

NEW ISSUE

Rating: Moody's Aaa/VMIG 1

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.")

\$5,000,000

**Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Six-J2
(Augsburg College)
(DTC Book Entry Only)**

Dated Date: Date of Issue

**Maturity Date: May 1, 2021
CUSIP: 60416H HS 6**

This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date or with respect to other information herein after the initial offering.

The Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority") payable solely from Loan Repayments made by or on behalf of Augsburg College, Minneapolis, Minnesota (the "College"), a Minnesota non-profit corporation, and, during the Variable Rate Period, drawings on the Letter of Credit.

The Bonds will be issued as fully registered bonds without coupons in minimum denominations of \$100,000 and any larger amount which is an integral multiple of \$5,000, 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 and Purchasers will not receive certificates representing their interest in the Bonds purchased. (See Appendix V – "THE DEPOSITORY TRUST COMPANY" herein.)

During the Variable Rate Period, payment of principal of and up to 35 days of interest on the Bonds at the Maximum Rate will be secured by an irrevocable, transferable, direct-pay Letter of Credit issued by

Harris N.A.

or by any provider of an Alternate Letter of Credit. During the Variable Rate Period, if the College provides an Alternate Letter of Credit as more fully described herein, then the Bonds shall be subject to mandatory tender on the effective date of substitution of the Alternate Letter of Credit.

The Bonds are subject to redemption prior to maturity as described herein.

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 will bear interest at an initial rate to be determined by the Remarketing Agent from their date of issue to and including August 2, 2006. Thereafter, until the Conversion Date, the Bonds will bear interest at a Variable Rate that is determined weekly by the Remarketing Agent. Interest on the Bonds shall be payable on each Interest Payment Date for the immediately preceding Interest Accrual Period. Interest shall be computed on the basis of a 365- or 366-day year and actual days elapsed. At the option of the College and upon the conditions set forth in the Indenture, the interest rate on the Bonds may be converted to the Fixed Rate. Prior to the Conversion Date and the establishment of a Fixed Rate, Bondholders have the right to tender their Bonds for purchase by presentation to Wells Fargo Bank, National Association (the "Trustee" and the "Tender Agent") at certain times upon prior written notice as described herein at a purchase price equal to 100% of the principal amount thereof plus (unless the purchase date is an Interest Payment Date) accrued interest thereon, as more fully described herein. The initial Remarketing Agent is Dougherty & Company LLC.

BONDHOLDERS ARE REQUIRED TO TENDER AND SELL THEIR BONDS ON A MANDATORY TENDER DATE AT A PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS ACCRUED INTEREST THEREON, OR, IF THE MANDATORY TENDER RELATES TO THE PROVISION OF AN ALTERNATE LETTER OF CREDIT, MAY ELECT NOT TO TENDER OR SELL, ALL AS MORE FULLY DESCRIBED HEREIN. A Mandatory Tender Date occurs on the effective date of the substitution of any Alternate Letter of Credit, on specified dates following failure to extend the Letter of Credit and upon failure to provide an Alternate Letter of Credit, or on any Proposed Conversion Date. Any Bond to be purchased which is not timely delivered to the Tender Agent on the Mandatory Tender Date or the Optional Tender Date and as to which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof shall be "deemed tendered" for purposes of the Indenture and shall be deemed no longer outstanding and shall cease to accrue interest on such Tender Date.

The Bonds are being offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and 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, for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota, and for Harris N.A. by Chapman and Cutler LLP, Chicago, Illinois. It is expected that the Bonds in definitive form will be available for delivery to the Underwriter through the facilities of 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 Bank, 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 Bank, 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

TABLE OF CONTENTS

	<u>Page</u>
Introductory Statement.....	1
Concurrent Financing.....	3
Risk Factors	3
Continuing Disclosure	4
The Bonds.....	5
The Original Letter of Credit and the Reimbursement Agreement.....	9
Use of Proceeds	14
Estimated Sources and Uses of Funds.....	15
Source of Payment for the Bonds	15
Accounts	16
General Bond Reserve Account	18
Future Financing	19
The Authority.....	19
Financial Advisor.....	20
Underwriting.....	20
Rating.....	20
Litigation.....	21
Legality.....	21
Tax Exemption	21
Not Qualified Tax-Exempt Obligations	22
 The College	 Appendix I
Proposed Form of Legal Opinion	Appendix II
Definition of Certain Terms	Appendix III
Summary of Documents	Appendix IV
The Depository Trust Company	Appendix V
Financial Statements for the Years Ended June 30, 2005 and 2004.....	Appendix VI
Harris N.A.	Appendix VII

OFFICIAL STATEMENT

\$5,000,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
VARIABLE RATE DEMAND REVENUE BONDS, SERIES SIX-J2
(AUGSBURG COLLEGE)
(DTC BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the “Authority”) and Augsburg College, Minneapolis, Minnesota (the “College”), a Minnesota non-profit corporation, in connection with the issuance of the Authority’s \$5,000,000 Variable Rate Demand Revenue Bonds, Series Six-J2 (the “Series Six-J2 Bonds” or the “Bonds”).

The Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, by 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 being issued pursuant to the Trust Indenture (the “Indenture”) between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the “Trustee”). The Trustee will initially also act as Tender Agent for the Issue.

Pursuant to a Loan Agreement between the College and the Authority relating to the Bonds, the College will covenant as a general obligation of the College to make payments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due and to pay the Purchase Price of the Bonds on any Tender Date.

The proceeds of the Series Six-J2 Bonds will be loaned to the College by the Authority and, along with College funds, will be used to:

1. construct, equip and furnish an addition to the Si Melby athletic facility (the “Si Melby Project”);
2. renovate and expand the Augsburg House and Event Center, which is used for College events and the College President’s residence (the “Augsburg House and Event Center Project”);
3. pay a portion of 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”); and
4. pay certain costs associated with the issuance of the Bonds.

The Si Melby Project, the Augsburg House and Event Center Project and the Gateway Project are collectively referred to herein as the Project.

See “USE OF PROCEEDS” herein for a more detailed description of the Project.

The Bonds are secured by a pledge of the Loan Repayments, which is a general obligation of the College, and, prior to the Conversion Date, draws under a Letter of Credit, as further described herein.

At the time of the issuance of the Series Six-J2 Bonds, an irrevocable, transferable, direct pay letter of credit (the "Original Letter of Credit," which term includes any extensions or renewals thereof or, together with an alternate letter of credit delivered in accordance with the provisions of the Indenture, the Reimbursement Agreement and the Loan Agreement, the "Letter of Credit") will be issued by Harris N.A. (the "Bank"), to the Trustee. The Trustee, from and after the issuance date, will be authorized to draw an amount equal to the respective aggregate principal amounts of each series of the Bonds plus 35 days of interest to accrue thereon assuming a maximum interest rate (the "Maximum Rate") of 10% per annum on the Bonds during the Variable Rate Period. If the Original Letter of Credit is not renewed or replaced prior to its stated expiration date (July 27, 2009), unless terminated earlier pursuant to the terms thereof, the Bonds are required to be tendered or converted to bear interest at a Fixed Rate. The College has agreed in the Loan Agreement to maintain with the Trustee at all times during the Variable Rate Period, as hereinafter defined, a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, calculated at the Maximum Rate, for a period equal to 35 days (or such other period as the rating agency then rating the Bonds may require).

The Original Letter of Credit is to be issued pursuant to a Reimbursement Agreement dated as of July 1, 2006 (the "Reimbursement Agreement"), between the College and the Bank. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" herein.

For information concerning the Bank, including certain financial information, see Appendix VII hereto.

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 III and IV for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

EXCEPT AS EXPRESSLY PROVIDED HEREIN, THIS OFFICIAL STATEMENT PROVIDES INFORMATION RELEVANT TO THE BONDS ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT AND, WITH RESPECT TO THE TERM OF THE ORIGINAL LETTER OF CREDIT, INVESTORS ARE CAUTIONED THAT IT BEARS A STATED EXPIRATION DATE OF JULY 27, 2009, THOUGH BY ITS TERMS IT MAY BE TERMINATED SOONER OR EXTENDED. SEE "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" HEREIN.

This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date or with respect to other information herein after the initial offering. This Official Statement must not be used or relied upon by a Holder or purchaser of Bonds in connection with the remarketing of Bonds, the optional tender of Bonds by a Holder, the provision of an Alternate Letter of Credit or conversion of the Bonds to a Fixed Rate.

CONCURRENT FINANCING

By means of a separate Official Statement dated July 18, 2006, the Authority has offered its \$15,655,000 Revenue Bonds, Series Six-J1 (Augsburg College) (the "Series Six-J1 Bonds"), the proceeds of which will be loaned to the College and used to pay a portion of the cost of constructing, equipping and furnishing the Gateway Project; to fund a debt service reserve fund for the Series Six-J1 Bonds; and to pay certain costs associated with the issuance of the Series Six-J1 Bonds. The Series Six-J1 Bonds are expected to settle on July 27, 2006.

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 or interest on the Bonds.

Risk of Insufficient Collateral

The Bonds are secured by (a) during the Variable Rate Period, the Letter of Credit; (b) a pledge by the Authority to the Trustee of amounts payable by the College under the Loan Agreement; and (c) money and investments held by the Trustee under the Indenture (except any money and investments required to be paid to the United States Treasury).

The Bonds are initially secured by the Original Letter of Credit issued by the Bank, and the purchasers of the Bonds should rely thereon in deciding whether to purchase, hold, or sell the Bonds. See "RATING" herein. However, if for any reason the Bank fails to honor a drawing on the Original Letter of Credit and the College fails to make payment due on the Bonds, the Bonds will be accelerated and may be paid in whole or in part out of the College's Loan Repayments.

The Bonds are not secured by a mortgage or lien on, or a security interest in, any property of the College.

Letter of Credit

The ability of the Bank to honor a properly presented and conforming drawing on the Letter of Credit will depend solely on the Bank's credit. There can be no assurance that the Bank will perform its obligations under the Original Letter of Credit. Certain information with respect to the Bank is set forth in Appendix VII. Such information was provided by the Bank and no representation is made by the Authority, the Underwriter or the College as to the adequacy, accuracy or completeness thereof.

The Original Letter of Credit expires July 27, 2009, subject to extension, at the option of the Bank, as provided in the Reimbursement Agreement. No assurances can be given that the College will be able to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit to secure the Bonds at their stated interest rates and original terms until and including the final stated maturity of the Bonds. In the event of a failure to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit, the Bondholders will be required under the Indenture to tender their Bonds to the Trustee for mandatory purchase from the proceeds of a draw under the Original Letter of Credit, at a purchase price equal to the principal amount thereof. Interest owing on the Bonds as of such date will be paid as on any other Interest Payment Date.

Redemption, Acceleration, or Purchase Prior to Maturity

In considering whether the Bonds might be redeemed prior to maturity, Bondholders should consider the information included in this Official Statement under the heading “THE BONDS – Redemption.” The Bonds may be called for redemption prior to maturity on any Interest Payment Date at the option of the College or in certain instances of damage or destruction or condemnation of the Project Facilities. The Bonds shall be subject to mandatory tender for purchase if the College fails to replace the Letter of Credit prior to its Termination Date or the Bank fails to extend the Letter of Credit. The Bonds are also subject to mandatory tender for purchase upon the substitution of a Letter of Credit or proposed conversion to Fixed Rates (See “THE BONDS – Mandatory Tender”). In addition, if certain Events of Default occur under the Loan Agreement, the Indenture or the Reimbursement Agreement, the Bank has the right, in its sole discretion, to require that the Bonds be accelerated. The effect on Bondholders of such an acceleration or purchase would be similar to that of early redemption at par. See “THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT – The Reimbursement Agreement” herein and “THE LOAN AGREEMENT – Events of Default” and “THE INDENTURE – Events of Default” in Appendix IV – “SUMMARY OF DOCUMENTS.” The Reimbursement Agreement requires the College to reimburse the Bank for drawings on the Letter of Credit, with the failure to make timely reimbursement (and certain other events of default) resulting in an acceleration of the Bonds at the option of the Bank. The ability of the College to reimburse the Bank from time to time is dependent upon, among other things, the College’s ability to receive sufficient unrestricted revenues in excess of expenditures. The amount of future unrestricted revenue may be limited by a number of factors, including competition and adverse general economic conditions.

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, the Reimbursement Agreement or the other obligations of the College. During the Variable Rate Period, the Bonds are payable solely from drawings under the Letter of Credit and from payments made by the College pursuant to the Loan Agreement in amounts sufficient to pay, when due, the principal of and interest on and the purchase price of the Bonds.

Bankruptcy and Receivership

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

CONTINUING DISCLOSURE

The Bonds are exempt from continuing disclosure requirements of Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Consequently, the College has not agreed and is not required to provide annual financial information, notices of certain material events or any other disclosure with regard to the Bonds which might otherwise be required by the Rule. However, certain continuing disclosure information may be available from national repositories pursuant to continuing disclosure agreements relating to other outstanding obligations of the College. The College has never

failed to comply with any previous agreements under the Rule to provide annual reports or notices of material events. The College will enter into an undertaking for continuing disclosure following a conversion of the Bonds to a Fixed Rate.

THE BONDS

The sole purpose of this section is to describe terms and provisions of the Bonds before the Conversion Date, while the Bonds bear interest at the Variable Rate, and must not be relied upon following the Conversion Date.

General

The Bonds will be dated the date of initial delivery. The Bonds will mature May 1, 2021. Interest will be payable on the first Business Day of each month ("Interest Payment Date") commencing August 1, 2006.

The Bonds are issuable only as fully-registered bonds without coupons (initially in Book Entry Form), in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

The Bonds will bear interest at a Variable Rate established by the Remarketing Agent. From the Issue Date to and including August 2, 2006 the Bonds will bear interest at a rate to be determined by the Remarketing Agent on the Wednesday prior to the Issue Date. Thereafter, the Remarketing Agent will determine the interest rate weekly as described below. See "THE BONDS – Setting of Interest Rates." Interest will be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. The Bonds are subject to optional and mandatory tender and optional redemption. See the captions "THE BONDS – Optional and Mandatory Tender" and "THE BONDS – Redemption" herein. The Bonds may be converted to a Fixed Rate as described herein under the caption "THE BONDS – Conversion to a Fixed Rate."

Setting of Interest Rates

The College has appointed Dougherty & Company LLC to serve as the Remarketing Agent (the "Remarketing Agent") who will determine the interest rate on the Bonds pursuant to the Remarketing Agreement for each Weekly Period ending prior to the Conversion Date. The College or the Remarketing Agent may terminate the Remarketing Agreement effective upon the later of 30 days' notice or the effective date of appointment of a successor Remarketing Agent. The Weekly Interest Rate will be determined by the Remarketing Agent on the Wednesday of each week or the succeeding Business Day if such Wednesday is not a Business Day and shall be effective commencing with the Thursday immediately succeeding such Wednesday (or the first day of the Weekly Period, if such day shall not be a Thursday) through and including the following Wednesday.

The Weekly Interest Rate will be the minimum interest rate which, in the sole judgment of the Remarketing Agent, would enable the Remarketing Agent to sell outstanding Bonds on the first day of the applicable Weekly Period at a price equal to the principal amount thereof (plus accrued interest, if any). If, for any reason, the Remarketing Agent fails to determine the Weekly Interest Rate, or if a Weekly Interest Rate cannot legally be determined, the Weekly Interest Rate for such period will be equal to (a) 105% of the VariFact™ Rate published by The Bond Buyer for such period, or (b) if the VariFact™ Rate is not published, 80% of the bond equivalent yields (calculated in accordance with standard practice in the banking industry) for

the 13-week United States Treasury bills sold at the last United States Treasury auction of such bills prior to the date of determination. Interest during a Weekly Period shall be computed on the basis of the actual number of days in a year of 365 or 366 days, as appropriate.

The Remarketing Agent shall give notice to the Trustee, the College, the Tender Agent, and the Bank of the determination of each Weekly Interest Rate. The interest rate determination by the Remarketing Agent shall be conclusive and binding on the Holders, the College, the Authority, the Bank, the Tender Agent and the Trustee.

The interest rate on any Bond before the Conversion Date may not exceed 10% per annum (the "Maximum Rate").

Optional and Mandatory Tender

Optional Tender

Prior to the Conversion Date, a Holder may tender Bonds to the Tender Agent for purchase at the principal amount thereof plus accrued interest (the "Purchase Price") on any Business Day at least seven days after the Optional Tender Notice is given by the Holder and is received by or deemed received by the Tender Agent.

An Optional Tender Notice that is delivered to the Tender Agent at its principal office at or before 4:00 P.M., New York City time, on any Business Day shall be deemed delivered on such Business Day, and if such Notice is delivered after 4:00 P.M., New York City time, it shall be deemed to be delivered on the next succeeding Business Day. Optional Tender Notices are irrevocable upon receipt by the Tender Agent. The Optional Tender Notice shall state the principal amount of each Bond to be purchased, its number, the name of the Holder and the date on which such Bond is to be purchased, which date shall be a Business Day not less than seven (7) days after the date the Optional Tender Notice is received or deemed to be received. During any period in which the Bonds are in Book-Entry Form, no further deliveries are required to effect the Optional Tender.

Interest on any Bond which the Holder thereof has elected to tender for purchase and which is not delivered on the Optional Tender Date (when delivery is required during any period in which the Bonds are not in Book-Entry Form), but for which there has been deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Optional Tender Date, and shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from moneys held by the Trustee for such payment.

Mandatory Tender

The Bonds are required to be tendered to the Tender Agent for purchase at the Purchase Price on (i) the effective date of the substitution of any Alternate Letter of Credit, (ii) on the last regularly scheduled Interest Payment Date preceding the Termination Date of the Letter of Credit, but in no event less than two (2) Business Days prior to the Termination Date, if the College has failed to deliver to the Trustee at least 35 days prior to such Interest Payment Date an extension of the Letter of Credit or an irrevocable commitment of a bank to issue an Alternate Letter of Credit, (iii) on the Business Day following such Interest Payment Date, but in no event less than two (2) Business Days prior to the Termination Date, if the College has failed to deliver to the Trustee by 10:00 A.M. New York City time on such Interest Payment Date an Alternate Letter of Credit, and (iv) any Proposed Conversion Date.

The Trustee shall give notice by mail to the College, the Bank, the Tender Agent, the Remarketing Agent, and the Holders of the Bonds subject to such mandatory tender not less

than 30 days prior to the Mandatory Tender Date (other than pursuant to clause (iii) in the preceding paragraph).

In the case of a mandatory tender relating to the substitution of any Alternate Letter of Credit, the Holders may elect not to tender or sell their Bonds, in whole or in part (in Authorized Denominations), by delivery of a Non-Tender Notice not less than ten (10) days prior to the Mandatory Tender Date to the Tender Agent. Such notice shall be irrevocable and shall state the principal amount subject to tender, the number of the Bond, the name of the Holder, and the principal amount the Holder elects not to tender. The notice shall also state that the Holder acknowledges that the ratings on such Bonds may be modified, reduced, suspended or withdrawn.

During any period in which Bonds are in Book-Entry Form, the Tender Agent shall purchase any Bond subject to mandatory tender for which a Non-Tender Notice has not been received without further action by the Holder. During any period in which the Bonds are not in Book-Entry Form, each Bond which is not to be retained by the Holder must be tendered to the Tender Agent for purchase on behalf of the College at or before 9:00 A.M., New York City time, on the Mandatory Tender Date, by delivering such Bond to the Tender Agent (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent). On the Mandatory Tender Date the Tender Agent will purchase such Bond or cause such Bond to be purchased for the account of the College at the Purchase Price.

Interest on any Bond which is not to be retained by the Holder and for which there has been irrevocably deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Mandatory Tender Date, whether or not actually tendered on the Mandatory Tender Date and the Holder of such Bond shall not be entitled to any payment other than the Purchase Price for such Bond, and such Bond shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from funds held by the Tender Agent or the Trustee for such payment.

Tenders Under Book-Entry System

While any Bond is in Book-Entry Form, the term "Tendered Bond" refers to the beneficial ownership interest of the Beneficial Owner. On a Tender Date or upon remarketing, each Bond will be deemed delivered or transferred to a person upon transfer to such person of the beneficial ownership interest therein pursuant to the Book-Entry System.

If any Holder is entitled to receive notice of a Mandatory Tender Date, the notice shall be given by the Trustee to DTC. No Bond in Book-Entry Form (other than a Bond which is to be converted to a Fixed Rate Bond) will be required to be delivered for an exchange, purchase or transfer in connection with such Mandatory Tender Date, and any transfer of beneficial interest in any Tendered Bonds shall be effected through the Book-Entry System. Unless waived by the Tender Agent, beneficial interest in any Tendered Bonds in Book-Entry Form shall be transferred to the Tender Agent on or before the applicable Mandatory Tender Date.

So long as the book-entry system is in effect, the procedures for tender of Bonds by Beneficial Owners are governed by DTC procedures. See Appendix V – "THE DEPOSITORY TRUST COMPANY" herein. The delivery of certificates evidencing the Tendered Bonds shall not be required to effect any optional tender pursuant to the Indenture, and the beneficial ownership interest of the Beneficial Owner in such Bond shall be transferred through the Book-Entry System to the Tender Agent on the Optional Tender Date against credit for the Purchase Price.

Remarketing and Purchase

On each Optional Tender Date and on each Mandatory Tender Date, the Tender Agent is required to purchase tendered Bonds with funds either derived from the remarketing of tendered Bonds or funds drawn under the Letter of Credit. Funds supplied by the College will not be used to purchase Bonds unless the Bank dishonors a draft for payment under the Letter of Credit. Subject to the availability of any required offering materials and satisfaction of other conditions precedent, the Remarketing Agent has agreed to use its best efforts to remarket tendered Bonds.

Conversion to a Fixed Rate

The Indenture provides that the College has the one-time right with regard to the Bonds, with the Bank's consent to the extent required under the Reimbursement Agreement, to be exercised at any time, to direct the Authority to convert the interest rate on all of the Bonds to a Fixed Rate, effective on any Variable Rate Interest Payment Date. To exercise its option, the College must deliver to the Authority, the Trustee, the Tender Agent and the Remarketing Agent written notice thereof along with the Bank's written consent, if required, at least 35 days prior to the Variable Rate Interest Payment Date on which the Fixed Rate is to become effective (the "Conversion Date") and an opinion of nationally recognized bond counsel to the effect that the conversion to a Fixed Rate is authorized by the Indenture and will not adversely affect the exemption of interest on any Bonds from federal income taxation. See "Tax Exemption" herein.

The Trustee shall give notice by mail to the Holders of the proposed conversion to a Fixed Rate not less than 30 days prior to the Proposed Conversion Date, specifying, among other things, the Proposed Conversion Date, the Computation Date, which is the date on which the Fixed Rate shall be determined and announced, which shall be not less than 15 days prior to the Proposed Conversion Date, and stating that the Bonds shall be subject to mandatory tender for purchase on the Proposed Conversion Date.

Notwithstanding the foregoing, the College may cancel the conversion to a Fixed Rate at any time on or prior to the last Business Day preceding the Proposed Conversion Date by giving notice to the Trustee, the Authority, the Remarketing Agent, the Tender Agent, and the Bank.

On the Computation Date, the Remarketing Agent shall determine the Fixed Rate, which shall be the annual interest rate, which, in the determination of the Remarketing Agent, if borne by the Bonds until their maturity, would result in the market value of the Bonds on that date being as nearly as practicable 100% of, but not less than, the principal amount thereof. In determining the Fixed Rate, the Remarketing Agent shall have due regard for general financial conditions and such other or special conditions as in the judgment of the Remarketing Agent may have a bearing on the Fixed Rate. After the Conversion Date, the Holders shall have no right to tender such Bonds for purchase.

Redemption

Optional Redemption Prior to Conversion to Fixed Rate

The Bonds are subject to optional redemption by the Authority at the direction of the College, with the Bank's prior written consent to the extent the Reimbursement Agreement requires, in whole or in part on any Interest Payment Date, at a redemption price equal to the principal amount of Bonds to be so redeemed, plus accrued interest to the redemption date.

Extraordinary Optional Redemption

The Bonds are also subject to optional redemption at par plus accrued interest, in whole or in part, in certain cases of damage to or destruction or condemnation of the Project Facilities (see "SUMMARY OF DOCUMENTS – The Loan Agreement" in Appendix IV).

Partial Redemption

If fewer than all of the Bonds at the time outstanding are to be called for optional redemption, the College shall designate to the Trustee the amount of the Bonds to be redeemed, and the particular Bonds or portions thereof to be redeemed shall be selected randomly, unless otherwise provided in the Indenture, by the Trustee in units of Authorized Denominations. In no event shall such redemption result in less than \$100,000 of Bonds remaining outstanding. The College may direct the Trustee to select randomly from among all the Holders and thereafter select randomly the particular Bonds or portions thereof held by the Holders so selected in order to call for redemption as many Bonds or portions thereof from among the fewest number of Holders. Pledged Bonds shall be selected for redemption prior to any other Bonds except Bonds which have been properly tendered for purchase on optional tender dates occurring on or after the redemption date.

Notwithstanding the foregoing, while the Bonds are in Book Entry Form, DTC shall select Bonds for redemption within particular maturities according to its stated procedures. In no event shall the portion of Bonds to be redeemed and the portion of Bonds not to be redeemed be less than the minimum Authorized Denomination.

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.

THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The Loan Agreement requires the College at all times during the Variable Rate Period to maintain with the Trustee a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, computed at the Maximum Rate, for a period of 35 days.

The Bank

The Original Letter of Credit will be issued by Harris N.A. (the "Bank"). For information concerning the Bank, see Appendix VII to this Official Statement. The information contained in Appendix VII was furnished by the Bank which is solely responsible for such information.

THE ABILITY OF THE BANK TO HONOR A PROPERLY PRESENTED AND CONFORMING DRAWING ON THE LETTER OF CREDIT WILL BE BASED SOLELY ON THE BANK'S CREDIT. INFORMATION AS TO THE FINANCIAL CONDITION OF THE BANK IS SET FORTH IN APPENDIX VII HERETO.

The Original Letter of Credit

At the time of issuance of the Bonds, the College will cause the Bank to issue the Original Letter of Credit to the Trustee in an original stated amount of \$5,047,946 (the "Original Stated Amount"). The Original Letter of Credit will be an irrevocable obligation of the Bank, which will have a stated expiration date of July 27, 2009, unless terminated earlier or extended. So long as the Original Letter of Credit is effective (i.e., prior to the Termination Date, as hereinafter defined), the Trustee will be required to draw under the Original Letter of Credit, in accordance with the terms thereof, amounts sufficient to pay (i) accrued interest on the Bonds on an Interest Payment Date (an "Interest Drawing"), (ii) principal of and accrued interest on the Bonds in respect of any optional redemption (a "Redemption Drawing"), provided that, in the event the date of redemption coincides with an Interest Payment Date, the Redemption Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iii) the Purchase Price of Bonds tendered pursuant to the terms of the Indenture for purchase on a Tender Date to the extent such Bonds have not been successfully remarketed or for which the Purchase Price has not been received by the Remarketing Agent or the Tender Agent, as appropriate, by 11:00 A.M., New York City time, on the Tender Date (a "Liquidity Drawing"), provided that in the event the Tender Date coincides with an Interest Payment Date, the Liquidity Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iv) principal of and accrued interest in respect of Bonds the payment of which has been accelerated pursuant to the Indenture (an "Acceleration Drawing"), and (v) if the Original Letter of Credit has been extended and is in effect on such dates, the principal amount of Bonds outstanding on May 1, 2021 (the "Stated Maturity Drawing"); provided, however, none of the foregoing drawings shall be made under the Original Letter of Credit for payment of the principal or Purchase Price of or interest on College Bonds or Pledged Bonds as hereinafter defined.

The Available Amount (as hereinafter defined) of the Original Letter of Credit will be reduced automatically by the amount of any drawing thereunder; provided, however, that the amount of any Interest Drawing, less the amount of the reduction in the Available Amount of the Original Letter of Credit attributable to interest as specified in a certificate of the Trustee (because of a reduction in the outstanding principal amount of Bonds) shall be automatically reinstated immediately upon payment by the Bank of such drawing. After payment by the Bank of a Liquidity Drawing, the Available Amount will be automatically reduced by an amount equal to the Original Purchase Price (as hereinafter defined) of any Bonds (or portions thereof) purchased pursuant to said drawing. Prior to the Conversion Date, in the event of the remarketing of any Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, the Available Amount under the Letter of Credit will be automatically reinstated upon receipt of the Original Purchase Price thereof by the Trustee, on behalf of the Bank, in an amount equal to the Original Purchase Price of any Pledged Bonds or portions thereof so remarketed. Prior to the Conversion Date, in the event the Bank receives repayment of any amount relating to a Liquidity Drawing, the Available Amount under the Letter of Credit shall be automatically reinstated in an amount equal to the amount of the repayment.

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

The "Termination Date" of the Original Letter of Credit is defined as the earliest to occur of the close of business of the Bank on: (i) July 27, 2009 (this being the end of the Original Letter of

Credit's three year term; the Original Letter of Credit shall, however, be renewable annually at the College's request and in the Bank's sole discretion) or such later date to which such date has been so extended, (ii) the earlier of (A) the date which is fifteen (15) days following the Conversion Date, as such date is specified in a certificate of the Trustee, or (B) the date on which the Bank honors a drawing under the Letter of Credit on or after the Conversion Date; (iii) the date which is fifteen (15) days following the receipt by the Bank of a certificate from the Trustee in the form prescribed in the Original Letter of Credit to the effect that either (a) no Bonds remain outstanding, (b) all drawings required to be made under the Indenture and available under the Original Letter of Credit have been made and honored or (c) an Alternate Letter of Credit has been issued and is in effect in accordance with the Indenture and Loan Agreement; (iv) the date on which an Acceleration Drawing is honored by the Bank, and (v) the date which is twenty (20) days following receipt by the Trustee of a written notice from the Bank notifying the Trustee that an Event of Default has occurred under the Reimbursement Agreement, and directing the Trustee to cause an acceleration of the Bonds.

Alternate Letter of Credit

The Indenture and the Loan Agreement provide that during the Variable Rate Period the Bonds will be tendered if the College fails to deliver to the Trustee (i) at least thirty-five (35) days before the last regularly scheduled Interest Payment Date preceding the Termination Date of a Letter of Credit, an irrevocable commitment from a bank to issue an Alternate Letter of Credit and (ii) on such Interest Payment Date an Alternate Letter of Credit and an opinion of counsel for the bank issuing such Alternate Letter of Credit. An Alternate Letter of Credit shall be an irrevocable, direct-pay letter of credit, having a term of at least one year, issued by a commercial bank organized under the laws of the United States or a foreign nation and authorized to do business in the United States, the terms of which are required by the Indenture to be in all material respects the same as the Original Letter of Credit. If at any time there shall have been delivered to the Trustee (i) an Alternate Letter of Credit pursuant to, and meeting the requirements of, the Loan Agreement and in an available amount meeting the requirements specified in the Indenture, and (ii) an opinion of counsel for the bank which is the issuer of the Alternate Letter of Credit to the effect that the Alternate Letter of Credit has been duly authorized, executed and delivered by the issuer thereof and is a valid and binding obligation of the issuer thereof and enforceable against the issuer, subject to bankruptcy and similar laws affecting creditors' rights generally, then the Trustee shall accept such Alternate Letter of Credit and upon the date the Trustee is permitted to draw under such Alternate Letter of Credit promptly terminate and surrender the previously held Letter of Credit to the issuer thereof for cancellation.

The effective date of substitution of any Alternate Letter of Credit shall be a Variable Rate Interest Payment Date and shall also be a Mandatory Tender Date; provided that any Bondholder may elect to retain its Bonds by filing a Non-Tender Notice in accordance with the Indenture.

The Reimbursement Agreement

The Original Letter of Credit will be issued by the Bank pursuant to a Reimbursement Agreement, dated as of July 1, 2006 (the "Reimbursement Agreement"), between the Bank and the College, under which the College will agree, among other things, to reimburse the Bank for drawings under the Original Letter of Credit. Pursuant to the Reimbursement Agreement, the College will also agree to pay certain fees for issuance and maintenance of the Original Letter of Credit. The Reimbursement Agreement, and the terms, conditions and agreements contained therein, are solely for the benefit of the Bank and must not be relied upon by the Holders of Bonds or the Trustee. **The Reimbursement Agreement may be amended by the**

Bank and the College without the consent of or notice to the Trustee or the Holders of Bonds.

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

- a) any material representation or warranty made by the College in the Reimbursement Agreement, the Original Letter of Credit, the Indenture, the Bonds, the Loan Agreement, the Remarketing Agreement, the Bond Purchase Agreement or the Official Statement (the “Related Documents”) or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with this Agreement or with any of the other Related Documents, shall prove to have been incorrect, incomplete or misleading in any material respect;
- b) any “*event of default*” shall have occurred under any of the Related Documents (as defined respectively therein);
- c) failure to pay to the Bank any Obligations when and as due under the Reimbursement Agreement;
- d) default in the due observance or performance by the College of certain covenants set forth in Article Five of the Reimbursement Agreement;
- e) default in the due observance or performance by the College of any other term, covenant or agreement set forth in the Reimbursement Agreement and the continuance of such default for 30 days after the occurrence thereof;
- f) any material provision of the Reimbursement Agreement or any of the Related Documents shall cease to be valid and binding, or the College shall contest any such provision, or the College or any agent or trustee on behalf of the College shall deny that it has any or further liability under the Reimbursement Agreement or any of the Related Documents;
- g) the College or any subsidiary shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) not pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in (h) immediately below;
- h) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the College or any subsidiary or any substantial part of its property, or a proceeding described in (g)(v) immediately above shall be instituted against the College or any subsidiary and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of 60 or more days;
- i) dissolution or termination of the existence of the College or any subsidiary whose operations are material to the business or continued operations of the College;

- j) a default or defaults in the aggregate amount of \$250,000 or more shall occur under any evidence of Indebtedness as defined in the Reimbursement Agreement issued, assumed, or guaranteed by the College or any subsidiary or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Indebtedness (whether or not such maturity is in fact accelerated) or any such Indebtedness shall not be paid when and as due (whether by lapse of time, acceleration or otherwise);
- k) a default or defaults in the aggregate amount of \$250,000 or more shall occur under any lease obligation of the College and such default shall continue for a period of time sufficient to accelerate lease payments under such lease or cause the termination of such lease;
- l) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of \$50,000 shall be entered or filed against the College or any of its subsidiaries or against any of their property and remain unvacated, unbonded or unstayed for a period of 30 days;
- m) the College or any member of its Controlled Group shall fail to pay when due an amount or amounts aggregating in excess of \$50,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of \$50,000 (collectively, a "*Material Plan*") shall be filed under Title IV of ERISA by the College or any other member of its Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against the College or any member of its Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or
- n) a default shall occur and be continuing under any agreement between the College and the Bank or under any obligation owed by the College to the Bank.

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

- a) by notice to the College, declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the College, provided that upon the occurrence of an Event of Default under clauses (g) or (h) above such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);
- b) give notice of the occurrence of an Event of Default to the Trustee, directing the Trustee to accelerate the Bonds, thereby causing the Letter of Credit to expire 20 days after receipt of such notice from the Bank;
- c) pursue any rights and remedies it may have under the Related Documents; or
- d) pursue any other action available at law or in equity.

USE OF PROCEEDS

Proceeds of the Series Six-J2 Bonds along with College funds will be used to undertake the Si Melby Project, the Augsburg House and Event Center Project and the Gateway Project and to pay certain costs associated with the issuance of the Bonds. See "INTRODUCTORY STATEMENT" on page one of this Official Statement for a brief description of each project.

The architect for the Si Melby Project is Ankeny Kell Architects. Total project costs (including site preparation, architectural design services, etc.) for the Si Melby Project are estimated to be \$6,150,000. The College has entered into a guaranteed maximum price construction contract with Kraus-Anderson Construction Company to build the Si Melby Project for \$3,446,709. Additional costs will include the College's purchase of certain building materials, which the College estimates to be approximately \$2,031,244, and costs resulting from any changes in the project by the College. Site clearing and site preparation began in April 2006 and the Si Melby Project is expected to be completed by January 2007.

The architect for the Augsburg House and Event Center is BWBR Architects. Total project costs are estimated to be \$400,000. The College has not entered into a guaranteed maximum price construction contract for this portion of the Project. Renovations will begin in July 2006 and are expected to be completed in October 2006.

The architect for the Gateway Project is BWBR Architects. Total Gateway Project costs (including site preparation, 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. Costs associated with the Gateway Project are being funded with proceeds from the Series Six-J1 Bonds as discussed in "CONCURRENT FINANCING" herein, as well as proceeds from the Series Six-J2 Bonds and other funds of 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 Balance of This Page Has Been Intentionally Left Blank)

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds together with other moneys are expected to be used as follows:

Sources of Funds	
Par amount of the Bonds	\$5,000,000
College Contribution	<u>2,700,000</u>
Total Sources	<u>\$7,700,000</u>
Uses of Funds	
Gateway Project construction costs*	\$1,055,000
Si Melby Project construction costs	6,150,000
Augsburg House Project construction costs	400,000
Letter of Credit Fee	26,500
Issuance costs, including Underwriter's discount	<u>68,500</u>
Total Uses	<u>\$7,700,000</u>

* Additional costs associated with the Gateway Project will be funded by the Series Six-J1 Bonds and additional College contributions. See "CONCURRENT FINANCING" herein.

In the event issuance costs including Underwriter's discount exceed 2% of the proceeds of the Bonds, 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

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including, during the Variable Rate Period, drawings under the Letter of Credit. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the College. The College will agree pursuant to the terms of the Loan Agreement and the Indenture to make such payments out of its operating funds or any other moneys legally available. The College covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the College's 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.

During the Variable Rate Period, the Bonds will be secured by the Original Letter of Credit or Alternate Letter of Credit, as discussed under "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" herein.

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 Account of the Authority (see "GENERAL BOND RESERVE ACCOUNT" herein).

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which the proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement and moneys from draws under the Letter of Credit are to be deposited. These accounts include a Construction Account, a Bond Purchase Fund, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. Each account or fund (except the Construction Account and the Reserve Account) includes a General Account and a Letter of Credit Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments, proceeds of remarketing or proceeds from draws under the Letter of Credit are to be deposited into the Bond and Interest Sinking Fund Account, the Bond Purchase Account, and the Redemption Account, as required by the Loan Agreement and the Indenture and used, to the extent needed, to redeem or pay the principal of and interest on or the Purchase Price of the Bonds when due.

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 proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project and costs of issuing the Bonds. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be applied to any deficiency in the Reserve Account and thereafter shall, under certain conditions, be delivered to the Bank to pay the College's Letter of Credit Obligations or deposited into the Bond and Interest Sinking Fund Account; otherwise such balance shall be deposited to the Redemption Account. The College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of the College's available general funds all costs of issuance of the Bonds (including Underwriter's discount) in excess of 2.00% of the proceeds of the Bonds.

Bond Purchase Fund

There shall be deposited to the General Account in the Bond Purchase Fund (a) the remarketing proceeds of Bonds received by the Trustee from the Tender Agent (together with any investment income thereon) into a separate sub-account of the General Account, but not including any moneys received from the Authority or the College and (b) all other moneys (except moneys available pursuant to the Letter of Credit) which are required or directed to be deposited to the Bond Purchase Fund. There shall be deposited to the Letter of Credit Account in the Bond Purchase Fund all moneys drawn by the Trustee pursuant to the Letter of Credit.

Moneys in the Bond Purchase Fund shall be used solely for the payment of the Purchase Price of Bonds upon optional or mandatory tender and shall be disbursed by the Trustee from the Bond Purchase Fund in the following order: (a) amounts in the General Account derived from remarketing of the Bonds and investment income thereon, (b) amounts in the Letter of Credit Account and (c) amounts in the General Account derived from any other sources and

investment income thereon. If the funds available under clause (a) in the foregoing sentence for the payment of the Purchase Price of Bonds on any Optional Tender Date or Mandatory Tender Date are not sufficient to pay in full the Purchase Price of such Bonds, the Trustee shall make a drawing under the Letter of Credit in an amount which will be sufficient, together with the funds available under clause (a), to pay the Purchase Price.

If there remains any balance (other than moneys held by the Trustee for the purchase of Untendered Bonds) in either the Letter of Credit Account or the General Account of the Bond Purchase Fund, the Trustee shall, prior to the close of business on the Optional Tender Date or the Mandatory Tender Date, authorize the payment of such balance first to the Bank, but only to the extent of amounts due under the Reimbursement Agreement, and then to the College.

Bond and Interest Sinking Fund Account

There shall be deposited into the General Account of the Bond and Interest Sinking Fund Account transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. There shall be deposited to the Letter of Credit Account of the Bond and Interest Sinking Fund Account all moneys drawn by the Trustee under the Letter of Credit to pay interest on any Bond (except College Bonds and Pledged Bonds) on any Interest Payment Date and principal on any Bond (except College Bonds and Pledged Bonds) on the Stated Maturity or acceleration thereof.

Funds for the payment of principal of and interest on the Bonds (other than College Bonds and Pledged Bonds) on a Stated Maturity, acceleration or Interest Payment Date are to be derived from the following sources in the order of priority indicated: (i) amounts in the Letter of Credit Account of the Bond and Interest Sinking Fund Account derived from the Letter of Credit for such purpose; and (ii) amounts in the General Account of the Bond and Interest Sinking Fund Account.

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

While the Bonds bear interest at the Variable Rate, the Reserve Requirement is zero and there shall be no deposit into the Reserve Account prior to the Conversion Date.

Redemption Account

All deposits to the Redemption Account will be made to the General Account unless specified to be deposited in the Letter of Credit Account by the Indenture, the Loan Agreement or the Letter of Credit. There shall be deposited into (a) the Letter of Credit Account of the Redemption Account, all moneys drawn by the Trustee under the Letter of Credit for optional redemption during the Variable Rate Period, and (b) the General Account of 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 General Account of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account, the Bond Purchase Fund and the Reserve Account (after the Conversion Date), in the order listed, and, second, for the redemption of outstanding Bonds at the request or direction of the College or for

the purchase of outstanding Bonds on the market at the request of the College at prices not exceeding the redemption price on the next available date for redemption or to pay any unpaid obligations under the Reimbursement Agreement. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the General Account of 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.

Funds for the payment of the principal of and premium, if any, on the Bonds upon redemption shall be disbursed by the Trustee in the following order of priority: (i) amounts in the Letter of Credit Account of the Redemption Account derived from the Letter of Credit for such purpose, and (ii) amounts in the General Account of the Redemption Account.

Authorized Investments

Moneys on deposit to the credit of the Construction Account and the Bond and Interest Sinking Fund 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 any political subdivisions thereof, rated at least "AA" or "Aa" (if state obligations) or "AAA" or "Aaa" (if political subdivisions); revenue bond obligations of states and political subdivisions thereof, insured by municipal bond insurance and rated at least "AAA" or "Aaa"; mutual funds or unit trusts which invest solely in the foregoing obligations or qualifying repurchase agreements, including funds managed by the Trustee; constant dollar value money market funds investing solely in direct United States obligations, qualifying United States agency obligations, qualifying state and political subdivision obligations and qualifying repurchase agreements, and rated in the highest rating category by a national rating agency; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; guaranteed investment contracts acceptable to the Trustee, issued or guaranteed by appropriate banks or insurance companies, which contracts rank on a parity with the senior unsecured debt of the issuer or guarantor and which are 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 Series Six-J1 Bonds and the 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. Yunkerberg 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 \$4,975,000.

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 hereof, Moody's Investors Service ("Moody's") has assigned a long-term rating of "Aaa" and a short-term rating of "VMIG 1" to the Bonds, conditioned on the issuance of the Letter of Credit by the Bank. Moody's has also assigned an underlying rating of "Baa2" based on the stand-alone credit strength of the College. Moody's has based the "Aaa" long-term rating on the Bonds on its analysis of the credit strength of both the College and the Bank using its "Two-Party-Pay" rating approach. This approach examines both the College and the Bank and evaluates the likelihood that both parties will be unable to make payments on the Bonds when due. The short-term rating on the Bonds is based solely on the credit strength of

the Bank. The ratings reflect only the view of such rating agency. Further information concerning the ratings 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 the rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the College are unaware 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.

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.

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.

Board of Regents

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:

<u>Fall Semester</u>	<u>Day Program FTE</u>	<u>Day Program Headcount</u>	<u>Weekend College FTE</u>	<u>Graduate Program FTE</u>	<u>Weekend College and Graduate Program Headcount</u>	<u>Total FTE</u>	<u>Total Headcount</u>
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:

<u>Year</u>	<u>Applicants</u>	<u>Acceptances</u>	<u>Enrolled</u>	<u>Acceptance Ratio</u>	<u>Enrollment Ratio</u>
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:

<u>Year</u>	<u>Applicants</u>	<u>Acceptances</u>	<u>Enrolled</u>	<u>Acceptance Ratio</u>	<u>Enrollment Ratio</u>
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.

	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>
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*	<u>368</u>	<u>582</u>	<u>498</u>	<u>493</u>	<u>493</u>
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)**

<u>College/University</u>	<u>Tuition and Required Fees</u>	<u>Room and Board</u>	<u>Comprehensive Charges</u>
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

<u>Academic Rank</u>	<u>Number of Faculty</u>	<u>Average Total Compensation</u>
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.

	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>
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	<u>3,125,785</u>	<u>3,485,169</u>	<u>3,573,394</u>	<u>3,581,363</u>
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:

<u>May 31</u>	<u>Endowment</u>	<u>Deferred Gifts</u>
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:

<u>Year Ended May 31</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
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 VI 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 VI.

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	<u>\$ 22,021,158</u>	<u>\$ 18,664,096</u>	<u>\$ 16,970,074</u>	<u>\$ 19,638,998</u>	<u>\$ 21,040,367</u>

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 Series Six-J2 Bonds. See below for further discussion.

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Outstanding As of 6-1-06</u>
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
VariousN/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	<u>5,000,000</u>
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.

PROPOSED FORM OF LEGAL OPINION

McGrann Shea Anderson Carnival Straughn & Lamb, Chartered**ATTORNEYS AT LAW**

U.S. BANCORP CENTER

800 NICOLLET MALL

SUITE 2600

MINNEAPOLIS, MINNESOTA

55402-7035

TELEPHONE (612) 338-2525

FACSIMILE (612) 339-2386

WILLIAM R. MCGRANN
 ANDREW J. SHEA
 DAVID S. ANDERSON
 DOUGLAS M. CARNIVAL
 ROBERT O. STRAUGHN
 PETER L. COOPER
 KATHLEEN M. LAMB
 JOHN R. SCHULZ
 COREY J. AYLING
 HENRY M. HELGEN III
 RANDOLPH W. MORRIS
 SCOTT B. CROSSMAN
 CARLA J. PEDERSEN
 PAMELA HODGES NISSEN
 KATHLEEN MICHAELA BRENNAN
 JOSEPH T. BAGNOLI

JENNIFER A. JAMESON
 TIMOTHY J. FOSTER
 AMY L. COURT
 ROGER J. STELLJES
 AMANDA R. CEFALU
 SEAN O. SKRYPEK
 ALBERT E. LI
 CARL S. WOSMEK
 CHRISTINE L. MENNEN
 EMILY J. PIPER
 JEFFREY C. URBAN

\$5,000,000

Minnesota Higher Education Facilities Authority
 Variable Rate Demand Revenue Bonds, Series Six-J2
 (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) Variable Rate Demand Revenue Bonds, Series Six-J2 (Augsburg College), in the aggregate principal amount of \$5,000,000 (the “Bonds”), dated July 27, 2006, as 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 and located on its campus in Minneapolis, Minnesota, and to finance renovation of the President's residence and special event center also located 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 also relied upon the opinions of Chapman and Cutler LLP, counsel to Harris N.A. (the “Bank”), as to the Letter of Credit (as defined in the Loan Agreement and Indenture) having been duly executed and delivered and being a valid and binding obligation of the Bank.

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 periodic draws under the Letter of Credit issued by the Bank and are further secured by the assignment of the loan repayments payable by the College under the Loan Agreement to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to 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 Letter of Credit, 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

DEFINITION OF CERTAIN TERMS

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

Alternate Letter of Credit: An irrevocable direct-pay letter of credit delivered to the Trustee in accordance with the Loan Agreement and the Indenture to replace the Letter of Credit then in existence.

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Denominations: (a) \$100,000 and any integral multiple of \$5,000 in excess thereof during the Variable Rate Period, and (b) \$5,000 and any integral multiple thereof during the Fixed Rate Period.

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 the Indenture and described in Section 8.05 thereof.

Bank: Harris N.A., as the issuer of the Original Letter of Credit, its successors in such capacity and their assigns until the full payment and satisfaction of the Letter of Credit Obligations under the original Reimbursement Agreement; upon the issuance of any Alternate Letter of Credit, "Bank" shall mean the issuer of such Alternate Letter of Credit, its successors in such capacity and their assigns until the full payment and satisfaction of the Letter of Credit Obligations under the applicable Reimbursement Agreement.

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 account established pursuant to the Indenture, including the General Account and the Letter of Credit Account, into which the Authority and Trustee shall deposit certain moneys for payment of principal of and interest on the Bonds.

Bond Closing: With respect to the Bonds, the original issuance, sale and delivery of the Bonds.

Bond Counsel: McGrann Shea Anderson Carnival Straughn & Lamb, Chartered, or any other firm of Independent attorneys nationally recognized as experienced in passing on the validity and tax status of interest on obligations of state or local governments and acceptable to the Authority, the Trustee, and the Bank.

Bond Purchase Agreement: The Bond Purchase Agreement among the Authority, the Underwriter and the College regarding the Series Six-J2 Bonds.

Bond Purchase Fund: The fund created in the Indenture, including the General Account and the Letter of Credit Account into which the Authority, the College or the Trustee shall deposit certain moneys for the payment of the Purchase Price of the Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on July 19, 2006, authorizing the 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 the next succeeding May 1 and (b) each succeeding 12-month period ending at the close of business on the anniversary thereof of each year in which the outstanding Six-J2 Bonds, if paid at their Stated Maturity dates, will be outstanding.

Bonds: The Series Six-J2 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.

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

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

Business Day: (i) During the Variable Rate Period, any day other than a Saturday or Sunday, or a day on which banking institutions in the City of Saint Paul, Minnesota, the City of New York, New York, the City of Chicago, Illinois (so long as the Original Letter of Credit is in effect), or if different, in the city in which the designated corporate trust office of the Trustee or the designated corporate trust office of the Tender Agent, or the principal offices of the Remarketing Agent or of the Bank through which the Letter of Credit is issued (other than the issuer of the Original Letter of Credit) are located are required or authorized by law or executive order to remain closed and other than a day on which the New York Stock Exchange is closed or on which the Federal Reserve Banks are closed, and, (ii) during the Fixed Rate Period, any day other than a day upon which banks located in the city or cities in which the principal corporate trust offices of the Trustee are located are required or authorized by law to remain closed.

Certificate: A certification in writing required or permitted by the provisions of the Loan Agreement or the 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.

College Bond: Any Bond (i) registered in the name of, or the Beneficial Owner of which is, or which the Trustee actually knows is owned or held by, the College or the Authority or the Trustee or an agent of the Trustee for the account of the College or the Authority or (ii) with respect to which the College or the Authority has notified the Trustee, or which the Trustee actually knows, was purchased by another person for the account of the College or the Authority or by a person directly or indirectly controlling or controlled by or under direct or indirect common control with the College or the Authority, including, but not limited to, Pledged Bonds.

Computation Date: The date on which the Fixed Rate is to be determined in the case of conversion to Fixed Rate, which shall be not less than 15 days prior to the Proposed Conversion Date.

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

Conversion Date: The date as of which the interest rate on the Bonds converts from a Variable Rate to a Fixed Rate as such date is established pursuant to the Indenture.

Date of Taxability: The date as of which interest on the Bonds shall be determined to be includable in gross income pursuant to a Determination of Taxability.

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 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.

Event of Default: An Event of Default described in the Indenture, Loan Agreement, or the Reimbursement Agreement and summarized, respectively, in Appendix IV to this Official Statement in the sections entitled "THE INDENTURE - Events of Default," "THE LOAN AGREEMENT - Events of Default," and in the body of this Official Statement in the section entitled "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

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

Fixed Rate or Fixed Rates: The Fixed Rates established in accordance with the Indenture at the Conversion Date for the Bonds.

Fixed Rate Interest Payment Date: The first May 1 or November 1 occurring at least ninety (90) days after the Conversion Date, and each May 1 or November 1 thereafter prior to the last Maturity of any Bonds, and the date of such Maturity.

Fixed Rate Period: The period from and including the Conversion Date to and including the date of the last Maturity of any Bonds.

General Account: When used with respect to the Bond and Interest Sinking Fund Account, the Redemption Account, or the Bond Purchase Fund, the account by that name established within such account or fund.

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

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

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

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

Interest Accrual Period or Interest Period: (a) with respect to a Weekly Period, a period commencing with the first Business Day of each calendar month during such Weekly Period (or the first day of such Weekly Period, if such day is not the first Business Day of a month) to and including the earlier of the day preceding the first Business Day of the next calendar month and the last day of such Weekly Period and (b) with respect to the Fixed Rate Period, a period commencing with the first day of the Fixed Rate Period to and including the last day preceding the first Fixed Rate Interest Payment Date, and thereafter a period commencing with each Interest Payment Date to and including the last day preceding the next Interest Payment Date; provided that the Interest Accrual Period with respect to a Mandatory Tender Date which is a Variable Rate Interest Payment Date described in clause (b) of the definition thereof shall commence on the first day of the immediately preceding Interest Accrual Period and shall end on the day preceding such Variable Rate Interest Payment Date and the next Interest Accrual Period shall commence on such Variable Rate Interest Payment Date.

Interest Payment Date: On and prior to the Conversion Date, each Variable Rate Interest Payment Date and after the Conversion Date, each Fixed Rate Interest Payment Date.

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

Issue Date: The date on which such Bonds are delivered to the original purchasers thereof upon original issuance.

Letter of Credit: The Original Letter of Credit and any extension or renewal thereof, or, upon delivery to the Trustee of any Alternate Letter of Credit, "Letter of Credit" shall mean such Alternate Letter of Credit.

Letter of Credit Account: When used with respect to the Bond and Interest Sinking Fund Account, the Redemption Account, or the Bond Purchase Fund, the account by that name established within such account or fund.

Letter of Credit Obligations or Obligations: All fees relating to the Letter of Credit, any and all obligations of the College to reimburse the Bank for any drawings under the Letter of Credit, whether for the amount of such drawing or interest thereon, and all other obligations of the College to the Bank arising under or in relation to the Reimbursement Agreement, all whether now existing or hereafter arising and howsoever evidenced.

Liquidity Drawing: A drawing under the Letter of Credit resulting from the presentation of a certificate in the form of Exhibit E to the Letter of Credit.

Loan Agreement: The Loan Agreement between the Authority and the College, dated as of July 1, 2006, as from time to time amended or supplemented.

Loan Repayments: The payments required to be made by the College to the Trustee (or directly to the Bank while a Letter of Credit is in effect) pursuant to the Loan Agreement.

Mandatory Tender Date: The meaning assigned thereto in the Indenture, as summarized in "THE BONDS – Optional and Mandatory Tender – Mandatory Tender," herein.

Maturity: When used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable as provided therein or in the Indenture, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

Maximum Rate: The maximum rate, 10% per annum, that may be borne by the Bonds before the Conversion Date.

Moody's: Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Authority.

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.

Optional Tender Date: The meaning assigned thereto in the Indenture, as summarized in "THE BONDS - Optional and Mandatory Tender - Optional Tender," herein.

Original Letter of Credit: The irrevocable, direct-pay letter of credit delivered by the Bank to the Trustee on the Issue Date of the Series Six-J2 Bonds in accordance with the Loan Agreement.

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

Pledged Bonds: (i) Bonds registered in the name of the College, held by the Trustee and pledged to the Bank pursuant to the Reimbursement Agreement, or (ii) with respect to any Bond registered in the name of Depository Trust Company, the principal portion thereof the Beneficial Owner of which is the College subject to a security interest and pledge granted in favor of the Bank pursuant to the Reimbursement Agreement.

Project: (a) the construction, equipping and furnishing of an addition of approximately 35,500 square feet to Si Melby Hall, located on the Institution's campus, the principal street address of which is 2211 Riverside Avenue, Minneapolis, Minnesota; (b) the renovation of the President's residence and special event center located at 2848 River Parkway West, Minneapolis, Minnesota; and (c) the construction, equipping and furnishing of a multi-use building of three to four floors totaling approximately 117,000 square feet for student housing, administrative and classroom areas and retail space with underground parking, to be known initially as the Gateway Building, and to be located on the Institution's campus at Riverside Avenue between 21st and 22nd Streets, Minneapolis, Minnesota.

Project Buildings: The facilities acquired, improved or constructed with proceeds of the Bonds, including investment earnings.

Project Costs: Costs properly payable from the Construction Account for improvement, acquisition, construction and equipping of the Project and for other purposes as provided 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.

Project Site: The land on which any of the Project Buildings are or will be located or otherwise improved or to be improved as part of the Project, described in Exhibit A to the Loan Agreement, subject to any minor adjustments or modifications to the legal description in Exhibit A to the Loan Agreement provided in writing to the Authority, the Bank and the Trustee, provided such minor adjustments or modifications will not have an adverse material affect on the operation of the Project.

Proposed Conversion Date: The date on which the interest on the Bonds is to be converted to a Fixed Rate, as specified in the notice given by the College of its election to convert the interest rate on the Bonds to a Fixed Rate.

Purchase Date: The date that Pledged Bonds are to be purchased pursuant to the Indenture.

Purchase Price: When used with respect to the purchase of a Bond or the remarketing of a Bond on a Tender Date pursuant to the Indenture, an amount equal to the principal amount of such Bond to be so purchased or remarketed plus interest accrued and unpaid to, but not including, the applicable Tender Date; provided that, if such Tender Date is an Interest Payment Date for which moneys are available for the payment of such interest, accrued interest will not constitute a part of the Purchase Price but will be paid to the Holder in the ordinary manner.

Rating Agency: Moody's, if the Bonds are then rated by Moody's and Standard & Poor's, if the Bonds are then rated by Standard & Poor's.

Rating Category: One of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such Rating Category by a numerical or other modifier.

Record Date: (i) with respect to each Variable Rate Interest Payment Date for Bonds, the Business Day next preceding such Variable Rate Interest Payment Date, and (ii) with respect to each Fixed Rate Interest Payment Date, the 15th day of the calendar month next preceding such Fixed Rate Interest Payment Date, regardless of whether such day is a Business Day.

Redemption Account: The Redemption Account created under the Indenture for deposit of moneys drawn by the Trustee under the Letter of Credit for redemption of Bonds and deposit of

any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to make up deficiencies in the Bond and Interest Sinking Fund Account, the Bond Purchase Fund and the Reserve Account, in that order; (ii) after the Conversion Date, to create and maintain the required balance in the Reserve Account, and (iii) to redeem or prepay outstanding Bonds or to purchase outstanding Bonds for redemption and cancellation, or to pay any unpaid Letter of Credit Obligations. Moneys in the Redemption Account may be used in the Trustee's discretion 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.

Reimbursement Agreement. The Reimbursement Agreement, dated as of July 1, 2006 between the College and the Bank, including any amendments thereto; and, if an Alternate Letter of Credit is issued, "Reimbursement Agreement" shall mean a similar agreement, if any, between the issuer of such Alternate Letter of Credit and the College.

Remarketing Agent. Dougherty & Company LLC or any successors appointed and serving in such capacity pursuant to and during the periods specified in the Indenture.

Reserve Account. The Reserve Account established under the Indenture.

Reserve Requirement. During the Variable Rate Period, zero, and during the Fixed Rate Period, as of any date of calculation (unless the Bonds have been remarketed with a different or no Reserve Requirement from and after the Conversion Date), an amount of money equal to the lesser of (a) the maximum amount of principal and interest coming due on the Bonds in the then current or any future Bond Year, or (b) 10% of the principal amount of each series of the Bonds outstanding on the Conversion Date, or (c) 125% of the average annual debt service of the Bonds.

Standard & Poor's. Standard & Poor's Rating Services, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Authority.

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

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

Tender Date. Each Optional Tender Date and each Mandatory Tender Date.

Termination Date. The date on which the Letter of Credit terminates or expires for any reason or the immediately preceding Business Day if such date is not a Business Day.

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.

Trustee, Registrar, Paying Agent. Wells Fargo Bank, National Association, Minneapolis, Minnesota.

Underwriter. Dougherty & Company LLC, as original purchaser of the Series Six-J2 Bonds.

Variable Rate Interest Payment Date: (a) The first Business Day of each calendar month commencing August 1, 2006; (b) each Mandatory Tender Date described in the Indenture with respect to the Bonds subject thereto; (c) each Purchase Date described in the Indenture with respect to Pledged Bonds; (d) any Proposed Conversion Date; and (e) Maturity.

Variable Rate Period: The period from and including the Issue Date to and including the earlier of (i) the day next preceding the Conversion Date or (ii) the date of the last Maturity of any Bonds.

Weekly Interest Rate: With respect to a Bond, a variable interest rate on such Bond established in accordance with the Indenture.

Weekly Period: With respect to the Bonds during the Variable Rate Period, each period during which the Bonds shall bear interest at a Weekly Interest Rate.

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 III to this Official Statement.

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, 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. Prior to the Conversion Date, funds drawn under the Letter of Credit and actually received by the Trustee in amounts equal to the interest on and principal of the Bonds then due on any Interest Payment Date or principal payment date or by reason of acceleration, or equal to the Redemption Price due on any Redemption Date, shall be deemed to fulfill the College's repayment obligation under the Loan Agreement, and the College need not make any duplicative payment to the Trustee. To provide for such payments the College covenants to pay for the account of the Authority the following amounts:

- (a) From and after the Conversion Date unless the Bonds are secured by a Letter of Credit and the related Reimbursement Agreement or a supplemental indenture provides to the contrary, into the Bond and Interest Sinking Fund Account, on or before the second Business Day prior to the date payable, the amount payable as interest on the Bonds (including any additional interest payable under the Loan Agreement) on the

next succeeding Interest Payment Date, and, the amount payable as principal of the Bonds due on the next succeeding principal payment date; and

- (b) Into the Bond and Interest Sinking Fund Account, as required, the amount of any deficiency in the event the funds on deposit in the Bond and Interest Sinking Fund Account are for any reason insufficient to pay principal, premium (if any) and interest on the Bonds then due (whether at maturity, or by redemption or acceleration of maturity in event of default); and
- (c) On and after the Conversion Date, into the Reserve Account forthwith any amounts then required to be deposited therein by Section 8.02 of the Indenture; and
- (d) Prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account.

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 summarized in the body of this Official Statement in the section entitled "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.

Further, the College has agreed to pay to the Trustee the amounts to be disbursed to the Tender Agent to pay the Purchase Price of Bonds upon optional or mandatory tender; provided however that there shall be credited against such obligations the moneys made available for that purpose under the Letter of Credit.

Use of Project Facilities

So long as the Bonds are Outstanding and the Project Facilities are owned by the College, the College agrees to use the Project Facilities as educational facilities, in compliance with all law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with a program of a school or department of divinity for any religious denomination. The College agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of the College's 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 all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the College, or the Project Facilities or any improvements, equipment or related property installed or bought by the College therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

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

Insurance

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

The College is required to maintain, or cause to be maintained, insurance, during the Variable Rate Period, as required by the Reimbursement Agreement, if any, and with respect to any portion of the Project Facilities not subject to the requirements of the Reimbursement Agreement and following the Conversion Date as follows:

- (a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Facilities, with a deductible amount of up to \$250,000 per occurrence.

- (b) Comprehensive general public liability insurance including blanket contractual liability and personal injury liability and automobile insurance in the minimum amount for each occurrence of \$5,000,000 and aggregate for each year of \$10,000,000 with a deductible amount of up to \$250,000 per occurrence and against liability for property damage in the minimum amount for each occurrence of \$250,000.
- (c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College, provided that the College may be self-insured with respect to all or a part of its liability for workers' compensation.

Upon the written request of the College, the Trustee (i) may permit modifications to such insurance requirements and deductible amounts, including permission for the College to be self-insured in whole or in part for any comprehensive general public liability insurance, upon such terms and conditions as the Trustee may require, and (ii) shall permit modifications to such insurance requirements and deductible amounts, including permission for self-insurance for (a) and (b) above, 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. On or before September 1 of each year, the College shall provide the Trustee with a certificate of insurance compliance.

Damage or Destruction

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

If the Bonds are redeemed, the available Net Proceeds in respect of such Project Facilities shall be used for redemption or purchase of outstanding Bonds.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any 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 in the Loan Repayments, and to the extent that the Net Proceeds of the award is not greater than \$1,000,000, the College will promptly repair, rebuild or restore the property with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss exceeds \$1,000,000, the College shall either redeem the Bonds in whole or in part or rebuild, restore or replace such facilities, as more fully provided in the Loan Agreement.

If the Bonds are to be redeemed, the available Net Proceeds in respect to such Project Facilities which the College elects not to repair, rebuild or restore shall be used for redemption or purchase of outstanding Bonds.

Removal or Release of Project Equipment and Building Equipment

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

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

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

Indemnification

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

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

Existence and Accreditation of College

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

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

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

Federal Income Tax Status

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

Determination of Taxability

In the event a Determination of Taxability is made on or after the Conversion Date that interest payable on the Bonds is includable in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption as a whole or in part on the next date for which due notice can be given or any date thereafter and the redemption price shall be equal to par plus accrued interest (including additional interest from the Date of Taxability). If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto shall be limited to the additional interest, as more fully set forth in the Loan Agreement.

Other Covenants

The College further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota 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(f) of the Internal Revenue Code with respect (but only with respect) to amounts paid by the College to the Authority as the Authority's annual fee under the Loan Agreement and any income earned or imputed therefrom.

Events of Default

Following are Events of Default under the Loan Agreement:

- (a) If the College (or the Bank in lieu of the College while a Letter of Credit remains in effect) shall fail to make or cause to be made any Loan Repayment to the Trustee when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, the Reserve Account and the Redemption Account, as the case may be, on a Bond principal or Interest Payment Date are insufficient to pay when due principal of and interest on the Bonds, or (ii) such failure shall continue for 5 Business Days after notice from the Trustee or the Authority to the College that such payment has not been made; or
- (b) If the College shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or
- (c) On or after the Conversion Date, if the College shall fail to maintain the balance in the Reserve Account with respect to the Bonds in the amount of the Reserve Requirement (if more than -0-), provided failure to comply with such requirement shall not become an Event of Default unless the College fails to restore such deficiency within a period

of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or

- (d) If the College fails to pay when due the amount of any Purchase Price required to be paid under the Loan Agreement; or
- (e) If the College shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under 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
- (f) If the College files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the College; or
- (g) If a court of competent jurisdiction shall enter an order, judgment or decree against the College in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the College or of the whole or any substantial part of the property of the College and such order, judgment or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof; or
- (h) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the College or of the whole or any substantial part of the property of the College, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the College. The provisions of paragraph (e) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty (30) days after notice and if the College has taken all action reasonably possible to remedy such default within such thirty-day period, the default shall not become an Event of Default for so long as the College shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The College agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the College from carrying out its agreements.

Remedies on Default

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

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

- (b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due under the Loan Agreement.
- (c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement or the Indenture in accordance with the provisions thereof.

However, no notice of acceleration shall be given or become effective under paragraph (a), (d) or (e) under the heading "Event of Default" above if the Bank has a right under the Indenture to give or withhold consent and has not given the Trustee its written consent to the giving of notice of acceleration.

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied first to advances and expenses, second to payment of the Bonds as provided in Section 10.04 of the Indenture and third to the Bank to pay Letter of Credit Obligations 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 "DEFINITIONS OF CERTAIN TERMS," Appendix III, contained herein.

Granting Clauses

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

- (a) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and all other sums due under the Loan Agreement, except the rights of the Authority relating to fees, expenses, indemnity and advances;
- (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, including the Bond Purchase Fund, (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 of interest on or principal of the Bonds, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee). The Trustee has no lien upon or right to receive payment of any fees, expenses or other amounts from the Bond Purchase Fund or amounts made available under the Letter of Credit or the proceeds of remarketing the Bonds.

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of

the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable arbitrage rebate requirements under Section 148(f) of the Internal Revenue 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, it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or moneys in the Accounts established by the Indenture.

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 (60) 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 (other than an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit pursuant to clause (f) of the Events of Default, in which case clause (f) shall apply);
- (e) If there is a default in the due and punctual payment of the Purchase Price of Bonds required to be purchased pursuant to Section 4.01 or Section 4.02 of the Indenture (relating to optional and mandatory tender of Bonds) when payment of such amount has become due and payable;
- (f) If the Trustee receives, prior to the Conversion Date, a written notice from the Bank that, as a consequence of certain events as set forth in the Letter of Credit, the Bank will not reinstate the interest portion of the Letter of Credit following an interest drawing;
- (g) If the Trustee receives, prior to the Conversion Date, a written notice from the Bank that an event of default (other than an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit pursuant to clause (f) of the Events of Default, in which case clause (f) shall apply) under the

Reimbursement Agreement has occurred and that the Bank is directing the Trustee to accelerate the Bonds; or

- (h) If the College, prior to the Conversion Date, fails to perform its obligations under the Loan Agreement to maintain a Letter of Credit.

Remedies

Upon the occurrence of an Event of Default described in (a), (b), (e), (f), or (g) above, the Trustee shall 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 (with the consent of the Bank), 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 and the Letter of Credit is reinstated to the full principal and interest amount and the Bank shall rescind the related Event of Default.

Upon and during the continuance of an Event of Default described in (c), (d) or (h) above, and subject to limitations on the Bank's rights described below, the Trustee (i) with the Bank's consent may, and (ii)(A) with the Bank's consent and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding hereunder or (B) upon request of the Bank, shall, by notice in writing delivered to the Authority, declare the principal of all Bonds hereby secured 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 (i) the Holders of a majority in aggregate principal amount of Bonds then outstanding hereunder with the Bank's consent or (ii) the Bank, by written notice to the Authority and to the Trustee, to annul such declaration at anytime as described above.

Prior to the Conversion Date, upon any declaration of an acceleration under the Indenture, the Trustee shall give Electronic Notice to the Holders stating that on the first Business Day following the date of acceleration (the "Accelerated Payment Date"), such Bonds shall be payable and interest on the Bonds shall cease to accrue as of the Accelerated Payment Date. Upon any declaration of acceleration hereunder, the Trustee shall immediately draw on the Letter of Credit.

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 and subject to the limitations on the Bank's rights described below, the Trustee (a) with the Bank's consent may, and (b)(i) with the Bank's consent and upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, or (ii) upon the request of the Bank, shall 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 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 or the Bank as aforesaid, unless such Bondholders or the Bank shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Limitations on the Bank's Right to Consent

Notwithstanding any other provision of the Indenture or the Loan Agreement, no consent of or notice to the Bank shall be required nor shall the Bank have any right to receive notice of, consent to, direct or control any actions, restrictions, rights, remedies, waivers or accelerations pursuant to any provision of the Indenture or the Loan Agreement after the Letter of Credit has expired (unless the Letter of Credit Obligations have not been fully paid or satisfied) or during any time:

- (a) the Bank has wrongfully failed to honor draws properly presented and conforming under the terms of the Letter of Credit,
- (b) the Letter of Credit ceases to be valid and binding on the Bank or is declared to be null and void, or the validity or enforceability of any material provision of the Letter of Credit is denied by an officer of the Bank in writing or any governmental agency or authority, or the Bank is denying further liability or obligation under the Letter of Credit, contrary to the terms of the Letter of Credit,
- (c) a petition is pending against the Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, receivership proceeding or liquidation law of any jurisdiction, whether now or hereafter in effect, and has not been dismissed within ninety (90) days after the filing, or
- (d) the Bank has filed a petition, which is pending, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, receivership proceeding or liquidation law, of any jurisdiction, whether now or hereafter in effect, or has consented to the filing of any petition against it under such law.

Notwithstanding the occurrence of any of the events described in paragraphs (b), (c) and (d), in the event that principal of and interest on all Bonds shall have been paid in full and any amounts shall be owing the Bank under the Reimbursement Agreement, the provisions of this Section shall be inoperative.

Application of Moneys

Subject to the terms of the Indenture, moneys drawn by the Trustee under the Letter of Credit in connection with an Event of Default shall be deposited in the Letter of Credit Account in the Bond and Interest Sinking Fund Account. All other moneys received by the Trustee pursuant to Article X of the Indenture shall, after deducting (i) just and reasonable compensation for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and (ii) after making reimbursement to itself for advances made pursuant to the provisions of the Indenture with interest on all such advances, be deposited in the General Account in the Bond and Interest Sinking Fund Account. All above described moneys shall be applied, subject to the provisions of Article VI of the Indenture, as follows:

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

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

SECOND--to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than College Bonds), in the order of their due dates, with interest on such Bonds at the rate last borne by the Bonds from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full the principal which became due on such Bonds on any particular date, together with such interest, then to the payment thereof ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege; and

THIRD--to the payment to the Bank of Letter of Credit Obligations; and

FOURTH--to the payment of the principal and interest then due and unpaid on College Bonds that are not Pledged Bonds.

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

FIRST--to the payment of the principal and the interest then due and unpaid on the Bonds (other than College Bonds), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; and

SECOND--to the payment to the Bank of Letter of Credit Obligations.

THIRD--to the payment of principal and interest then due and unpaid on College Bonds that are not Pledged Bonds.

- (c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of paragraph (b) above in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) under this heading.

Whenever moneys are to be applied pursuant to the provisions described above, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the Reference Rate of Wells Fargo Bank, National Association, Minneapolis, Minnesota, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its affiliates, officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of \$10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the College, with the consent of the Bank, 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 proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding or the Bank shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all Bonds outstanding. First for the equal benefit of the Holders of all Bonds outstanding (other than College Bonds), and Second for the benefit of the Bank and Third for the benefit of the Holders of the College Bonds.

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

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

Payment, Defeasance and Release

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) on or after the Conversion Date, provide for the payment of principal of and premium, if any, and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all such Bonds outstanding, or
- (c) on or after the Conversion Date, deliver to the Trustee (1) proof satisfactory to the Trustee that notice of redemption of all of such outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or
- (d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided, and shall also pay all Letter of Credit Obligations, the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148(f) of the Internal Revenue Code and regulations thereunder,

then at the request of the Authority or the College all the Trust Estate shall revert to the Authority and the College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of such 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 the 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 Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed

not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

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

- (a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;
- (b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority;
- (c) to evidence the succession of any other department, agency, body or corporation to the Authority;
- (d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental indentures or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same;
- (e) to modify the Indenture as authorized by Holders;
- (f) to modify or supplement provisions relating to procedures for drawing on the Letter of Credit in connection with the issuance of an Alternate Letter of Credit; and
- (g) to make any other changes with the Bank's consent except those changes which require unanimous approval of the Holders of all outstanding Bonds described in the Indenture.

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

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

Amendments to the Loan Agreement

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

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

No amendment to or other modification of the Loan Agreement or waiver of any provision thereof may be entered into or given without the prior written consent of the Bank. Any amendment to or other modification of the Loan Agreement which affects any of the rights or obligations of the Bank or the Tender Agent shall not be effective without the written consent of the party so affected.

Registration

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

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 YEARS ENDED
JUNE 30, 2005 AND 2004**



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		
	<u>2005</u>	<u>2004</u>
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	<u>46,133,111</u>	<u>47,325,216</u>
TOTAL ASSETS	\$ 100,630,858	\$ 98,022,436
LIABILITIES AND NET ASSETS		
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	<u>4,878,490</u>	<u>4,960,187</u>
Total Liabilities	<u>35,777,485</u>	<u>38,923,058</u>
NET ASSETS		
Unrestricted	21,040,367	19,638,998
Temporarily restricted	22,132,424	21,649,471
Permanently restricted	<u>21,680,582</u>	<u>17,810,909</u>
Total Net Assets	<u>64,853,373</u>	<u>59,099,378</u>
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			2004 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and fees	\$ 50,303,988			\$ 45,191,230
Less: Scholarships and grants	(13,775,386)			(12,259,123)
Net tuition and fees	36,528,602			32,932,107
Government grants	2,390,154			2,595,036
Private gifts and grants	1,590,253	\$ 4,873,632	\$ 2,445,001	6,807,147
Endowment income	132,162	358,618		267,336
Investment income (loss)	233,283			(50,425)
Gains on endowment investments	156,706	1,017,457	4,139	2,174,912
Sales and services of educational activities	42,997			22,003
Other sources	529,875			437,523
Sales and services of auxiliary enterprises	7,715,404			7,547,337
Adjustment of actuarial liability	(1,584)	206,389	(32,896)	107,929
	49,317,852	6,456,096	2,416,244	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	52,840,905
EXPENSES AND LOSSES				
Program expenses				
Instruction	25,196,502			23,362,257
Academic support	3,954,469			4,302,087
Public service	417,724			328,987
Student services	6,273,909			5,936,223
Auxiliary enterprises	7,549,860			6,585,936
Support expenses				
Institutional support	8,461,841			8,005,429
Loss on debt refunding	581,892			
Allocable expenses				
Operation and maintenance of plant	4,235,912			4,019,195
Depreciation and amortization	2,741,558			2,660,038
Interest	1,148,929			1,391,457
Less: Allocated expenses	(8,126,399)			(8,070,690)
Total Expenses and Losses	52,436,197			48,520,919
Change in Net Assets Before Reclassifications	3,882,680	(544,929)	2,416,244	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	4,319,986
Net Assets - Beginning of Year	19,638,998	21,649,471	17,810,909	54,779,392
NET ASSETS - END OF YEAR	\$ 21,040,367	\$ 22,132,424	\$ 21,680,582	\$ 59,099,378

See accompanying notes to financial statements.

AUGSBURG COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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
	<u>45,166,999</u>	<u>6,990,779</u>	<u>683,127</u>	<u>52,840,905</u>
Net assets released from restrictions	6,022,844	(6,022,844)		
Total Revenues, Gains and Other Support	<u>51,189,843</u>	<u>967,935</u>	<u>683,127</u>	<u>52,840,905</u>
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	<u>48,520,919</u>			<u>48,520,919</u>
Change in Net Assets	2,668,924	967,935	683,127	4,319,986
Net Assets - Beginning of Year	<u>16,970,074</u>	<u>20,681,536</u>	<u>17,127,782</u>	<u>54,779,392</u>
NET ASSETS - END OF YEAR	<u>\$ 19,638,998</u>	<u>\$ 21,649,471</u>	<u>\$ 17,810,909</u>	<u>\$ 59,099,378</u>

See accompanying notes to financial statements.

AUGSBURG COLLEGE

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

	<u>2005</u>	<u>2004</u>
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	<u>921,829</u>	<u>2,798,387</u>
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	<u>(1,793,725)</u>	<u>(3,836,257)</u>
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	<u>(115,883)</u>	<u>514,935</u>
Net Change in Cash and Cash Equivalents	<u>(987,779)</u>	<u>(522,935)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,746,793</u>	<u>2,269,728</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 759,014</u>	<u>\$ 1,746,793</u>
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.

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS May 31, 2005 and 2004

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.

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS
May 31, 2005 and 2004

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.

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS
May 31, 2005 and 2004

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.

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS May 31, 2005 and 2004

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
	<u>\$ 21,040,367</u>	<u>\$ 19,638,998</u>

Temporarily restricted net assets consist of the following at May 31, 2005 and 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
	<u>1,862,499</u>	<u>2,551,614</u>
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
	<u>\$ 22,132,424</u>	<u>\$ 21,649,471</u>

Permanently restricted net assets consist of the following at May 31, 2005 and 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
	<u>\$ 21,680,582</u>	<u>\$ 17,810,909</u>

AUGSBURG COLLEGE**NOTES TO FINANCIAL STATEMENTS**

May 31, 2005 and 2004

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:

	<u>2005</u>	<u>2004</u>
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	<u>2,095,211</u>	<u>455,222</u>
	<u>\$ 7,001,025</u>	<u>\$ 6,022,844</u>

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:

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

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.

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS May 31, 2005 and 2004

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
	<u>\$ 27,160,101</u>	<u>\$ 25,833,900</u>	<u>\$ 25,469,139</u>	<u>\$ 25,172,279</u>

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
	<u>\$ 5,056,549</u>	<u>\$ 4,886,736</u>	<u>\$ 5,810,153</u>	<u>\$ 5,554,419</u>

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS May 31, 2005 and 2004

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	<u>1,777,751</u>	<u>1,785,457</u>	<u>1,875,973</u>	<u>1,972,418</u>
	<u>\$ 2,407,585</u>	<u>\$ 2,415,291</u>	<u>\$ 2,298,997</u>	<u>\$ 2,395,442</u>

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	<u>39,138</u>	<u>100,000</u>
	<u>\$ 1,327,321</u>	<u>\$ 49,100,000</u>

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	<u>9,758,696</u>	<u>9,385,949</u>
	79,415,533	78,069,903
Less: Accumulated depreciation	<u>(33,282,422)</u>	<u>(30,744,687)</u>
	<u>\$ 46,133,111</u>	<u>\$ 47,325,216</u>

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS May 31, 2005 and 2004

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	
		<u>\$ 20,760,000</u>	<u>\$ 22,375,029</u>

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.

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS
May 31, 2005 and 2004

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.

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS May 31, 2005 and 2004

NOTE 12 - OTHER NOTES PAYABLE

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

	<u>2005</u>	<u>2004</u>
Mortgage payable	\$ 55,066	\$ 67,493
Loan certificates	11,331	10,810
Sodexo Marriott	<u>245,822</u>	<u>264,037</u>
	<u>\$ 312,219</u>	<u>\$ 342,340</u>

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 Sodexo Marriott 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.

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2005 and 2004

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.

AUGSBURG COLLEGE

NOTES TO FINANCIAL STATEMENTS **May 31, 2005 and 2004**

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.

HARRIS N.A.

Harris N.A. (the “*Bank*”), with executive offices in Chicago, Illinois, is a wholly-owned subsidiary and the principal asset of Harris Bankcorp, Inc., a Delaware corporation (“*HBI*”). HBI is a wholly-owned indirect subsidiary of Bank of Montreal. The Bank is a commercial bank offering a wide range of banking and trust services to its customers in the Chicago metropolitan area, throughout the United States and around the world. As of March 31, 2006, the Bank and its consolidated subsidiaries had total assets of approximately \$36.515 billion, total deposits (including deposits in foreign offices) of approximately \$25.657 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately \$24.236 billion and total equity capital of approximately \$2.956 billion. The Bank and its consolidated subsidiaries had net income for the quarter ended March 31, 2006, of \$41.380 million. The Letter of Credit is an obligation of the Bank and not of HBI.

The Bank’s Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices – FFIEC 031, as of the close of business on March 31, 2006, as submitted to the Federal Reserve Bank of Chicago, are incorporated by reference in this Appendix VII and shall be deemed to be a part hereof. In addition, all subsequent reports filed by the Bank pursuant to 12 U.S.C. § 324 prior to and after the date of this Official Statement shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Bank hereby undertakes to provide, without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Written requests for such copies should be directed to Harris N.A., 111 West Monroe Street, P.O. Box 755, Chicago, Illinois 60690, Attention: Public Relations Department.

Neither the Bank nor its affiliates make any representations as to the contents of this Official Statement (except as to this Appendix VII), the suitability of the Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws and regulations.