resulting entity, within the meaning of Section 145 of the Internal Revenue Code.

$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 nonhospital bonds issued on behalf of or for the benefit of the College and all organizations under common management or control with the College (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000, excluding nonhospital bonds issued on or after August 5, 1997 to finance capital expenditures incurred after August 5, 1997.

Federal Income Tax Status

The College represents that it presently is, and covenants 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 the Code.

Institution to be Nonsectarian

The College agrees that the Institution will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds, or tenets of any particular religious sect. All courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest on the Bonds is includable in gross income of the recipient for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of the issuance of the Bonds, the Bonds shall bear additional interest at a 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. Such additional interest shall be payable semiannually to the Owners of the Bonds on each regular semiannual interest payment date following the Determination 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 "SOURCE OF PAYMENT FOR THE BONDS—Financial Covenants" in this Official Statement. In connection with the limitations on incurring additional Funded Debt as described therein, 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 and nonrecourse and subordinated debt.

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, creed or national origin in the use or operation of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Authority or Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority, the Department of Education and the Minnesota Office of Higher Education, 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

The following are "Events of Default" under the Loan Agreement:

(a) If the College shall fail to make any Loan Repayment when due, and either (i) on a Bond principal or interest payment date or redemption date, the available moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account and Redemption Account are insufficient to pay when due principal of and interest on the Bonds, or (ii) such failure shall continue for five Business Days after notice from the Trustee or the Authority to the 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 the 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 the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the College by the Authority or the Trustee; or

(e) 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

(f) 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

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

The term “force majeure” as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the College. The provisions of paragraph (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, 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 or covenant of the Loan Agreement or the Indenture.

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

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

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

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

Accounts

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

Trustee's Right to Payment

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

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 regulations lawfully imposed upon it by law, including rebate requirements under Section 148 of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or money in the Accounts.

Events of Default

The following are Events of Default under the Indenture:

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

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

(c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the 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 shall occur and be continuing.

Remedies

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

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

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

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to its reference or prime rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment on account of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers 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 combined capital, surplus and undivided profits of $10,000,000 in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the College, provided that the Authority may, but is not required to remove the Trustee with or without the request of the College if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust or for any other remedy under the Loan Agreement, unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholder 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, had 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 not less than a majority in aggregate 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 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, waiver of notice, 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 outstanding Bonds at the time and in the manner stipulated therein and in the Indenture, or

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

(c) deliver to the Trustee (1) proof satisfactory to the Trustee 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 as provided in the Indenture, or that arrangements satisfactory to the Trustee 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 of such outstanding Bonds, and in any such case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or

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

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

When the Authority or the 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 or intended by the Indenture so to be, or to assign, convey, pledge or transfer and set over unto the Trustee, subject to such liens or other encumbrances as shall be therein specifically described, additional property or properties of the Authority or the College for the equal and proportional benefit and security of the Holders of all Bonds at any time issued and outstanding under the Indenture, subject, however, to the provisions set forth in the Indenture with respect to extended Bonds;

(b) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Authority or to or upon any successor;

(c) to evidence the succession or successive successions of any other department, agency, body or corporation to the Authority and the assumption by such successor of the covenants, agreements and obligations of the Authority in the Bonds hereby secured and in the Indenture and in any and every supplemental indenture contained;

(d) to cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indentures which may be defective or inconsistent with any other 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; and

(e) 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 fifty-one percent (51%) in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such indenture or indentures supplemental thereto 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 contained in the Indenture or in any supplemental indenture; provided, however, that nothing contained therein shall permit or be construed as permitting without the consent of the Holders of all Bonds outstanding (a) an extension of the maturity of any Bond issued thereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or the Loan Agreement.

Amendments to the Loan Agreement

The Authority and the Trustee shall without the consent of or notice to the Bondholders consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (i) by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, or (iv) 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 the amendments, changes or modifications as provided in the preceding paragraph, neither the Authority nor the Trustee shall consent to or execute any other amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds at the time outstanding; provided, however, that no such amendment, change or modification shall ever affect the unconditional obligation of the College to make Loan Repayments as they become due and payable. If the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds outstanding at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee, the Authority or the College from executing the same or from taking any action pursuant to the provisions thereof.

Under no circumstances shall any amendment to the Loan Agreement reduce or delay the Loan Repayments without the consent of the Holders of all the Bonds outstanding.

Registration

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

THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions of the Continuing Disclosure Agreement. This summary does not purport to be complete and reference is made to the full text of the Continuing Disclosure Agreement for a complete recital of its terms. See also “CONTINUING DISCLOSURE” in this Official Statement.

The College has undertaken the responsibility for continuing disclosure to Bondholders as described below, and the Authority shall have no liability to the holders of the Bonds or any other person with respect to continuing disclosure.

The College has covenanted for the benefit of holders of the Bonds to provide certain financial information and operating data by not later than 270 days following the end of the College's fiscal year commencing with fiscal year ending May 31, 2006, and to provide notices of the occurrence of certain enumerated events, if material.

The Continuing Disclosure Agreement will be executed and delivered by the College and the Trustee for the benefit of the holders of the Bonds in order to enable the Underwriter to reasonably determine an "undertaking" has been entered into sufficient to assure compliance with the ongoing disclosure requirements of SEC Rule 15c2-12(b)(5).

Definitions

"Annual Report" means, with respect to the Reporting Party, a document or set of documents which contains (or includes by reference as provided in the Continuing Disclosure Agreement) financial and operating data with respect to the Reporting Party described in Exhibit "A" of the Continuing Disclosure Agreement. See Appendix III, "INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE – Annual Reporting."

"Annual Report Date" means, with respect to each Annual Report, the date so designated in Exhibit "A" to the Continuing Disclosure Agreement.

"Commission" means the Securities and Exchange Commission.

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

"Listed Events" shall mean any of the events listed below under "Reporting of Listed Events" below.

"MSRB" means the Municipal Securities Rulemaking Board.

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

"Participating Underwriter" shall mean Dougherty & Company LLC.

"Reporting Party" shall mean, subject to release as provided in "Termination" below, the College; together with any successors or assigns as provided in the Continuing Disclosure Agreement.

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

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934.

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

"Tax-exempt" shall mean that interest on the Bonds is excluded from the gross income, for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Provisions of Annual Report

On or before the Annual Report Date, the Reporting Party shall cause the Annual Report of the Reporting Party to be delivered to the Authority, the Trustee and each Repository; provided that if the Annual Report consists of a final Official Statement within the meaning of the Rule it shall also be delivered to the MSRB. The Reporting Party also shall complete an annual report information certificate, attached to the Continuing Disclosure Agreement as Exhibit "B", and such certificate shall accompany the submission of each Annual Report. Any filing under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004. To the extent included in an Annual Report, financial statements shall be audited and prepared in accordance with generally accepted accounting principles, as in effect from time to time. Each Annual Report may incorporate by reference any information on file with each Repository or the Commission, instead of setting forth such information in the Annual Report. Concurrent with delivery of an Annual Report to the Trustee there shall be also delivered to the Trustee written evidence from or on behalf of the Reporting Party stating whether or not the Annual Report has been provided and describing arrangements made by the Reporting Party to provide the Annual Report to each Repository.

If the Trustee has not received an Annual Report by March 1 of each year, commencing with March 1, 2007, together with the certification by the Reporting Party described above, the Trustee shall promptly notify the Disclosure Representative of the failure to receive the Annual Report and the certification.

Reporting of Listed Events

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

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

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

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

Termination of Reporting Obligation

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

Amendment

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

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

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

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

In addition, any Annual Report containing amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information.

Additional Information

Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the Reporting Party from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement.

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Book Entry System

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

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

DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), 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 Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

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

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

The Authority, at the College's direction, 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 DTC, which is solely responsible for such information. The Authority, the College and the Underwriter do not take any responsibility for the accuracy thereof.

FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED MAY 31, 2005 AND 2004

Virchow Krause & company

INDEPENDENT AUDITORS' REPORT

To the Board of Regents
Augsburg College
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of Augsburg College as of May 31, 2005 and 2004 and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 2005 and 2004 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Virchow Krause & Company, LLP

Minneapolis, Minnesota
July 22, 2005

AUGSBURG COLLEGE

STATEMENTS OF FINANCIAL POSITION
May 31, 2005 and 2004

ASSETS

	2005	2004
Cash and cash equivalents	$ 759,014	$ 1,746,793
Student accounts receivable, net of allowance for doubtful accounts of $630,000 and $580,000	1,161,002	1,401,607
Government grants receivable	967,939	505,340
Accrued interest	94,604	90,563
Other receivables	322,123	170,951
Inventories	158,089	139,124
Prepaid expense and other assets	598,534	479,635
Contributions receivable	8,161,000	5,262,000
Student notes receivable, net of allowance for doubtful notes of $350,000 both years	5,458,099	5,202,812
Cash surrender value of life insurance	575,028	541,452
Endowment investments	27,160,101	25,469,139
Other investments	5,056,549	5,810,153
Deposits held by trustee	2,407,585	2,298,997
Deferred debt acquisition costs	240,347	262,197
Beneficial interest in funds held in trust	50,412	48,327
Construction in progress	1,327,321	1,268,130
Property, plant and equipment	46,133,111	47,325,216
TOTAL ASSETS	$ 100,630,858	$ 98,022,436

LIABILITIES AND NET ASSETS

	2005	2004
LIABILITIES		
Accounts payable	$ 1,629,156	$ 1,420,250
Accrued liabilities	2,828,554	3,067,499
Student deposits	1,028,695	1,870,259
Long-term debt		
Bonds payable to U. S. government	950,000	1,020,000
Notes and leases payable to Minnesota Higher Education Facilities Authority	20,760,000	22,375,029
Other notes payable	312,219	342,340
Loan payable	1,990,000	2,090,000
Annuities payable	1,124,097	1,330,818
Funds held in custody for others	276,274	446,676
U. S. government grants - Federal Perkins Loan Program	4,878,490	4,960,187
Total Liabilities	35,777,485	38,923,058
NET ASSETS		
Unrestricted	21,040,367	19,638,998
Temporarily restricted	22,132,424	21,649,471
Permanently restricted	21,680,582	17,810,909
Total Net Assets	64,853,373	59,099,378
TOTAL LIABILITIES AND NET ASSETS	$ 100,630,858	$ 98,022,436

See accompanying notes to financial statements.

AUGSBURG COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2005
With Comparative Totals for 2004

	2005				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2004 Total
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and fees	$ 50,303,988			$ 50,303,988	$ 45,191,230
Less: Scholarships and grants	(13,775,386)			(13,775,386)	(12,259,123)
Net tuition and fees	36,528,602			36,528,602	32,932,107
Government grants	2,390,154			2,390,154	2,595,036
Private gifts and grants	1,590,253	$ 4,873,632	$ 2,445,001	8,908,886	6,807,147
Endowment income	132,162	358,618		490,780	267,336
Investment income (loss)	233,283			233,283	(50,425)
Gains on endowment investments	156,706	1,017,457	4,139	1,178,302	2,174,912
Sales and services of educational activities	42,997			42,997	22,003
Other sources	529,875			529,875	437,523
Sales and services of auxiliary enterprises	7,715,404			7,715,404	7,547,337
Adjustment of actuarial liability	(1,584)	206,389	(32,896)	171,909	107,929
	49,317,852	6,456,096	2,416,244	58,190,192	52,840,905
Net assets released from restrictions	7,001,025	(7,001,025)			
Total Revenues, Gains and Other Support	56,318,877	(544,929)	2,416,244	58,190,192	52,840,905
EXPENSES AND LOSSES					
Program expenses					
Instruction	25,196,502			25,196,502	23,362,257
Academic support	3,954,469			3,954,469	4,302,087
Public service	417,724			417,724	328,987
Student services	6,273,909			6,273,909	5,936,223
Auxiliary enterprises	7,549,860			7,549,860	6,585,936
Support expenses					
Institutional support	8,461,841			8,461,841	8,005,429
Loss on debt refunding	581,892			581,892	
Allocable expenses					
Operation and maintenance of plant	4,235,912			4,235,912	4,019,195
Depreciation and amortization	2,741,558			2,741,558	2,660,038
Interest	1,148,929			1,148,929	1,391,457
Less: Allocated expenses	(8,126,399)			(8,126,399)	(8,070,690)
Total Expenses and Losses	52,436,197			52,436,197	48,520,919
Change in Net Assets Before Reclassifications	3,882,680	(544,929)	2,416,244	5,753,995	4,319,986
Reclassifications	(2,481,311)	1,027,882	1,453,429		
Change in Net Assets	1,401,369	482,953	3,869,673	5,753,995	4,319,986
Net Assets - Beginning of Year	19,638,998	21,649,471	17,810,909	59,099,378	54,779,392
NET ASSETS - END OF YEAR	$ 21,040,367	$ 22,132,424	$ 21,680,582	$ 64,853,373	$ 59,099,378

See accompanying notes to financial statements.

AUGSBURG COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and fees	$ 45,191,230			$ 45,191,230
Less: Scholarships and grants	(12,259,123)			(12,259,123)
Net tuition and fees	32,932,107			32,932,107
Government grants	2,595,036			2,595,036
Private gifts and grants	1,303,667	$ 4,863,168	$ 640,312	6,807,147
Endowment income	150,253	116,589	494	267,336
Investment loss	(50,425)			(50,425)
Gains on endowment investments	221,693	1,943,034	10,185	2,174,912
Sales and services of educational activities	22,003			22,003
Other sources	437,523			437,523
Sales and services of auxiliary enterprises	7,547,337			7,547,337
Adjustment of actuarial liability	7,805	67,988	32,136	107,929
	45,166,999	6,990,779	683,127	52,840,905
Net assets released from restrictions	6,022,844	(6,022,844)		
Total Revenues, Gains and Other Support	51,189,843	967,935	683,127	52,840,905
EXPENSES AND LOSSES				
Program expenses				
Instruction	23,362,257			23,362,257
Academic support	4,302,087			4,302,087
Public service	328,987			328,987
Student services	5,936,223			5,936,223
Auxiliary enterprises	6,585,936			6,585,936
Support expenses				
Institutional support	8,005,429			8,005,429
Allocable expenses				
Operation and maintenance of plant	4,019,195			4,019,195
Depreciation and amortization	2,660,038			2,660,038
Interest	1,391,457			1,391,457
Less: Allocated expenses	(8,070,690)			(8,070,690)
Total Expenses and Losses	48,520,919			48,520,919
Change in Net Assets	2,668,924	967,935	683,127	4,319,986
Net Assets - Beginning of Year	16,970,074	20,681,536	17,127,782	54,779,392
NET ASSETS - END OF YEAR	$ 19,638,998	$ 21,649,471	$ 17,810,909	$ 59,099,378

See accompanying notes to financial statements.

AUGSBURG COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended May 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 5,753,995	$ 4,319,986
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	2,741,558	2,660,038
Gains on endowment investments	(1,178,302)	(2,174,912)
Gains on other investments	(122,753)	(75,491)
Loss on debt refunding	581,892	
Actuarial adjustment of annuities payable	(40,143)	121,602
Loan cancellations and assignments	53,012	87,047
Increase in allowance for student accounts receivable	50,000	90,000
Increase in allowance for contributions receivable	500,000	
Changes in assets and liabilities		
Student accounts receivable	190,605	349,799
Government grants receivable	(462,599)	(49,032)
Accrued interest receivable	(4,041)	(849)
Other receivables	(151,172)	224,551
Inventories	(18,965)	146,275
Prepaid expense and other assets	(118,899)	(175,307)
Contributions receivable available for operations	237,971	(292,844)
Accounts payable	223,002	317,147
Accrued liabilities	(238,945)	345,391
Student deposits	(841,564)	193,411
Funds held in custody for others	(170,402)	60,839
(Increase) decrease in beneficial interest in funds held in trust	(2,085)	46,842
Contributions restricted for plant and long-term investment	(6,060,336)	(3,395,612)
Investment income restricted for reinvestment		(494)
Net Cash Flows From Operating Activities	921,829	2,798,387
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of endowment investments, net	(488,479)	(338,474)
Sales (purchases) of other investments, net	876,357	(1,852,572)
Purchases of property, plant and equipment	(1,600,890)	(1,568,113)
(Additions to) withdrawals from deposits held by trustee	(214,657)	80,809
Disbursements of loans to students	(1,333,675)	(1,372,134)
Repayments of loans from students	1,025,376	1,260,500
Increase in cash surrender value of life insurance	(57,757)	(46,273)
Net Cash Flows From Investing Activities	(1,793,725)	(3,836,257)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of principal on indebtedness	(2,290,973)	(879,825)
Investment income received restricted for reinvestment		494
Contributions received restricted for plant and long-term investment	2,423,365	1,623,456
Decrease in refundable U.S. government grants	(81,697)	(69,245)
Payments to annuitants	(166,578)	(159,945)
Net Cash Flows From Financing Activities	(115,883)	514,935
Net Change in Cash and Cash Equivalents	(987,779)	(522,935)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,746,793	2,269,728
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 759,014	$ 1,746,793
Supplemental disclosures of cash flow information		
Interest paid	$ 1,133,638	$ 1,401,889
Noncash investing and financing activities		
Property, plant and equipment acquired through accounts payable	78,282	92,388
Proceeds on new debt	6,780,000	
Refunded debt	(7,723,109)	
Withdrawals of deposits held by trustee, net	(106,069)	

See accompanying notes to financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

General - The College maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets--permanently restricted, temporarily restricted or unrestricted, as follows:

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

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by action of the College and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

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

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

Losses from investments of endowment and similar funds are reported as decreases in temporarily restricted net assets to the extent of prior accumulated earnings with the remainder reflected as reductions to unrestricted net assets.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted Net Assets - With respect to temporarily restricted net assets, the College has adopted the following accounting policies:

Reporting as Temporarily Restricted Revenues - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Release of Restrictions on Net Assets for Acquisition of Land, Buildings and Equipment - Contributions of exhaustible long-lived assets, or of cash and other assets to be used to acquire them, without donor stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released over the estimated useful lives of the long-lived assets using the College's depreciation policies.

Cash Equivalents - The College considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

Receivables - An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are expensed when deemed uncollectible. Receivables are generally unsecured.

Inventories - Inventories of supplies are valued at the lower of cost or market, determined on a first-in, first-out basis.

Investments - Investments in marketable equity and debt securities are recorded at fair value. Other investments are recorded at cost, except those items received as gifts, which are valued at fair value at the date of gift.

Deposits Held by Trustee - Cash, short-term investments and government securities held by trustee include proceeds of long-term financing and amounts restricted for debt service and renewal and replacement as required by the trust indentures.

Deferred Debt Acquisition Costs - Costs of bond issuance are deferred and amortized on a straight-line basis over the life of the bonds.

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; equipment - 5 years; and library books - 15 years. Normal repair and maintenance expenses are charged to operations as incurred. The College capitalizes physical plant and equipment expenditures in excess of $1,800.

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 amounted to approximately $1,470,000 and $1,287,000 for the years ended May 31, 2005 and 2004, respectively.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants to Specified Students - Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the College. The amounts of such grants were $1,997,072 and $1,528,413, respectively, during the year ended May 31, 2005 and $2,156,461 and $1,528,045, respectively, during the year ended May 31, 2004.

Income Tax Status - The Internal Revenue Service has determined that the College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The College is also exempt from state income taxes. However, any unrelated business income may be subject to taxation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments - The College records financial instruments at cost, with the exception of investments in marketable equity and debt securities which are reflected in the financial statements at market value. Cash and cash equivalents, accounts payable and accrued liabilities are reflected in the financial statements at cost which approximates fair value because of the short-term maturity of these instruments. The fair value of investments are based upon values provided by custodians or quoted market values. In certain cases where such values are not available, historical cost is used as an estimate of market value. A reasonable estimate of the fair value of the receivables from students under government loan programs and advances from the federal government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. government or its designees. The carrying amount of pledges receivable and beneficial interest in funds held in trust approximates fair value because the present value discount is included in the carrying amount. The fair value of other receivables approximates carrying value. The carrying amount of long-term debt approximates fair value because these financial instruments bear interest at rates which approximate current market rates for notes with similar maturities and credit quality.

Fund-Raising and Advertising Expenses - Fund-raising expenses approximated $2,780,000 and $2,602,000 for the years ended May 31, 2005 and 2004, respectively. Advertising expenses approximated $486,000 and $512,000 for the years ended May 31, 2005 and 2004, respectively. Advertising costs are expensed when incurred.

Government Grants Refundable - Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are recorded as receivables.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications - Certain amounts appearing in the 2004 financial statements have been reclassified to conform with the 2005 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

At May 31, 2005 and 2004, the College's unrestricted net assets were allocated as follows:

	2005	2004
Operations	$ 3,344,267	$ 3,487,165
Long-term investments (quasi-endowment funds)	7,441,449	8,117,377
Loans to students	674,059	687,482
Gift annuities	18,120	19,704
Replacement of plant facilities	(3,764,129)	(5,130,232)
Net investment in plant	11,088,593	10,168,661
Debt service reserve	2,238,008	2,288,841
	$ 21,040,367	$ 19,638,998

Temporarily restricted net assets consist of the following at May 31, 2005 and 2004:

	2005	2004
Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other departmental support	$ 1,862,499	$ 1,189,409
Acquisition of buildings and equipment		1,362,205
	1,862,499	2,551,614
Contributions receivable	6,160,000	5,050,000
Annuity, life income and similar funds	135,130	833,517
Unamortized gifts for capital assets	13,974,795	13,214,340
	$ 22,132,424	$ 21,649,471

Permanently restricted net assets consist of the following at May 31, 2005 and 2004:

	2005	2004
Endowment funds	$ 19,221,230	$ 17,101,706
Annuity, life income and similar funds	458,352	478,658
Student loan fund		18,545
Contributions receivable	2,001,000	212,000
	$ 21,680,582	$ 17,810,909

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from temporary donor restrictions during the years ended May 31, 2005 and 2004 by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows:

	2005	2004
Amortization of contributions expended for long-lived assets	$ 299,040	$ 299,040
Matured deferred gift	924,776	
Scholarships, instruction and other departmental support	3,681,998	5,268,582
Acquisition of equipment and debt service payments	2,095,211	455,222
	$ 7,001,025	$ 6,022,844

These assets were reclassified to unrestricted net assets.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at May 31, 2005 and 2004:

	2005	2004
Temporarily restricted - operations	$ 323,000	$ 423,000
Temporarily restricted - plant projects	6,937,000	5,321,000
Permanently restricted - endowment	2,295,000	231,000
Gross unconditional promises to give	9,555,000	5,975,000
Less: Unamortized discount	(894,000)	(713,000)
Estimated uncollectible	(500,000)	
Net contributions receivable	$ 8,161,000	$ 5,262,000
Amounts due in:		
Less than one year	$ 3,725,000	
One to five years	5,830,000	
	$ 9,555,000	

Promises due in one to five years and more than five years were discounted at an interest rate of 6% for each of the years ended May 31, 2005 and 2004. Promises due in less than one year were not discounted.

NOTE 5 - ENDOWMENT INVESTMENTS

The following summarizes the College's endowment investments at May 31, 2005 and 2004:

	2005		2004	
	Fair Value	Cost	Fair Value	Cost
Cash and short-term investments	$ 2,457,305	$ 2,457,305	$ 1,612,920	$ 1,612,920
Marketable securities				
U. S. government securities	6,809,035	6,761,669	6,891,012	6,986,343
Other fixed income securities	2,970,740	2,749,138	2,573,499	2,703,737
Stocks	14,506,847	13,449,614	13,999,715	13,477,286
Cash surrender value of life insurance policies and contracts	416,174	416,174	391,993	391,993
	$ 27,160,101	$ 25,833,900	$ 25,469,139	$ 25,172,279

The amount of income allocated to operations from endowment is determined by the Governing Board. The Board has authorized a rate of 4% of the endowment fund market value based on a 12-quarter moving average for each of the years ended May 31, 2005 and 2004. Endowment income is presented net of investment fees of approximately $318,000 and $281,300 for the years ending May 31, 2005 and 2004, respectively.

The fair value of all permanent endowment assets is currently in excess of all donors cumulative original gift values. However, as a result of market conditions in recent years, the fair value of assets allocated to certain individual endowment funds is currently less than the gift value of those individual funds. Deficit balances in various individual funds totaled approximately $78,500 and $319,000 at May 31, 2005 and 2004, respectively. Valuation losses in excess of historical gift value reduce temporarily restricted net assets to the extent of prior year undistributed gains with the balance of such losses recorded in the unrestricted asset class. The market volatility of equity-based investments is expected to continue impacting available distributions.

NOTE 6 - OTHER INVESTMENTS

The following summarizes the College's investments held for deferred gift and other purposes at May 31, 2005 and 2004:

	2005		2004	
	Fair Value	Cost	Fair Value	Cost
Cash and short-term investments	$ 3,113,006	$ 3,113,006	$ 2,974,573	$ 2,974,572
U. S. government securities	52,922	51,788	295,492	283,169
Other fixed income securities	674,293	675,244	923,198	923,155
Stocks	825,226	676,227	997,080	833,171
Mutual funds	267,102	246,471	495,810	416,352
Real estate	124,000	124,000	124,000	124,000
	$ 5,056,549	$ 4,886,736	$ 5,810,153	$ 5,554,419

NOTE 7 - DEPOSITS HELD BY TRUSTEE

The following summarizes debt service reserve and other deposits held by trustee related to outstanding debt at May 31, 2005 and 2004:

	2005		2004	
	Fair Value	Cost	Fair Value	Cost
Cash and short-term investments	$ 629,834	$ 629,834	$ 423,024	$ 423,024
U.S. government and agency securities	1,777,751	1,785,457	1,875,973	1,972,418
	$ 2,407,585	$ 2,415,291	$ 2,298,997	$ 2,395,442

NOTE 8 - CONSTRUCTION IN PROGRESS

At May 31, 2005, the College had incurred costs related to the following building and renovation projects:

	Construction In Progress	Total Estimated Costs
New science building	$ 907,532	$ 25,000,000
Gateway building	249,307	18,000,000
Athletic facility	131,344	6,000,000
Miscellaneous projects	39,138	100,000
	$ 1,327,321	$ 49,100,000

These construction projects will be financed through a combination of private gifts, grants, debt and operations.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at May 31, 2005 and 2004:

	2005	2004
Land	$ 3,455,781	$ 3,455,781
Buildings	48,345,621	48,345,621
Building improvements	17,855,435	16,882,552
Equipment and library books	9,758,696	9,385,949
	79,415,533	78,069,903
Less: Accumulated depreciation	(33,282,422)	(30,744,687)
	$ 46,133,111	$ 47,325,216

NOTE 10 - BONDS PAYABLE TO U.S. GOVERNMENT

The bonds payable to U.S. Government were issued by the College on April 1, 1966 to finance Urness Tower Dormitory and the College Center. The bonds bear interest at the rate of 3% and mature in amounts from $80,000 to $100,000 annually on April 1, 2006 to 2016. The outstanding balance at May 31, 2005 and 2004 was $950,000 and $1,020,000, respectively.

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 11 - 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 for the following bonds issued by the Authority:

	Original Balance	Balance as of May 31, 2005	Balance as of May 31, 2004
Series A bonds of 1972	$ 2,200,000	$ 1,045,000	$ 1,140,000
Series Four F-1 bonds of 1996	7,700,000		7,395,000
Series Four-W notes of 1998	450,000		350,029
Series Four-Y bonds of 1999	15,840,000	12,935,000	13,490,000
Series Six-C bonds of 2005	6,780,000	6,780,000	
		$ 20,760,000	$ 22,375,029

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 5.6% and mature in amounts from $100,000 to $165,000 annually on December 1, 2005 to 2012.

Series Four F Bonds of 1996 - On May 28, 1996, the Minnesota Higher Education Facilities Authority issued $11,840,000 of Mortgage Revenue Bonds and entered into a note agreement with the College. Series Four F-1 bonds totaling $7,700,000 were to mature on various dates through May 1, 2023. Interest was payable each November 1 and May 1. During the year ended May 31, 2005, the Series Four F-1 bonds were placed in an irrevocable trust with escrow agents to provide for all future debt service payments on the bonds. At May 31, 2005, $7,395,000 of the Series Four F-1 bonds remain outstanding. A total of $8,039,109 is held in escrow at May 31, 2005 and will be used to retire the Series Four F-1 bonds and the Series Four-W notes in accordance with the provisions of the respective debt agreements. The Series Four F-1 bonds will be retired on May 1, 2006. Series Four F-2 bonds were paid in full during the year ended May 31, 2003.

NOTE 11 - NOTES AND LEASES PAYABLE TO MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY (CONT.)

Series Four-W Notes of 1998 - On September 15, 1998, the Minnesota Higher Education Facilities Authority issued $450,000 of revenue notes and entered into a note agreement with the College. Principal and interest was payable in semi-annual installments of $21,265 each March 25 and September 25. During the year ended May 31, 2005, the Series Four-W notes were placed in an irrevocable trust with escrow agents to provide for all future debt service payments on the notes. At May 31, 2005, $328,109 of the Series Four-W notes remain outstanding. A total of $8,039,109 is held in escrow at May 31, 2005 and will be used to retire the Series Four-W notes and the Series Four F-1 bonds in accordance with the provisions of the respective debt agreements. The Series Four-W notes will be retired on September 25, 2005.

Series Four-Y Bonds of 1999 - On January 1, 1999 the Minnesota Higher Education Facilities Authority issued $15,840,000 of Mortgage Revenue Bonds and entered into a note agreement with the College. The bonds mature annually on October 1, 2005 through October 1, 2013 in amounts ranging from $580,000 to $840,000. Term bonds in the amount of $2,790,000 and $3,845,000 mature on October 1, 2016 and October 1, 2027, respectively. The term bonds are subject to annual mandatory sinking fund redemptions in installments ranging from $265,000 to $980,000, at the option of the Minnesota Higher Education Facilities Authority. The interest rate varies from 4.40% to 5.30% with interest payable each October 1 and April 1. The loan repayments are a general obligation of the College and are secured by a mortgage on and a security interest in the project facilities and revenues.

The bond proceeds were used by the College to construct a new 145-bed student resident facility on the West End of the College campus and to refinance Series Three-G Bonds of 1992.

Series Six-C Bonds of 2005 - On April 1, 2005, the Minnesota Higher Education Facilities Authority issued $6,780,000 of Revenue Bonds and entered into a note agreement with the College. The bonds mature annually each May 1 commencing May 1, 2014 and ending on May 1, 2023 in amounts ranging from $145,000 to $1,035,000, respectively. The term bonds are subject to annual mandatory sinking fund redemptions in installments ranging from $375,000 to $1,035,000. The interest rates vary from 4.15% to 5.00% with interest payable each November and May. The loan payments are a general obligation of the College.

The bond proceeds were used to pay part of the outstanding principal on the Series Four F-1 bonds and the Series Four-W notes. The College anticipates a net present value savings from the refunding of approximately $658,000.

NOTE 12 - OTHER NOTES PAYABLE

The following summarizes other notes payable at May 31, 2005 and 2004:

	2005	2004
Mortgage payable	$ 55,066	$ 67,493
Loan certificates	11,331	10,810
Sodexho Marriott	245,822	264,037
	$ 312,219	$ 342,340

The mortgage payable relates to the acquisition of residential real estate property which has been pledged on the loan. Monthly payments of $1,424, including interest at 8%, are due through January 5, 2009.

The College is indebted to various individuals on loan certificates payable. The majority of the certificates are due on demand and bear interest at 6% per annum.

During 1996, the College received interest-free loans from Sodexho Marriot amounting to $110,000. During the years ended May 31, 2003 and 1997, additional interest-free advances of $150,000 and $90,000, respectively, were received. The advances funded a portion of the dining hall improvements and are payable in monthly installments of $1,602.

NOTE 13 - LOAN PAYABLE

The College entered into a sale leaseback arrangement with Hennepin County on its Ice Arena Facilities in the amount of $2,550,000. The lease will require the College to make lease payments in amounts and at times sufficient to pay the principal and interest on certain bonds which are a general obligation of Hennepin County. Terms of the lease are over a 20-year period ending December 1, 2018 with the annual payments ranging between $195,460 and $199,545. At the end of the lease term, ownership of the Ice Arena Facilities will revert back to the College. The outstanding balance at May 31, 2005 and 2004 was $1,990,000 and $2,090,000, respectively.

Proceeds from this transaction were used for various deferred maintenance and renovation projects within the College's athletic facilities and Sverdrup Hall.

NOTE 14 - SHORT-TERM CREDIT ARRANGEMENT

The College has a $5 million line of credit agreement with Wells Fargo Bank (the Bank). Interest on the line of credit varies with the Bank's reference rate. The line of credit expires in December 2005. There were no outstanding borrowings under this arrangement at May 31, 2005 and 2004.

NOTE 15 - FUTURE MATURITIES OF LONG-TERM DEBT

Annual maturities of all long-term debt, including lease obligations, for each of the five years subsequent to May 31, 2005 are: 2006 - $898,000; 2007 - $934,000; 2008 - $980,000; 2009 - $1,025,000; and 2010 $1,064,000, respectively.

NOTE 16 - EMPLOYEE BENEFIT PLANS

During the year ended May 31, 2005, the College terminated its self-insurance plan for employee medical benefits. Estimates for claims incurred but not reported had been accrued by the College under the self-insurance plan. Employee medical benefits are now contracted out to a third party.

NOTE 17 - DEFERRED GIFT AGREEMENTS

The College has arrangements with donors classified as charitable remainder trusts, charitable annuity trusts and charitable gift annuities. In general, under these arrangements the College receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. The College invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the College as unrestricted, temporarily restricted or permanently restricted net assets, or in some instances, distributed to third-party beneficiaries.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the College or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age and sex characteristics of the donor. The College used interest rates ranging from 3.8% to 10% in making the calculations for the years ended May 31, 2005 and 2004.

Assets held by the College under deferred gift agreements totaled $1,739,880 and $2,666,877 at May 31, 2005 and 2004, respectively.

NOTE 18 - OPERATING LEASE

The College has operating lease agreements with UniversityLease for laptop computers on a rotating basis. Quarterly payments of approximately $50,000 are due.

NOTE 19 - COMMITMENTS

The College has an agreement with NRG Energy Center, Inc. under which NRG furnishes all of the College's steam requirements. The agreement calls for a fixed monthly steam demand charge of $18,350 and a variable demand charge based on steam consumption. This agreement is for a 25-year period ending December 31, 2021.

NOTE 20 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, marketable securities and other investments, receivables and notes. 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 and mortgages 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. In addition, the College's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities. Contributions receivable for 2005 are principally due from seven major contributors.

NOTE 21 - CONTINGENCIES

Various lawsuits, claims and other contingent liabilities arise in the ordinary course of the College's activities. Based on information currently available, management believes that liabilities, if any, resulting from any claim would not materially affect the financial condition or operations of the College.