$1,030,000

First Mortgage Revenue Bonds
Series E
(Gustavus Adolphus College)

SALE: January 23, 1973, at 11:00 A.M., CST

SPRINGSTED INCORPORATED MUNICIPAL CONSULTANTS

SUITE 813 OSBORN BUILDING · SAINT PAUL, MINNESOTA 55102 · (612) 227-8318

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Gerald A. Rauenhorst, Chairman
President, Rauenhorst Corporation, Minneapolis

Bernard P. Friel, Vice President
Member, Briggs & Morgan, Lawyers, St. Paul

Richard C. Hawk, Secretary
Executive Director, Minnesota Higher Education Coordinating Commission

Robert W. Freson
City Administrator, St. Cloud

Earl R. Herring
Vice President for Administrative Affairs, Moorhead State College

Norman Perl
Member, Deparcq, Anderson, Perl & Hunegs, Lawyers, Minneapolis

Michael Sieben
Lawyer, McMenomy, Hertogs and Gluegel, Lawyers, Hastings
(Will resign prior to January 1, 1973 to take seat in Minnesota Legislature.)

Dr. Joseph E. LaBelle — Executive Director

Faegre & Benson, Minneapolis — Counsel

No dealer, broker, salesman or other person has been authorized by the Minnesota Higher Education Facilities Authority, or the Instituion, to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. Certain information contained herein has been obtained from the Institution and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the Minnesota Higher Education Facilities Authority. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

For additional information or assistance in bidding please contact Springsted Incorporated
Suite 813, Osborn Building, St. Paul, Minnesota 55102 — 612/227-8318

CONTENTS

OFFICIAL NOTICE OF BOND SALE

$1,030,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
FIRST MORTGAGE REVENUE BONDS SERIES E (GUSTAVUS ADOLPHUS COLLEGE)

Bids will be received Tuesday, January 23, 1973, 11:00 A.M., CST, at the Authority's Offices, Metro Square Building, St. Paul, Minnesota, for award at 3:00 P.M. of the same day on the following terms:

DATE AND INTEREST

The Bonds will be dated March 1, 1973. Interest will be payable September 1, 1973, and each March 1, and September 1, thereafter.

TYPE AND PURPOSE

The Bonds will be negotiable coupon, special obligations of the Authority, payable solely, and only, out of pledged revenues and other income, charges and moneys to be produced and received, including rentals under the Lease between the Authority and the College, relative to the ownership and operation of the Project for which the proceeds of this issue will be used, and the Reserve Accounts established thereto. The Bonds will be issued in denominations of $5,000 each and may be registrable as to principal, or principal and interest, according to the terms of the Mortgage Trust Indenture relative to the issue. The Bonds are being issued for the construction of a new administration building and remodeling of the old library building into a social science classroom building, together with appurtenant furnishings and equipment and site improvements at the College, and for the establishment of certain reserves relative to the issue.

MATURITIES AND REDEMPTION

March 1, in the years and amounts as follows:

$30,000	1975-77	$60,000	1986-87
$35,000	1978-79	$65,000	1988
$40,000	1980-81	$70,000	1989
$45,000	1982-83	$75,000	1990
$50,000	1984	$80,000	1991
$55,000	1985	$85,000	1992

$100,000 1993

All dates are inclusive.

At the option of the Issuer all Bonds maturing on or after March 1, 1986, shall be subject to prior payment in inverse order of serial numbers on March 1, 1985, and any interest payment date thereafter, at a price of par and accrued interest, except that all Bonds are subject to redemption at par and accrued interest on any interest payment date, as a whole, but not in part, in case of damage, destruction or taking of the Project to the extent provided in Section 6.15 of the Mortgage Trust Indenture and in case of the Institution's exercise of its option of purchase pursuant to Section 10.02 of the Lease.

PAYING AGENT AND TRUSTEE

The paying agent may be named by the Successful Bidder, subject to the Authority's approval, which may be assumed unless the Bidder is notified to the contrary within 48 hours after the Authority has received notice of the Bidder's selection. The College will pay the charges of the paying agent customarily made by it to similar users of its services. An alternate paying agent may be named subject to the consent of the Authority and provided that there shall be no additional expense to the Authority or the College by reason thereof.

Prior to the receipt of bids the College, with the consent of the Authority, will name a Trustee with whom the Authority will enter into a Mortgage Trust Indenture relative to this issue. Upon request to the office of the Authority's Executive Director, the name of the Trustee will be available on or before January 18, 1973.

DELIVERY

Within 40 days after award, subject to the unqualified approving legal opinion of Messrs. Faegre and Benson of Minneapolis, Minnesota, and customary closing papers, including a statement of non-litigation. Bond printing and legal opinion will be paid for by the Issuer. Delivery will be at a place of the Purchaser's choice. Payment must be made in Federal Funds, or equivalent immediately available funds, on day of delivery. Legal opinion will be printed on the Bonds.

TYPE OF BID

Sealed bids for not less than $1,009,000 and accrued interest on the principal sum of $1,030,000 from the date of the Bonds to date of delivery must be filed with the undersigned prior to time of sale, together with a certified or cashier's check in the amount of $20,600, payable to the order of the Minnesota Higher Education Facilities Authority, to be forfeited as damages but without limitation of the rights of the Issuer to additional damages if the bidder fails to comply with the accepted bid.

RATES

All rates must be in integral multiples of 5/100th or 1/8th of 1%. All Bonds of the same maturity must bear a single rate from date of issue to maturity. The interest rate for any maturity shall be not less than that of any prior maturity and no interest rate shall exceed any other interest rate by more than 2% per annum. Additional coupons may not be used.

AWARD

Award will be made on the basis of lowest dollar interest cost; determined by the addition of any discount to, and the deduction of any premium from, the total interest on all Bonds from their date to their stated maturity. The Issuer reserves the right to reject any and all bids, to waive informalities and to adjourn the sale.

Dated December 12, 1972

BY ORDER OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

/s/ Richard C. Hawk
Secretary

$1,030,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
FIRST MORTGAGE REVENUE BONDS SERIES E (GUSTAVUS ADOLPHUS COLLEGE)

SALE: January 23, 1972 (Tues.), at 11:00 P.M., CST

Bids delivered to Springsted Incorporated by 10:00 A.M., CST, the day of the sale, will be carried to the sale.

YEAR	PRINCIPAL	BOND YEARS	CUMULATIVE BOND YEARS
1975	$ 30,000	60	60
1976	30,000	90	150
1977	30,000	120	270
1978	35,000	175	445
1979	35,000	210	655
1980	40,000	280	935
1981	40,000	320	1255
1982	45,000	405	1660
1983	45,000	450	2110
1984	50,000	550	2660
1985	55,000	660	3320
1986	60,000 C	780	4100
1987	60,000 C	840	4940
1988	65,000 C	975	5915
1989	70,000 C	1120	7035
1990	75,000 C	1275	8310
1991	80,000 C	1440	9750
1992	85,000 C	1615	11365
1993	100,000 C	2000	13365

AVERAGE MATURITY: 12.98 Years

DATED: March 1, 1973

INTEREST: September 1, 1973, and each March 1, and September 1, thereafter.

MATURE: March 1, 1975-93, inclusive.

REDEMPTION (C): Bonds maturing March 1, 1986-93, inclusive, are callable commencing March 1, 1985, at par; except if called pursuant to Section 6.15 of the Mortgage Trust Indenture or Section 10.02 of the Lease.

TRUSTEE: The Northern City National Bank, Duluth, Minnesota has been named Trustee.

OFFICIAL STATEMENT

RELATING TO

$1,030,000
FIRST MORTGAGE REVENUE BONDS SERIES E
(GUSTAVUS ADOLPHUS COLLEGE)

NOTE: As a part of this Official Statement is the Common Official Statement relating to these Bonds and also to the:

$ 520,000 First Mortgage Revenue Bonds Series D
(College of St. Scholastica, Inc.)

$1,610,000 First Mortgage Revenue Bonds Series F
(College of Saint Benedict)

The Common Official Statement contains information relating to each of the three offerings and was mailed in the same envelope as this Official Statement.

If there is sufficient interest expressed, an informational meeting will be held at the offices of the Authority, Suite 278 Metro Square Building at a date and time to be determined. Persons wishing to attend such a meeting are requested to please advise either the Executive Director, Dr. Joseph E. LaBelle, 612/296-4690 or Springsted Incorporated, 612/227-8318, prior to Saturday, January 13, 1973. The details of the meeting, if one is to be held, will be given those making such a request on Monday, January 15, 1973.

A Standard & Poor rating will be requested for these Bonds. Those wishing to know the rating assigned are requested to call either the Executive Director or Springsted Incorporated. Two of the previous issues of the Authority, Augsburg and St. Marys Colleges, were rated "BBB" by Standard & Poor. The third, Bethel, was not rated because of its early stage of development.

THE PROJECT

Three hundred thousand dollars ($300,000) of the Bond proceeds will be used to remodel the old library building into a social science classroom. The $600,000 balance of the Bond proceeds budgeted for construction will be for a new administration building.

Both projects are being constructed by the Geo. E. Carlstrom Construction Company.

SECURITY

Full faith and credit of the College (See discussion post, page 5, under "Cash Flow". [Note: following par. 6]).

First lien mortgage on the Project.*

First lien on the first 4.60% of all general tuition fees charged and collected by the College.

Series Debt Reserve Account in the sum of $77,232 funded at closing from Bond proceeds.

Repair and Replacement Reserve Account of $25,000 to be created by a deposit of $25,000 on or before March 1, 1974.

General Bond Reserve Account estimated to have a balance of $124,081 at the time of the Bond closing (See discussion post, page 3, under "Bond Proceeds Budget" [footnote 3]).

*As of September 22, 1972 an appraisal by MacGregor - Deyo Appraisal Company stated that the library building in which the remodeling will be done and which will be conveyed to the Authority had a fair value of $573,000, not including planned improvements.

BOND PROCEEDS BUDGET

Construction:		
Remodeling library building		$ 300,000
Administration building		600,000
Fees of Authority, Legal and Fiscal		12,460
Discount Allowance		21,000
Debt Service Reserves:		
Series Debt Reserve Account	$77,232[1]	
General Bond Reserve Account	19,308[2]	96,540
Total:		$1,030,000

[1] This sum will be deposited in the Series Debt Reserve Account at closing and will be available for debt service of these Bonds only.

[2] This sum will be deposited by the Authority in the General Bond Reserve Account to be available for debt service of all Bonds of the Authority. To date, the following contributions will have been made for the Bonds indicated by the time of the award of these Bonds:

$2,200,000	First Mortgage Revenue Bonds Series A (Augsburg College)[1]	$ 31,743.60
$1,935,000	First Mortgage Revenue Bonds Series B (Bethel College)[2]	34,082.00
$ 595,000	First Mortgage Revenue Bonds Series C (St. Marys College)[3]	9,000.00

[1] Final maturity 2012.
[2] Final maturity 1997.
[3] Final maturity 1998.

Assuming award of the following issues on January 23, 1973, the amounts shown will be added to the General Reserve Account:

$ 520,000	First Mortgage Revenue Bonds Series D (College of St. Scholastica, Inc.)[1]	$ 8,643.40
$1,030,000	First Mortgage Revenue Bonds Series E (Gustavus Adolphus College)[2]	19,308.00
$1,610,000	First Mortgage Revenue Bonds Series F (College of Saint Benedict)[3]	21,304.00
	Sub-Total	$ 49,255.40
	Grand Total	$124,081.00

[1] Final maturity 1997.
[2] Final maturity 1993.
[3] Final maturity 1998.

Interest earnings from the funds in this Account will remain in it to be available for debt service except when withdrawn for payment of debt service or returned to a participating Institution. (See discussion under "Investments" in Common Official Statement for this issue, page 5.) Assuming an annual rate of 4%, investments will yield $4,963.24 yearly on the basis of the expected current amount of this Account.

REPAIR AND REPLACEMENT RESERVE ACCOUNT

On or before March 1, 1974, the College will deposit $25,000 to the Repair and Replacement Account. Funds in this Account will be pledged to debt service if needed but extraordinary repair and replacement is a second priority.

ESTIMATED DEBT SERVICE

On the basis of a net effective interest rate of 6%, the average annual debt service will be:

$91,595 (There is no Interest Subsidy Grant for these Bonds.)

In addition the College will pay an annual Authority fee of $1,287.50, payable in advance, commencing March 1, 1973.

ESTIMATED REVENUES

Debt service of the Bonds will be a first lien on the first 4.60% of the general tuition fees received by the College. For the past five fiscal years this would have produced:

Year Ending May 31	Tuition[1]	4.60%
1972	$3,115,482	$143,312[2]
1971	2,791,248	128,397
1970	2,505,994	115,275
1969	2,323,938	106,901
1968	2,040,001	93,840

[1] Net.

[2] 52% increase in five years.

CASH FLOW

Deposits of pledged revenues will be made in the following order of priority:

1. Bond and Interest Sinking Fund Account

   Each year, during the period March 1 — August 25, the College will make monthly deposits of 4.6% of all general tuition fees charged and collected by the College until the sum in this Account is equal to the interest due on September 1, plus one-half of the principal due the next March 1; during the period September 1 — February 23, the College will make like monthly deposits until the sum in this Account is equal to the interest due the next March 1, plus the full amount of the principal also due the next March 1.

2. Operation and Maintenance Account

This Account will be operational only if the Trustee or Authority takes possession of the Project. In this event, gross revenues of the Project, after first being used to fulfill the requirements of the Bond and Interest Sinking Fund Account, will be used for payment of current expenses of the Project.

3. General Bond Reserve Account

This Account will be funded from Bond proceeds at closing. Payment to it of pledged revenues for the Project will be only in the event of withdrawals for debt service.

4. Series Debt Reserve Account

This Account, too, will be funded from Bond proceeds at closing and payment to it of pledged revenues will be only in the event of withdrawals for debt service.

5. Repair and Replacement Reserve Account

On or before March 1, 1974, the College will deposit $25,000 in the Account. Deposits of additional amounts from pledged revenues will be made only to replace withdrawals for debt service or extraordinary repairs or maintenance.

6. Redemption Account

There are no required specific amounts of payments of pledged revenues into this Account.

NOTE: In addition to the pledge of 4.6% of general tuition fees, the College will pledge to make payments from its general funds or any other moneys legally available to it. It will further covenant and agree to charge tuition fees, rentals and charges which, together with other funds, shall provide moneys sufficient at all times: (i) to pay such rentals and payments required by the Lease, and (ii) to pay all other obligations of the College as they shall become due.

COVERAGE

Assuming a net average annual debt service of $91,595,coverages will be:

Tuition Fee Revenues	($143,312 – 1971/72)	1.56 times[1]
Debt Service Reserves:		
Series Debt Reserve Account	($ 77,232)	.84 times[2]
General Bond Reserve Account	($ 19,308)*	.21 times[2]
Repair and Replacement Reserve	($ 25,000)	.27 times[2]
Total Reserves:	($121,540)	1.33 times[2]
General Bond Reserve Account	($124,081 anticipated[3])	1.30 times[2]

[1]Times estimated average annual debt service.

[2]Times one year's estimated average annual net debt service.

[3]Times one year's estimated average annual net debt service. This will be pledged ratably with all other participating Authority Bonds issued or to be issued. It is expected these outstanding Bonds of the Authority will total $7,890,000 at the closing for the Bonds, to be sold January 23, 1973.

*Contribution for these Bonds.

PARITY WITH EXISTING DEBT

The Bonds will be on a parity with any other pledge of the College's full faith and credit. They will be subject to:

1. A first lien mortgage on, and related net income pledged as collateral of:

   Sorensen Hall
   Coed Complex
   North Hall
   Sohre Hall
   Wahlstrom Hall
   Uhler Hall
   Valley View Hall
   Food Service Building

   (See detail, post, pages 22 and 23.)

2. A first lien mortgage on the:

   Library Building
   Fine Arts Building
   Nobel Hall of Science
   Rundstrom and Johnson Halls

   (See detail, post, pages 22 and 23.)

3. Restricted Funds.

In addition to the foregoing first lien mortgages, the College's full faith and credit is pledged to the unsecured notes for which detail is stated at post, page 22.

ADDITIONAL PARITY BONDS

The Authority may issue additional parity Bonds to provide funds to complete the Project and, with the consent of the holders of at least 65% of the outstanding Bonds, issue additional parity Bonds for improvements, alterations, repairs or replacement of the Project.

THE COLLEGE

The roots of Gustavus Adolphus go back to its founding as an Academy at Red Wing in 1862. It was settled at St. Peter in 1876.

The College is owned and operated by the Minnesota Synod of the Lutheran Church in America which annually contributes to the support of the College. Last year it and the Red River Valley Synod contributed $337,069 which has been the general level for the past several years. The full faith of the Synod is not in any manner pledged for these Bonds.

During the year 1971-1972, the College received total contributions and gifts totaling $653,443 in addition to $307,806 for research and special purpose funds. Fifty-two percent of its alumni are contributors.

Gustavus claims to have a larger percentage of Minnesota students than any other private college in the State.

It is accredited by the North Central Association of Colleges and Secondary Schools, The American Chemical Society, The National Council for the Accreditation of Teacher Education and the National League for Nursing. The College is a member of the Association of American Colleges, The American Association of Colleges for Teacher Education, The National Association of Schools of Music, and is on the approved list of the American Association of University Women.

The College offers the Bachelor of Arts Degree. Its seven academic Divisions are:

Area Studies
Education
Fine Arts
Humanities
Natural Sciences and Humanities
Nursing
Social Science

The teaching staff consists of 125 persons.

Enrollments of full-time students have been, and are projected to be:

1967-68	1,769
1968-69	1,822
1969-70	1,865
1970-71	1,883
1971-72	1,888
1972-73	1,941
1973-74	1,935*
1974-75	1,950*
1975-76	1,965*
1976-77	1,980*

*Projected.

Current tuition is $2,400 a year plus $800 room and board. For 1973-74, this is projected to be $2,550 and $800, respectively. On the basis of the projected enrollment of 1,935, this will increase the amount of pledged revenues for the Bonds $13,351.

BUILDINGS - GUSTAVUS ADOLPHUS COLLEGE - ST. PETER, MINNESOTA

Facility	Use	Age	Student Capacity	Sq. Ft.	Original Cost	Replacement Cost
Old Main	Classroom	1876	565	17,023	50,350	288,000
Stadium	Shops &	1929	2,000	7,500	20,000	
	Seating - Rehab.	1954	-	-	11,000	66,000
Field House	Phy. Ed. & Ath. &	1939	3,000	34,282	30,000	382,700
	Auditorium	1948			60,000	
C.A. West	Student Crafts & Classroom	1948	-	12,490	113,084	To be replaced by remodeling Old Library
C.A. East	Faculty Offices & Classrooms	1948	-	8,365	105,425	"
Gym & Student Union	Union & Phy. Ed.	1921	-	22,298	142,074	392,600
	Facility - Rehab.	1955	-		100,000	
Bernadotte Lib.	- to be remodeled into Social Science Bldg.	1948	-	21,640	415,088	Remodeling will cost approx. 260,000 - Value then will be in excess of $800,000.
Administration	Adm. Office	1972	-	17,672	435,000	460,000
Foodservice Bldg.	Foodservice,	1959	1,000	24,410	289,000	
	Bookstore & Gameroom Addition	1966	1,200	27,517	870,000	1,516,500
Christ Chapel	Chapel	1962	1,500	15,044	665,056	989,400
Nobel Hall of Science	Classroom	1963	-	73,411	1,328,484	2,334,200
Vickner Hall	Lang. Bldg.	1961	-	16,300	226,171	322,600
Fine Arts	Music - Art & Speech - Classroom	1970	-	127,218	3,260,000	3,260,000
Library	Library	1972	-	83,000	3,060,000	3,060,000

DORMITORIES

Facility	Use	Age	Student Capacity	Sq. Ft.	Original Cost	Replacement Cost
Johnson Hall	Dormitory	1909	66	13,493	25,438	95,400
	Rehab.	1960			25,000	
Rundstrom Hall	"	1939	82	18,224	104,800	275,000
Uhler Hall	"	1929	154	39,192	172,969	571,000
Wahlstrom Hall	"	1947	192	45,556	475,456	659,600
Sorensen Hall	"	1956	200	32,150	552,114	580,500

BUILDINGS - DORMITORIES (CONT)

Facility	Use	Age	Student Capacity	Sq. Ft.	Original Cost	Replacement Cost
North & Sohre	Dormitory	1962	392	77,720	1,208,148	1,500,000
Valley View	"	1963	192	37,833	714,931	999,400
Link	"	1965	88	11,584	245,367	280,000
Coed	"	1967	384	88,870	1,845,000	2,154,600

The College now has sufficient housing for 1,700. All of its housing facilities are filled.

It is expected this Project will be the completion of the College's building needs for the foreseeable future.

Following are excerpts taken from the "Gustavus Adolphus Financial Statements As Of May 31, 1972 Together With Auditor's Report" prepared by Arthur Anderson Co., Minneapolis, Minnesota:

ARTHUR ANDERSEN & CO.
MINNEAPOLIS, MINNESOTA

To the Board of Trustees,
Gustavus Adolphus College:

We have examined the balance sheet of GUSTAVUS ADOLPHUS COLLEGE (a Minnesota corporation, not for profit) as of May 31, 1972 and 1971, and the related statements of changes in fund balances, operating income and expenses and changes in current operating and plant fund financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Gustavus Adolphus College as of May 31, 1972 and 1971, and the results of its operations and the changes in fund balances and financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examination has been made primarily for the purpose of forming the opinion stated in the preceding paragraph. The data contained in Exhibits 5 and 6 of this report, although not considered necessary for a fair presentation of financial position and results of operations, are presented as supplementary information and have been subjected to the audit procedures applied in the examination of the basic financial statements. In our opinion, these data are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

ARTHUR ANDERSEN & CO.

Minneapolis, Minnesota,
July 14, 1972.

EXHIBIT 1

GUSTAVUS ADOLPHUS COLLEGE

BALANCE SHEET--MAY 31, 1972 AND 1971

CURRENT OPERATING AND PLANT FUND

A S S E T S

	1972	1971
CURRENT ASSETS:		
Cash- Restricted for future and current building projects and other funded programs including $14,700 in savings accounts and $29,500 in U. S. Treasury Notes in 1972	$ 147,031	$ 153,751
Receivables from-		
Students, less reserve of $43,500 in 1972 and $34,000 in 1971	$ 259,233	$ 226,622
U. S. Government grants	-	233,395
Minnesota Synod of The Lutheran Church in America	66,570	55,102
Other	20,059	16,674
Total accounts receivable	$ 345,862	$ 531,793
Inventories of book store, food service, and maintenance supplies, at lower of cost (first-in, first-out) or market	$ 213,197	$ 213,782
Prepaid expenses	35,489	24,778
Total current assets	$ 741,579	$ 924,104
INVESTMENTS, at cost or quoted market value at date of receipt:		
Cash held by trustee in bond and interest sinking fund accounts	$ 11,341	$ 2,481
U. S. Government securities retained in sinking fund accounts, quoted market value of $755,332 in 1972	757,881	628,039
Real estate	72,713	72,713
	$ 841,935	$ 703,233
PROPERTY AND EQUIPMENT, at cost, including $13,445,000 pledged as collateral to long-term debt (Notes 2, 3 and 4):		
Cash, for replacement of administration building (see operating cash deficit above)	$ 154,287	$ 255,664
Accounts receivable, for replacement of administration building	24,489	178,268
Educational and administrative properties	13,609,911	11,584,921
College dormitories and equipment	5,747,789	5,725,908
Reserves for depreciation	(1,643,845)	(1,459,681)
	$17,892,631	$16,285,080
	$19,476,145	$17,912,417

LIABILITIES AND FUND BALANCE

	1972	1971
CURRENT LIABILITIES:		
Operating cash deficit, (advanced from cash held for replacement of administration building)	$ 93,794	$ 306,655
Current maturities of long-term debt (Note 3)	498,750	329,750
Notes payable (Note 3)	1,548,500	754,500
Contractors payable	328,749	463,853
Accounts payable	262,307	192,554
Accrued salaries, wages, interest and other expenses	540,520	493,333
Student deposits and advance registration fees	201,727	134,706
Total current liabilities	$ 3,474,347	$ 2,675,351
INTERFUND PAYABLE, 4 to 5-1/2%, no required repayment terms	914,426	812,748
LONG-TERM DEBT, less current maturities above (Note 3)	6,928,523	6,826,785
COMMITMENTS (Note 4)		
FUND BALANCE, including $183,622 in 1972 and $580,545 in 1971 restricted for future building projects and other specific purposes (Exhibit 2)	8,158,849	7,597,533
	$19,476,145	$17,912,417

The accompanying notes to financial statements are an integral part of this balance sheet

EXHIBIT 1
(Continued)

A S S E T S / LIABILITIES AND FUND BALANCE

STUDENT LOAN FUND

Assets

	1972	1971
CASH	$ 40,268	$ 8,008
NOTES RECEIVABLE from present and former students	2,011,436	1,898,938
	$ 2,051,704	$ 1,906,946

Liabilities and Fund Balance

	1972	1971
NATIONAL DEFENSE STUDENT LOAN AND NURSING PROGRAM GRANTS	$ 1,640,068	$ 1,486,720
LONG-TERM DEBT (Note 3)	20,150	20,150
FUND BALANCE (Exhibit 2)	391,486	400,076
	$ 2,051,704	$ 1,906,946

ANNUITY FUND

Assets

	1972	1971
CASH	$ 8,911	$ 6,785
INTERFUND RECEIVABLE	407,244	292,526
INVESTMENTS, at cost or quoted market value at date of receipt:		
Stocks and bonds, quoted market value of $26,591 in 1972	$ 30,161	$ 24,961
Real estate	179,317	249,797
	$ 209,478	$ 274,758
	$ 625,633	$ 574,069

Liabilities and Fund Balance

	1972	1971
LIFE ANNUITY INCOME CONTRACTS, maximum annual payments approximate $52,000	$ 612,118	$ 560,569
ACCOUNTS PAYABLE	315	-
LONG-TERM DEBT (Note 3)	13,200	13,500
	$ 625,633	$ 574,069

ENDOWMENT FUND

Assets

	1972	1971
CASH, including $25,200 in savings accounts and certificates in 1972	$ 31,475	$ 140,129
INTERFUND RECEIVABLE	507,182	520,222
INVESTMENTS, at cost or quoted market value at date of receipt:		
Stocks, bonds and U.S. Government securities, quoted market value of $697,419 in 1972	$ 584,842	$ 375,684
Real estate mortgages and contracts for deed	333,234	301,652
Real estate	15,410	15,410
	$ 933,486	$ 692,746
	$ 1,472,143	$ 1,353,097
	$23,625,625	$21,746,529

Liabilities and Fund Balance

	1972	1971
ACCOUNTS PAYABLE	$ 5,000	$ 5,094
FUND BALANCE (Note 1)(Exhibit 2):		
Gifts and income received	$ 803,481	$ 807,699
Restricted scholarship contributions	663,662	540,304
	$ 1,467,143	$ 1,348,003
	$ 1,472,143	$ 1,353,097
	$23,625,625	$21,746,529

The accompanying notes to financial statements are an integral part of this balance sheet

EXHIBIT 2

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEARS ENDED MAY 31, 1972 AND 1971

	1972				
	Current Operating and Plant	Student Loan	Endowment	Total	1971
BALANCES BEGINNING OF YEAR	$7,597,533	$400,076	$1,348,003	$ 9,345,612	$8,473,469
ADD OR (DEDUCT):					
Excess (deficiency) of income over expenses (Exhibit 3)	$ 44,416	$ -	$ -	$ 44,416	$ (154,940)
Contributions restricted for-					
Endowments	-	-	111,748	111,748	65,298
Building projects	187,049	-	-	187,049	402,221
Federal building grants (Note 4)	318,851	-	-	318,851	415,820
Gain (loss) on sale of endowment securities, net	-	-	6,860	6,860	(27,402)
Interest and dividend income received on restricted gifts	-	2,765	59,011	61,776	63,265
College's share of cumulative National Defense Student Loan Fund deficit, net of government reimbursement	-	(355)	-	(355)	(11,847)
Insurance proceeds receivable from administration building fire (Note 4)	-	-	-	-	178,268
Interfund transfers-					
Reduction in Current Operating Fund participation with National Defense loans to students	11,000	(11,000)	-	-	-
Interest and dividend income transferred to and included in Current and Plant Fund income	-	-	(58,479)	(58,479)	(58,540)
Total	$ 561,316	$ (8,590)	$ 119,140	$ 671,866	$ 872,143
BALANCES END OF YEAR	$8,158,849	$391,486	$1,467,143	$10,017,478	$9,345,612

The accompanying notes to financial statements are an integral part of this statement

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF OPERATING INCOME AND EXPENSES

FOR THE YEARS ENDED MAY 31, 1972 AND 1971

	1972 Gross Income	1972 Scholarships and Other Direct Expenses	1972 Net	1971
INCOME:				
Tuition and instructional fees	$3,669,543	$ -	$3,669,543	$3,260,722
Less- Scholarships, net of restricted endowment income and gifts of $120,996 in 1972 and $102,535 in 1971	-	(554,061)	(554,061)	(492,814)
Net tuition and instructional fees			$3,115,482	$2,767,908
Auxiliary enterprises				
Dormitory operations (Exhibit 5)	1,242,004	(1,036,711)	205,293	260,603
Unrestricted endowment income	722,207	(742,823)	(20,616)	1,311
Research and special purpose funds	33,269	-	33,269	37,663
Miscellaneous fees, etc.	307,806	(307,806)	-	-
	170,031	-	170,031	171,612
Total	$6,144,860	$(2,641,401)	$3,503,459	$3,239,097
DEPARTMENTAL EXPENSES:				
Instructional			$2,421,889	$2,272,112
General and administrative			988,559	1,073,765
Plant operation and maintenance, less $188,133 in 1972 and $158,613 in 1971 allocated to dormitory operations			557,616	524,046
Interest expense, excluding $141,803 in 1972 and $146,565 in 1971 charged to dormitory operations and $19,195 in 1972 and $29,900 in 1971 charged to food service operations			144,422	107,037
Total expenses			$4,112,486	$3,976,960
(Loss) before contributions and gifts			$ (609,027)	$ (737,863)
CONTRIBUTIONS AND GIFTS:				
Church support-				
Minnesota Synod			$ 313,456	$ 340,048
Red River Valley Synod			23,613	21,508
Minnesota Private College Fund			58,800	53,638
Contributions, gifts, etc., including annuities released of $14,250 in 1972 and $13,700 in 1971			257,574	167,729
Total other income			$ 653,443	$ 582,923
Excess (deficiency) of income over expenses			$ 44,416	$ (154,940)

The accompanying notes to financial statements and Exhibit 5 are integral parts of this statement

EXHIBIT 4

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF CHANGES IN CURRENT OPERATING AND PLANT FUND FINANCIAL POSITION FOR THE YEARS ENDED MAY 31, 1972 AND 1971

	1972	1971
WORKING CAPITAL WAS PROVIDED FROM:		
Operations-		
Excess (deficiency) of income over expenses	$ 44,416	$ (154,940)
Depreciation (Note 2)	184,165	184,305
Total from operations	$ 228,581	$ 29,365
Increase in long-term debt	1,001,000	610,000
Federal building grants (Note 4)	318,851	415,820
Contributions for building projects	187,049	402,221
Increase in interfund borrowing, net	101,678	-
Proceeds from liquidation of Ford Foundation Grant	-	36,363
Book value of investments sold. net	-	69,415
Total funds provided	$1,837,159	$1,563,184
WORKING CAPITAL WAS USED FOR:		
Additions of property and equipment, net	$1,791,716	$1,540,587
Reduction of long-term debt	899,262	192,287
Payments to sinking funds, net of long-term debt paid by trustees	138,702	(9,415)
Interfund transfers-		
Increase (reduction) in current fund participation with National Defense and Nursing loans to students	(11,000)	36,500
Decrease in interfund borrowings, net	-	74,841
Total funds used	$2,818,680	$1,834,800
DECREASE IN WORKING CAPITAL	$ 981,521	$ 271,616
WORKING CAPITAL CHANGES REPRESENTED BY:		
Increase (decrease) in current assets-		
Cash	$ 206,141	$ (207,836)
Accounts receivable	(185,931)	(5,671)
Inventory	(585)	(2,709)
Prepaid expenses	10,711	(10,936)
Total increase (decrease)	$ 30,336	$ (227,152)
Increase (decrease) in current liabilities-		
Notes payable	$ 794,000	$ 230,370
Current maturities of long-term debt	169,000	(237,750)
Contractors and accounts payable	(65,351)	72,939
Accrued expenses	47,187	29,143
Student deposits and advanced registration fees	67,021	(50,238)
Total increase	$1,011,857	$ 44,464
DECREASE IN WORKING CAPITAL	$ 981,521	$ 271.616

The accompanying notes to financial statements are an integral part of this statement.

EXHIBIT 5

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF AUXILIARY ENTERPRISES' OPERATIONS

FOR THE YEARS ENDED MAY 31, 1972 AND 1971

	1972 Food Service (Cafeteria, Canteen, Etc.)	1972 Bookstore	1972 Intercollegiate Athletics	1972 Game Room	1972 Choir and Band	1972 Total	1971 Total
SALES AND RECEIPTS	$852,855(*)	$303,623	$ 65,738	$16,853	$ 2,935	$1,242,004	$1,233,468
EXPENSES:							
Cost of food and books sold	$340,438	$229,545	$ -	$ -	$ -	$ 569,983	$ 569,544
Salaries	195,052	38,515	11,245	17,478	-	262,290	211,181
Depreciation (Note 2)-							
Buildings	24,000	-	-	-	-	24,000	24,000
Equipment	12,915	-	-	-	-	12,915	13,740
Interest	19,195	-	-	-	-	19,195	29,900
Supplies, repairs, rent, etc.	26,092	20,247	72,807	18,327	10,855	148,328	124,500
Total expenses	$617,692	$288,307	$ 84,052	$35,805	$10,855	$1,036,711	$ 972,865
Income (loss)	$235,163	$ 15,316	$(18,314)	$(18,952)	$(7,920)	$ 205,293	$ 260,603
Income (loss) for year ended May 31, 1971	$274,103	$ 16,911	$(13,693)	$(13,224)	$(3,494)	$ 260,603	

(*) Includes $225,516 of food service fees collected representing normal charges for meals missed by students.

The accompanying notes to financial statements are an integral part of this statement

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF DORMITORY OPERATIONS

FOR THE YEARS ENDED MAY 31, 1972 AND 1971

	1972											
	Uhler Hall	Rundstrom Hall	Johnson Hall	Wahlstrom Hall	Sorensen Hall	Sohre Hall	North Hall	Valley View Hall	Dormitory Link	Coed Complex	Total	1971 Total
RENTS RECEIVED	$62,081	$33,937	$26,901	$79,463	$82,774	$79,463	$82,774	$ 79,463	$36,421	$158,930	$722,207	$699,738
EXPENSES:												
Direct expenses-												
Salaries	$20,399	$17,000	$13,312	$29,717	$17,640	$25,477	$17,547	$ 27,403	$ 1,469	$ 55,207	$225,171	$178,417
Supplies, repairs, etc.	4,708	1,627	691	6,744	9,275	7,360	3,635	5,554	930	10,527	51,051	78,168
Total cash expenses	$25,107	$18,627	$14,003	$36,461	$26,915	$32,837	$21,182	$ 32,957	$ 2,399	$ 65,734	$276,222	$256,585
Depreciation of dormitory (Note 2)-												
Buildings	4,618	2,672	1,520	10,434	11,324	11,640	11,720	16,385	5,137	34,800	110,250	110,250
Equipment	2,340	1,233	900	2,880	2,997	2,997	2,997	2,880	1,323	5,868	26,415	26,414
Total direct expenses	$32,065	$22,532	$16,423	$49,775	$41,236	$47,474	$35,899	$ 52,222	$ 8,859	$106,402	$412,887	$393,249
Indirect expense-												
Allocated portion of College plant operation and maintenance (Exhibit 7)	16,172	8,841	7,007	20,699	21,562	20,699	21,562	20,699	9,488	41,404	188,133	158,613
Total expenses	$48,237	$31,373	$23,430	$70,474	$62,798	$68,173	$57,461	$ 72,921	$18,347	$147,806	$601,020	$551,862
Excess of income over expenses before mortgage interest	$13,844	$ 2,564	$ 3,471	$ 8,989	$19,976	$11,290	$25,313	$ 6,542	$18,074	$ 11,124	$121,187	$147,876
MORTGAGE INTEREST	10,400	1,175	-	10,400	10,918	17,972	17,973	21,455	5,760	45,750	141,803	146,565
Income (loss)	$ 3,444	$ 1,389	$ 3,471	$(1,411)	$ 9,058	$(6,682)	$ 7,340	$(14,913)	$12,314	$(34,626)	$(20,616)	$ 1,311
Income (loss) for year ended May 31, 1971	$ 6,314	$(1,274)	$ 1,689	$ 2,431	$ 9,704	$ (664)	$ 9,201	$ (9,399)	$13,025	$(29,716)	$ 1,311	

The accompanying notes to financial statements are an integral part of this statement

(1) Explanation of College Funds:

The College follows the accepted accounting practice of segregating its funds according to the use of the funds.

Current Operating and Plant Fund-

Income is received from tuition, fees, auxiliary and dormitory operations, donations for operating expenses, etc. In addition, available income earned on Endowment Fund principal is transferred to this fund from which all of the operating expenses of the College are paid.

All educational and administrative properties and dormitories and equipment of the College are recorded in this fund. Cash and investments (restricted for current and future property additions) and debt on the properties are also reflected in the fund.

Student Loan Funds-

Restricted student loan funds are from gifts received by the College under the donors' request that they be used solely for student loans. The assets of these funds are segregated and used for making loans to students; the income is retained and added to the fund principal.

Under the National Defense Student Loan Program and the Nursing Loan Program, the United States Government has made funds available to the College for loans to students. The College is required to make prescribed capital contributions to these funds, which has been accomplished through government loans and cash transfers from the current operating and plant fund.

(1) Explanation of College Funds (continued):

Annuity Fund-

Gifts of real estate, real estate mortgages and contracts, investment securities, cash and other assets received in exchange for life annuity contracts are recorded in this fund. Payments to the beneficiaries as prescribed by the annuity contract, less income earned, are reflected as a reduction of the original life annuity contract. The gifts are not reflected in the fund balances of the College until such time as the terms of the contract are fulfilled.

Endowment Fund-

This fund, the principal of which must remain intact, represents gifts made to the College. Income from investments is available for general or restricted College purposes.

(2) Depreciation and Capitalization Policy:

The College, like many other similar institutions, does not provide for depreciation and charges operations currently for all replacements on its educational and administrative buildings. These properties, for the most part, were constructed from donated funds and it is considered that any future replacements of these properties would also be financed by contributions and grants. Depreciation is being provided on a straight-line basis on all income-producing properties and facilities of the College.

(3) Notes Payable and Long-Term Debt:

At May 31, 1972 and 1971, notes payable and long-term debt consisted of:

	Amount Due as of May 31, 1972 — Payable Within One Year	After One Year	Total	Total Amount Due May 31, 1971
CURRENT OPERATING AND PLANT FUND:				
Notes payable-				
Midland National Bank of Minneapolis, 7%, due September, 1972	$1,010,000	$ -	$1,010,000	$ 400,000
First National Bank of St. Peter, 8%, due October, 1972	100,000	-	100,000	110,000
Nicollet County Bank of St. Peter, 8%, due November, 1972	125,000	-	125,000	90,000
Bethesda Lutheran Hospital, 6-1/2%, due September, 1972	200,000	-	200,000	-
Others, 5-1/2%, due on demand	113,500	-	113,500	154,500
Total	$1,548,500	$ -	$1,548,500	$ 754,500
Long-term debt-				
Auxiliary Facilities Construction and Refunding Bonds of 1966, with Sorensen Hall, Coed Complex, North Hall, Sohre Hall, Wahlstrom Hall, Uhler Hall, Valley View Hall, and the Food Service Building and related net income pledged as collateral (see comments below):				
Series A, 2-3/4%, due $13,000 to $25,000 annually to 1992, $5,000 in 1993	$ 13,000	$ 384,000	$ 397,000	$ 410,000
Series B, 3%, due $8,000 to $13,000 annually to 1988	8,000	167,000	175,000	183,000
Series C, 3-1/2%, due $12,000 to $32,000 annually to 2001, $17,000 in 2002	12,000	601,000	613,000	625,000
Series D, 3%, due $10,000 to $36,000 annually to 2005	10,000	666,000	676,000	686,000
Series E, 3-1/2%, due $20,000 to $55,000 annually to 2000	20,000	1,007,000	1,027,000	1,047,000
Series F, 3%, due $25,000 to $70,000 annually to 2006	25,000	1,500,000	1,525,000	1,550,000
3% Department of Health, Education and Welfare, Library Building Bonds of 1971, due $16,000 to $45,000 annually to 2011, first payment due November, 1977	-	1,001,000	1,001,000	-
3% Department of Health, Education and Welfare, Fine Arts Building Bond of 1969, due $20,000 to $53,000 annually to 2009, first payment due November, 1975	-	1,180,000	1,180,000	1,180,000
5-3/4% First Mortgage Note, with Nobel Hall of Science pledged as collateral, due $60,000 annually including interest				
4% Unsecured Note, due $15,000 annually to 1980, $9,000 in 1981	49,000	19,684	68,684	118,435
6% Unsecured Notes, due in 1972	15,000	114,000	129,000	144,000
5% First Mortgage Note, with Rundstrom and Johnson Halls pledged as collateral, due $10,000 annually including interest to 1974	100,000	-	100,000	100,000
5-1/2 to 7% Unsecured Notes, due on demand	9,000	14,539	23,539	32,042
Direct Obligation Serial Notes:	212,750	-	212,750	146,750
Series A, 5 to 5-1/4%, unsecured, due $10,000 to $12,000 annually to 1977, $72,000 in 1978	10,000	123,000	133,000	143,000
Series B, 5 to 5-1/4%, unsecured, due $6,000 to $8,000 annually to 1977, $79,000 in 1978	6,000	110,000	116,000	122,000
Notes payable to U. S. Division of Higher Education, Department of Health, Education and Welfare, 4 to 7-1/4%, due 1972 to 1981	9,000	28,022	37,022	46,030
Other, unsecured note, noninterest bearing	-	13,278	13,278	13,278
7-1/4% Interim Finance Note held by Midland National Bank of Minneapolis	-	-	-	610,000
	$ 498,750	$6,928,523	$7,427,273	$7,156,535
Total current operating and plant fund	$2,047,250	$6,928,523	$8,975,773	$7,911,035
STUDENT LOAN FUND:				
Notes payable to U. S. Division of Higher Education, Department of Health, Education and Welfare, 5-1/8 to 6%, due 1987 to 1989	$ -	$ 20,150	$ 20,150	$ 20,150
ANNUITY FUND:				
5-1/2% Mortgage Note, with certain real estate pledged as collateral, due $300 annually to 1991	$ 300	$ 12,900	$ 13,200	$ 13,500
Total long-term debt	$ 499,050	$6,961,573	$7,460,623	$7,190,185
Total notes payable and long-term debt	$2,047,550	$6,961,573	$9,009,123	$7,944,685

(3) Notes Payable and Long-Term Debt (continued):

Under the terms of the Auxiliary Facilities Construction and Refunding Bonds of 1966, the net revenues from designated facilities are pledged as collateral in an amount equal to annual sinking fund and repair and replacement reserve requirements. The loan agreement provides that the College shall deposit $152,000 to the Bond and Interest Sinking Fund Account on or before January 15 and July 15 of each year until such time as the accumulated funds are at least equal to the interest due at the next interest payment date and one-half of the principal due within the succeeding twelve months plus a debt service reserve of $375,000. Thereafter, the College shall deposit funds sufficient to provide payments of annual interest and principal requirements plus deposits to the Repair and Replacement Reserve Account of not more than $17,500 on or before the close of each fiscal year until $350,000 is accumulated in the reserve. The College may draw upon these funds to pay the cost of unusual or extraordinary maintenance, replacements or renovations applicable to the pledged facilities. All required payments were made during the year ended May 31, 1972, from pledged revenues as follows-

Net revenues, as defined, from pledged facilities	$527,545
Required remittance to sinking fund and repair and replacement reserve trustee	(334,040)
Transfers to other College cash accounts	(193,288)
Cash balance-	
Beginning of year	3,611
End of year	$ 3,828

Under the terms of the Fine Arts Building Bonds of 1969 and the Library Building Bonds of 1971, the College is required to deposit $14,000 and $12,000, respectively, annually to a debt service reserve fund beginning May 1, 1971 through May 1, 1974, for the Fine Arts Building and November 1, 1973 through November 1, 1976, for the Library Building, and thereafter amounts necessary to maintain the fund at $56,000 and $48,000, respectively. The loan agreements also provide that the College shall deposit to the Bond and Interest Sinking Funds on or before October 15 and April 15 of each year amounts sufficient to pay the principal and interest becoming due on each November 1 and May 1. Interest, at the rate of 3% per annum, commenced November 1, 1969 and 1971. The first principal payment in the amount of $20,000 is due November 1, 1975, for the Fine Arts Building and $16,000 is due November 1, 1977, for the Library Building.

(4) Building Commitments:

As of May 31, 1972, the College has entered into contracts for the following construction now in progress-

Project	Total Estimated Cost	Government Loans, Grants and Proceeds from Insurance Settlement: Approved	Government Loans, Grants and Proceeds from Insurance Settlement: Proceeds Received	Costs Incurred Through May 31, 1972
New Library	$2,691,000 (1)	$1,823,000	$1,735,700	$2,471,200
Administration Building	449,700	449,700 (2)	425,200	313,400
Total	$3,140,700	$2,272,700	$2,160,900	$2,784,600

(1) The College anticipates that the library construction costs in excess of the above arranged financing will be paid for from contributions received and to be received. Pledges receivable at May 31, 1972, approximate $600,000 and are committed primarily to the above project.

(2) Amount of insurance proceeds to be used for reconstruction of the administration building.

———————————— End of Audit Reports ————————————

The College has put economy measures into practice. One of these has been reduction of its administrative staff. In the year 1971/72, a ceiling of $500 was imposed for position increases. It is hoped for the current year 5% increases will be possible.

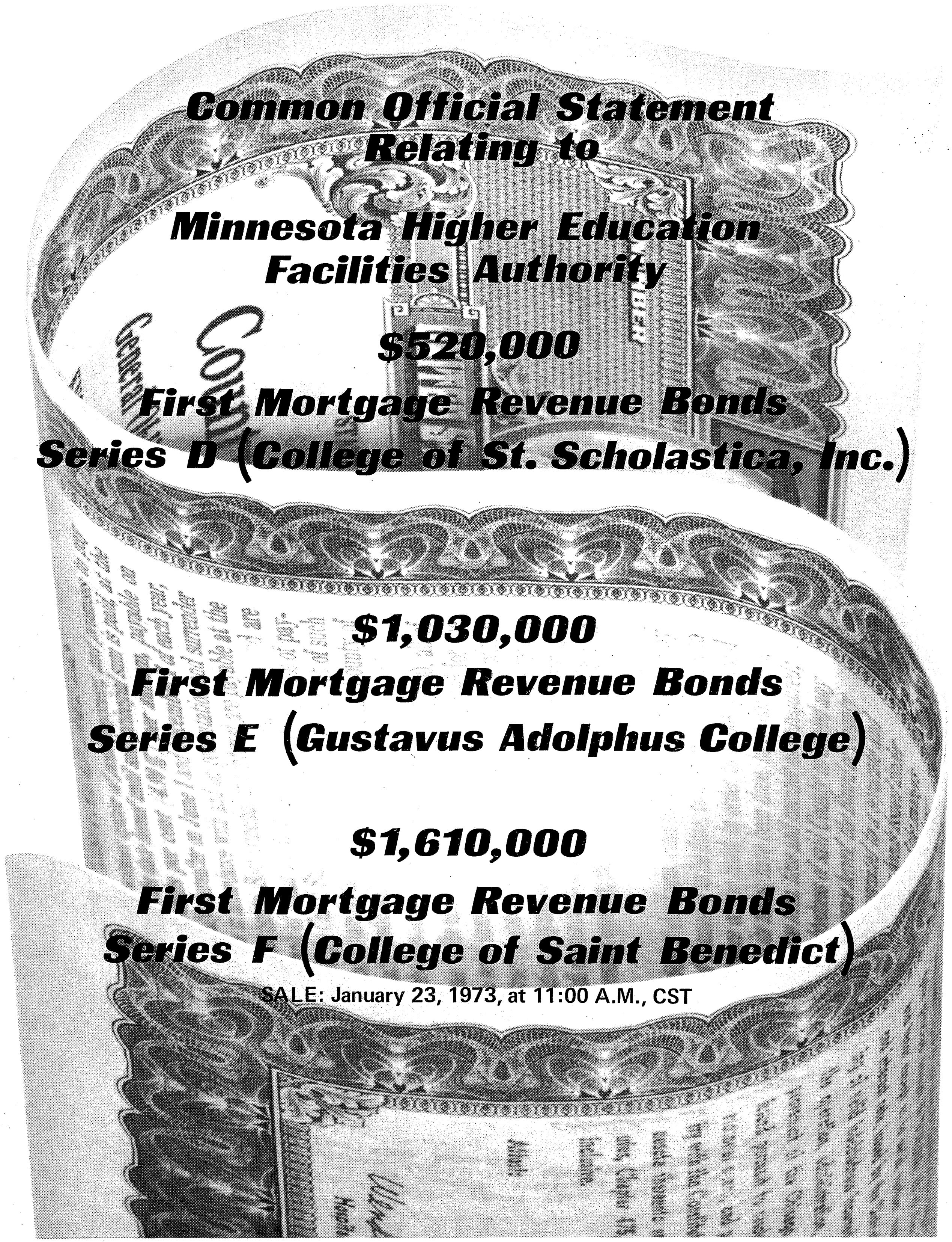
Gustavus Adolphus has a practice of issuing unsecured demand Notes to friends of the College. They bear interest of 5½% and totaled $113,500 as of the last audit. The College reports that its experience is that about $5,000 to $10,000 a year of principal payments are required for these and that there is about a 10% attrition, overall, of principal by reason of direct or indirect forgiveness.

The $200,000 note shown in the Audit due Bethesda Lutheran Hospital in September, 1972 was paid when due.

As of December 4, 1972 the College had a note of $1,520,000 to the Midland National Bank of Minneapolis. It expects to repay this in February or March, 1973. It also had a note of $100,000 due March, 1973, to the First National Bank at St. Peter and a $125,000 note, due in March, 1973, to the Nicollet County Bank at St. Peter.

LITIGATION

The College reports that there is no litigation pending or threatened relating to it which in its opinion impairs its right to enter into a Lease for the Project with the Authority or affects the security of the Bonds.



Common Official Statement Relating to

Minnesota Higher Education Facilities Authority

$520,000
First Mortgage Revenue Bonds
Series D (College of St. Scholastica, Inc.)

$1,030,000
First Mortgage Revenue Bonds
Series E (Gustavus Adolphus College)

$1,610,000
First Mortgage Revenue Bonds
Series F (College of Saint Benedict)

SALE: January 23, 1973, at 11:00 A.M., CST

SPRINGSTED INCORPORATED MUNICIPAL CONSULTANTS

SUITE 813 OSBORN BUILDING · SAINT PAUL, MINNESOTA 55102 · (612) 227-8318

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Gerald A. Rauenhorst, Chairman
President, Rauenhorst Corporation, Minneapolis

Bernard P. Friel, Vice President
Member, Briggs & Morgan, Lawyers, St. Paul

Richard C. Hawk, Secretary
Executive Director, Minnesota Higher Education Coordinating Commission

Robert W. Freson
City Administrator, St. Cloud

Earl R. Herring
Vice President for Administrative Affairs, Moorhead State College

Norman Perl
Member, Deparcq, Anderson, Perl & Hunegs, Lawyers, Minneapolis

Michael Sieben
Lawyer, McMenomy, Hertogs and Gluegel, Lawyers, Hastings
(Will resign prior to January 1, 1973 to take seat in Minnesota Legislature.)

Dr. Joseph E. LaBelle – Executive Director

Faegre & Benson, Minneapolis – Counsel

No dealer, broker, salesman or other person has been authorized by the Minnesota Higher Education Facilities Authority, or the Instituion, to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. Certain information contained herein has been obtained from the Institution and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the Minnesota Higher Education Facilities Authority. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

For additional information or assistance in bidding please contact Springsted Incorporated
Suite 813, Osborn Building, St. Paul, Minnesota 55102 – 612/227-8318

CONTENTS

OFFICIAL STATEMENT

The information contained in this Official Statement is applicable to each of the following offerings by the Minnesota Higher Education Facilities Authority:

$520,000	First Mortgage Revenue Bonds Series D (College of St. Scholastica, Inc.)
$1,030,000	First Mortgage Revenue Bonds Series E (Gustavus Adolphus College)
$1,610,000	First Mortgage Revenue Bonds Series F (College of Saint Benedict)

This Statement constitutes a part of each of the individual Official Statements for these offerings which were included in the envelope in which this Statement was mailed.

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971, for the purpose of assisting institutions of higher education of the State in the construction and financing of projects. The Authority consists of six members appointed by the Governor with the advice and consent of the Senate and a seventh member who is the Executive Director of the Minnesota Higher Education Coordinating Commission and is the Secretary of the Authority.

The Authority was given power to issue bonds in an amount not to exceed a total of $45 million. However, it is expected that the 1973 Session of the Legislature will be asked to increase this amount. Bonds issued by the Authority can be payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. <u>They do not in any manner represent or constitute a debt or pledge of the faith and credit of the State of Minnesota.</u>

In the opinion of Bond Counsel the interest paid by the Authority to bond holders is exempt from Federal and Minnesota State income taxes (other than Minnesota corporate franchise taxes measured by income) under present laws and rulings.

By the provisions of Chapter 868 ". . . neither the authority nor its agent shall be required to pay any taxes or assessments upon or in respect of a project or any property acquired or used by the authority or its agent under the provisions of this act or upon the income therefrom . . ."

Educational institutions of the State eligible for assistance by the Authority are non-profit educational institutions authorized to provide a program of education beyond the high school level. 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 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.

A Project for which bonds are issued by the Authority becomes the property of the Authority — as long as bonds of the Authority issued for the Project remain outstanding and thereafter subject to repurchase options. The Project is then leased by the Authority to the Institution for operation. The revenues which are the primary security for the Bonds are provided according to the terms of the Lease between the Authority and the Institution. Prior to delivery of an issue the Authority enters into a Mortgage Trust Indenture with a Trustee who administers the funds which are the security for the payment of the Bonds, except the funds of the General Bond Reserve Account which are under the supervision of the Authority.

While the Authority retains broad powers to oversee planning and construction, it is current policy to permit the Institution broad flexibility with respect to these matters.

The Authority, at the request of the Institution, may make direct application for an interest subsidy grant pursuant to the College Housing Loan Program administered by the United States Department of Housing and Urban Development or under Title III of the Higher Education Facilities Act administered by the United States Office of Education. The Authority may also be assigned the Institution's rights under an application made by the Institution.

The Authority is financed solely from fees paid by the Institutions for whom Bonds are issued. At the time of issuance and from Bond proceeds the Authority is paid one-third of one percent of the principal amount of the Issue. Thereafter, commencing as of the date of issue and payable in advance, but not from Bond proceeds or Funds of the issue, the Authority receives an annual fee of one-eighth of one percent of the original principal amount of the Bonds for their life.

The staff of the Authority currently consists of its Executive Director, Dr. Joseph E. LaBelle and a secretary.

Bond issuance costs, including fees of Bond Counsel, the Fiscal Consultant and Trustee are paid by the Institution. The fees of Bond Counsel and the Fiscal Consultant come from Bond proceeds.

As a general policy the Authority requires that the proceeds of the Bonds include a sum not less than one year's debt service, after deduction of any interest subsidy grants, for the creation of debt service reserves. Of this sum 80% is deposited with the Trustee in a Series Reserve Account; the remaining 20% is deposited by the Authority in a General Bond Reserve Account pledged to the payment of all Bonds issued by the Authority for which such a deposit has been made.

The Authority has sold the following bonds:

AUTHORITY DEBT

$2,200,000 First Mortgage Revenue Bonds Series A (Augsburg College) 1975-2012

4.00% 1975-76	4.75% 1982	5.25% 1988
4.10% 1977	4.90% 1983	5.30% 1989-90
4.25% 1978	5.00% 1984	5.40% 1991-95
4.40% 1979	5.10% 1985	5.50% 1996-2000
4.50% 1980	5.20% 1986-87	5.60% 2001-12
4.60% 1981		

Net Effective Rate: 5.59%

$1,935,000	First Mortgage Revenue Bonds Series B (Bethel College)	1974-1997
4.00% 1974	4.60% 1980	5.20% 1986-87
4.10% 1975	4.70% 1981	5.25% 1988-89
4.20% 1976	4.80% 1982	5.30% 1990-91
4.30% 1977	4.90% 1983	5.40% 1992-93
4.40% 1978	5.00% 1984	5.50% 1994-95
4.50% 1979	5.10% 1985	5.60% 1996-97

Net Effective Rate: 5.46%

$595,000	First Mortgage Revenue Bonds Series C (St. Marys College)	1976-1998
4.20% 1976	4.80% 1982	5.25% 1988-89
4.30% 1977	4.90% 1983	5.30% 1990-91
4.40% 1978	5.00% 1984	5.40% 1992-93
4.50% 1979	5.10% 1985	5.50% 1994-95
4.60% 1980	5.20% 1986-87	5.60% 1996-98
4.70% 1981		

Net Effective Rate: 5.48%

INVESTMENTS

By the provisions of Section 5.07 of the Mortgage Trust Indenture the Trustee shall, upon request by the Authorized Institution Representative or the Authority, invest moneys on deposit in the:

Bond and Interest Sinking Fund Account
Debt Service Reserve Account
Repair and Replacement Reserve Account
Redemption Account

Investments for these Accounts may be in any of these:

Direct obligations of, or obligations fully guaranteed by, the United States of America
Certificates of Deposit insured by or secured by obligations of the United States
Securities issued by the following agencies of the United States:

Federal Home Loan Banks
Federal Intermediate Credit Banks
Federal Land Banks
Banks for Cooperatives
Federal National Mortgage Association

In those situations where there is an Interest Subsidy Grant, Section 4.04 of the Indenture limits investment of funds in the Construction Account to:

Direct Obligations of the United States of America, or
Certificates of Deposit or Time Deposits secured by direct obligations of the United States of America

If an Interest Subsidy Grant is not involved then Construction Account moneys may be invested in the same manner as the funds of the other Accounts. Paragraph 2c of the General Bond Resolution permits the Authority to invest moneys in the General Bond Reserve Account in:

Direct Obligations of the United States of America
Certificates of Deposit or Time Deposits secured by direct obligations of the United States of America
Such other securities as are eligible for investment of public funds of the State of Minnesota or of municipalities of the State.

All investments are limited by arbitrage provisions of the Internal Revenue Code and regulations thereunder.

Yields from funds invested by the Trustee may be used for abatement of Base Rent payments, but those from investment of the General Bond Reserve Account cannot. They will remain in the General Bond Reserve Account, except that at such time as the Bonds for an Institution have been fully retired and all amounts required to be paid by the Institution have been paid the Authority will rebate to the Institution its proportionate share of both its original contribution, less a proportionate charge for unrecovered advances, and earnings of the General Bond Reserve Account in proportion to its contribution. In the event that the amount in the Reserve at any time exceeds the total sum of all debt service, for which the funds of the Account are pledged, in each subsequent year such excess may also be rebated proportionately.

CASH FLOW

As Required:

First: To the Bond and Interest Sinking Fund Account

Second: To the General Bond Reserve Account

Third: To the Series Debt Reserve Account

Fourth: To the Repair and Replacement Reserve Account

Fifth: To the Redemption Account

Except, that in the event the Authority or Trustee takes possession of the Project by reason of the Institution's default the second priority will be to an Operation and Maintenance Account for payment of current expenses of the Project. In this event the priority of each of the other Accounts except that of the Bond and Interest Sinking Fund Account will be one step lower than stated above.

FUNDS AND ACCOUNTS

1. Construction Account — The Trustee will pay costs of the Project from it.

2. Revenue Fund Account — All pledged revenues will be deposited in this account.

   a. Bond and Interest Sinking Fund Account — If there is Capitalized Interest in the Bond Proceeds Budget the full budgeted amount, without regard to actual interest costs, will be placed in this Account from Bond proceeds at closing. Thereafter, pledged revenues will be deposited monthly in the Account until there is a sufficient sum for payment of the interest next due, plus: during the 6-month period immediately following the last previous principal payment a sum equal to one half of the principal next due, and during the 6-month period immediately preceding the next principal due date, the balance needed for payment of the principal next due.

b. Debt Service Reserve Account — For payment of principal and interest the full amount stated in the Bond Proceeds Budget will be placed in this Account from Bond proceeds at closing.

c. Repair and Replacement Reserve — This Account will be for debt service and extraordinary repair. It will be created over a period of time from revenues other than Bond Proceeds.

d. Operation and Maintenance Account — No payments will be made to this Account so long as the College shall pay the Base Rent. But, in the event the Authority or Trustee assumes operation of the Project, revenues remaining after debt service will be paid into it to meet operational costs.

e. Redemption Account — Any revenues received which are not otherwise committed will be paid into this Account. Funds in it will be available to maintain required balances in other Accounts and to redeem Bonds. No specific amounts are required.

3. General Bond Reserve Account — This Account will be maintained by the Authority for debt service, if needed, for any Bonds of the Authority for which a deposit has been made in the Account. The amount stated in the Bond Proceeds Budget will be placed in this Account at closing from Bond proceeds. No Institution is responsible to replenish this Account except for withdrawals on its account.

Following is a summary of certain provisions of the Agreement, Deed, Lease, Mortgage Trust Indenture and the General and Series Bond Resolutions, which provisions are not referred to elsewhere in either this Official Statement or the separate Official Statements for the respective Bonds of which this Statement is a part. Reference is made to the specific Sections of the respective documents. Copies of the full text of these documents will be furnished upon request.

AGREEMENTS AND SECURITY

Agreement

The Authority and the College have entered into an Agreement dated November 28, 1972 (the "Agreement"). Attached to the Agreement as exhibits are the forms, subject to completion, of the Deed, the Lease, the Indenture, the General Bond Resolution and the Series Resolution described below, as well as the Official Statement, a Financing Statement for filing under the Uniform Commercial Code and a Schedule of Closing Documents. By the Agreement, the College represents among other things that the Application previously filed by the College and approved by the Authority is true and complete in all respects. In the Application materials and in the Lease, the College represents, and the Authority has found, that the College is a non-profit institution of higher education eligible for financial assistance under Chapter 868, Minnesota Laws of 1971, that the Project is eligible for financing under the Act, and that the College is nonsectarian and does not discriminate in its admission policies or programs on account of religion, race, color, creed or national origin.

The Agreement provides for the award of sale of the Project Bonds by the Authority, in its discretion, provided the College concurs or does not object before the award is made; the execution of the closing documents; the issuance and sale of additional parity lien bonds, in the discretion of the Authority, if necessary to pay additional Project costs; for the completion of Project construction pursuant to construction contracts previously made by the College as agent of the Authority, with approved changes, and for operation of the Project by the College under the Lease and as agent of the Authority pursuant to the Act. Under the Agreement, the College agrees to register or qualify the Bonds under the securities act of any state other than Minnesota, or to cooperate in the registration or qualification, at the request and expense of the underwriters. By the Agreement, the College assigns to the Authority its interest in the Project construction contracts and, as applicable to the specific Series, the gross revenues of the Project, the Leased Equipment, a percentage of tuition fees and interest subsidy payments from the United States under the Grant Agreement, or any combination of these.

Deed

At or prior to closing, the College will execute, deliver and record a warranty deed conveying the Project and site thereof, and appurtenant easements, to the Authority. At closing, the final opinion of counsel for the College, will state among other things that title to the Project and site thereof is vested in the Authority, subject only to the Lease and the Indenture and Permitted Encumbrances (as that term is defined in the Lease and Indenture).

Lease

At or prior to closing, the Authority as lessor and the College as lessee will execute and deliver a Lease for a lease term expiring at the last Bond maturity date. The Lease is intended to be a net lease of the Project, including the Project building, site, and Leased Equipment, under which the College will pay as Base Rent (Section 4.01) at the office of the Trustee a sum equal to principal and interest on the Bonds plus amounts required to restore the Debt Service Reserve and to create and maintain the Repair and Replacement Reserve and such amounts, if any, as may be required to pay Bond principal or interest in certain cases of damage, destruction, condemnation and other contingencies. In order to assure that such payments of Base Rent will be paid when due, the College has agreed to deposit the gross revenues and/or pledged tuition fees of the Project with the Trustee each month until the required amounts shall be on deposit. The College has also agreed to pay, as Additional Rent (Section 4.03) the annual fee of the Authority, fees and expenses of the Trustee and paying agent, and any taxes, special assessments or other governmental charges against the Project.

At the conclusion of the Lease Term (Section 10.03), the College has the option to repurchase the Project for a consideration provided that full payment of the Bonds or provision for payment has been made as well as Additional Rent. During the Lease Term, the College has the option to purchase unimproved parts of the Leased Premises at the per acre value determined by an independent appraiser and upon the further conditions provided by the Lease (Section 10.04), to remove or make substitutions for Leased Equipment (Section 5.07), and to make Building improvements upon certain conditions (Section 5.04). In the event of damage or destruction to the Building by fire, or other casualty, the College has agreed to rebuild or repair the Building unless it exercises its option not to repair or rebuild (if more than six months is required to complete the restoration and return the Project to normal use or if cost of restoration exceeds by more than $100,000 the Net Proceeds of insurance) and to retire all the Bonds (Sections 6.01, 10.02) and similarly to replace or restore the Building in cases of partial condemnation by eminent domain or to retire all the Bonds if all or substantially all the Project (as that term is defined) or temporary use for more than six months is taken in the Proceeding (Sections 6.02, 10.02), or if it cannot rebuild or repair. If as a result of change of law or certain legal actions, the Lease becomes void or unenforceable or impossible of performance, or if unreasonable burdens or excessive liabilities (including new taxes) are imposed, the College is given the right to repurchase the Project by retiring all the Bonds (Section 10.02). In such cases where the College has the right to retire the Bonds during the Lease Term, and repurchases the Project, it must also pay all unpaid Additional Rent plus the specified option price (Section 10.02). Upon repurchase, the conveyance to the College will reserve a covenant and condition that the College shall not use the property for sectarian purposes or discriminate on account of race or religion in the use of the property (Section 10.05). If the Net Proceeds of insurance or condemnation exceed $100,000, the Net Proceeds must be deposited with the Trustee to be used for restoration or to retire the Bonds, as appropriate (Sections 6.01, 6.02).

In the Lease, the College makes further covenants and agreements as indicated by the following Section headings:

(Article III Construction of the Project; Issuance of the Bonds)

3.01 Agreement to Construct the Building on the Leased Premises

3.03 Disbursements from the Construction Account

3.06 Institution Required to Pay Construction and Equipment Costs in Event Construction Account Insufficient

3.08 Remedies to be Pursued Against Contractors and Subcontractors and Their Sureties

(Article IV Rent, Prepayment)

4.05 Rent a General Obligation; Security Therefor

(Article V Use, Maintenance, Charges and Insurance)

5.01 Use of Leased Premises

5.03 Maintenance of Project by Institution

5.05 Liens

5.09 Fire and Extended Coverage Insurance

5.10 Boiler Insurance

5.13 Public Liability Insurance (5.12 — Series E)

5.14 Workmen's Compensation Coverage (5.13 — Series E)

5.15 Performance Payment Bonds (5.14 — Series E)

(Article VII Special Covenants)

7.02 Institution to Maintain its Existence and Accreditation, Conditions Under Which Exceptions Permitted

7.05 Annual Statement

7.08 Federal Income Tax Status

7.09 Institution to Maintain Furnishings and Movable Equipment

7.11 Against Discrimination

7.12 Institution to be Nonsectarian

7.13 Observe Regulations of the Authority and the State

7.15 Maintain List of Bondholders

7.16 Observance of Indenture Covenants and Terms

7.17 Observe Grant Agreement (in those situations only in which there is an Interest Subsidy Grant) and Federal Regulations

In the event of default by the College, the Authority and Trustee may accelerate the due date of all installments of Base Rent, may repossess the Project, may terminate the Lease and operate and relet, holding the College liable for any deficiency, or pursue any other legal remedies available (Sections 9.01, 9.02). The security interest in Leased Equipment is subject to foreclosure under applicable provisions of the Uniform Commercial Code (Section 9.07). In event of default, among other things, the College agrees to pay attorney's fees and expenses (Section 9.04), to waive appraisement and similar rights (Section 9.06), and to continue furnishing heat and utilities not otherwise available (Section 9.09).

A short form of Lease will be executed and recorded in the real estate records of the county where the Project is located, describing the property, length of term and the College's purchase options, incorporating by reference other provisions of the Lease (Section 11.09). The full Lease will be kept on file at the offices of the Authority and Trustee, available for inspection.

Indenture

At or prior to closing, the Authority will execute, deliver and record a Mortgage Trust Indenture to the Trustee to secure the Bonds. By the Granting Clauses, the Authority will mortgage, pledge and assign to the Trustee a first lien on the Project land and buildings, Leased Equipment, Grant Agreement (if applicable), the Lease (except for the Authority's rights to Additional Rent), Project net revenues, Accounts, funds and investments. Under the Indenture and corresponding provisions of the Lease, except for capitalized interest and debt service reserves, all Bond proceeds are to be deposited in the Construction Account (Section 4.01), to be disbursed by the Trustee for Project cost payments or reimbursements (Section 4.02), pursuant to certification of the Authorized Authority Representative, Authorized Institution Representative, and/or Project Supervisor, as specified (Section 4.03).

All revenues and income of the Project realized by the Authority must be deposited in the Revenue Fund Account (Section 5.01) and applied in order to the Bond and Interest Sinking Fund Account for Bond principal and interest (Section 5.02), to the Operation and Maintenance Account to pay operating expenses if the College is in default under the Lease (Section 5.03), to the Debt Service Reserve Account if necessary to restore the Debt Service Reserve (Section 5.04), to the Repair and Replacement Reserve Account to create and restore the Repair and Replacement Reserve (Section 5.05) and to the Redemption Account to redeem or purchase outstanding Bonds if all other Account balances are in the required amounts (Section 5.06). Funds in the Debt Service Reserve Account, Repair and Replacement Reserve Account and Redemption Account are required to be used, if necessary, to pay Bond principal and interest when due. Funds in those Accounts and the Bond and Interest Sinking Fund Account may be invested (Section 5.07). All investments will be limited as necessary as to amount or yield under the arbitrage provisions of Section 103(d)(1) of the Internal Revenue Code of 1954 and regulations thereunder.

In the Indenture, the Authority covenants to pay the Bonds from Project Revenues and Income (Section 6.01), to pay lawful charges imposed on the Project (Section 6.05), to complete and operate and maintain the Project (Sections 6.06, 6.07), not to sell or encumber the Project (Section 6.09), to establish rental rates and regulations for Project operations (Section 6.11), to maintain insurance (Sections 6.12 to 6.14), to repair and reconstruct in event of damage or condemnation (Section 6.15), to maintain proper books and records and submit an annual report to the Trustee (Section 6.17), and to observe those and all other covenants and terms set forth in the Indenture and Bonds (Section 6.19). Under the Act, however, and in the Indenture it is agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds in performing any of the conditions, covenants or requirements of the Indenture, from any funds other than Revenues and Income of the Project or Bond proceeds or (to the extent provided in the General Bond Resolution) from the General Bond Reserve Account, and the Authority shall incur no liability for failure to perform any such conditions, covenants and requirements for lack of funds provided the Authority shall have furnished the Trustee a Certificate and an Opinion of Counsel (Section 6.19).

In event of default, as defined (Section 7.01), the Trustee is authorized to accelerate the maturity of the Bonds (Section 7.02), sue to enforce the Indenture's covenants in its discretion or at direction of holders of 25% of the outstanding Bonds (Section 7.03), enter and operate the Project (Sections 7.04, 7.05), obtain appointment of a receiver (Section 7.06) and apply for a court order to hold a mortgage foreclosure sale (Section 7.07). Holders of a majority in amount of outstanding Bonds have the right to direct the proceedings by the Trustee, in accordance with law and the Indenture (Section 7.18) upon indemnifying the Trustee (Sections 7.02, 7.19, 8.06), suits by Bondholders being limited unless the Trustee has been requested and has failed to act (Section 7.19). Defaults (except payment of Bond principal) may be waived, if all interest in arrears has been paid, upon approval of holders of 51% of outstanding Bonds (Section 7.20).

The Trustee has no responsibility to use its own funds under the Indenture (Sections 8.01, 8.04) but it and the Authority may make advances, at 8% (Section 8.12, Lease Section 9.05), which are given priority of payment. The responsibilities of the Trustee prior to a known 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 (Sections 8.01, 8.07). The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee (Section 8.15). Provision is made for succession or replacement of the Trustee by another corporate Trustee with a place of business in Minnesota and minimum capital and surplus of $1,000,000 (Section 8.16), in event of merger (Section 8.17), resignation or removal by holders of a majority of outstanding Bonds (Section 8.18) or, in event of disability, by the Authority or a court (Section 8.19).

Provisions are made for technical amendments of the Lease and the Indenture with the consent of the Trustee (Sections 6.08, 11.01) and in other cases with the consent of the holders of 65% of outstanding Bonds (Section 6.08, 11.04), provided that the maturity dates, rates of interest, lien priority and equality cannot be changed without the consent of all Bondholders. Additional Bonds can be issued, on a parity with the Bonds, if necessary to complete the Project or, with the consent of the holders of 65% of outstanding Bonds, to provide for Project improvements, alterations, repair or replacement (Section 2.10). Bondholder approval or action may be given in writing (Section 9.01) or at a meeting (Section 9.04).

General Bond Resolution; Series Resolution

At its meeting held October 31, 1972, the Authority adopted a General Bond Resolution establishing a General Bond Reserve Account in a qualified bank or banks (par. 2a) to provide additional security for the Authority's bonds to be issued, from time to time, including the Bonds (par. 1). Under the General Bond Resolution there must be deposited into the General Bond Reserve Account 20% of the probable net average annual debt service requirements of each issue of bonds to be secured by the General Bond Reserve Account (after deducting amounts of annual debt service to be paid by the Government under the Grant Agreement, if any), together with the moneys received by the Authority as consideration for the exercise of lease options, as other net proceeds of sale of Project facilities, or as excess net revenues of Project operations and certain other funds except to the extent such moneys and funds are pledged to the Trustee under a particular indenture or are otherwise restricted (par. 2b). Such moneys may be invested in authorized securities, but limited as to amount and yield of investment so that none of the outstanding bonds of the Authority shall be deemed "arbitrage bonds" under the Internal Revenue Code (par. 2c). When an Institution has provided for the payment of its Bonds, it is entitled to a rebate of its contributions to the General Bond Reserve Account from Bond proceeds, together with its share of investment earnings, less a proportionate charge for unrecovered advances made to pay principal or interest on any bonds secured by the General Bond Reserve Account (par. 2e). In the event the funds and investments in the General Bond Reserve Account exceed the amount of principal and interest secured by the Account to come due in any year, the excess may be withdrawn and rebated to the Authority and the Institutions (par. 2f).

Whenever the principal of or interest on any bonds secured by the General Bond Reserve Account (including the Bonds) shall become due, the Authority pledges to the several trustees for the bondholders (including the Trustee) that it will advance from the General Bond Reserve Account amounts sufficient to pay such principal and interest (par. 2d). For such purpose, principal becomes due only at its stated maturity date, whether or not accelerated by call for redemption or event of default, unless the Authority determines, in its discretion, to make the advance prior to the scheduled maturity date. All advances bear interest and are given priority of payment (par. 2d, Indenture Section 5.08, Lease Section 4.01). Neither the Trustee nor the Bondholders have any right to possession or to direct investment or to foreclose any security interest in the General Bond Reserve Account, but only to require advances and observance of the covenants of the General Bond Resolution (par. 2d). Accounting and other determinations by the Authority are binding on the Institution, Trustee and each Bondholder unless made unreasonably or in bad faith or as a result of mistake of fact or mathematical error (par. 2g), including determinations made in a Series Resolution as to the meeting of conditions precedent for the ratable pledge of the General Bond Reserve Account to a series of Authority Bonds (par. 3).

The General Bond Resolution may be amended to cure ambiguities or formal defects or with the consent of the holders of 65% in amount of each series of Authority bonds outstanding and secured by the Account (par. 4). Special series Bonds may be issued by the Authority, in its discretion, not secured or governed by the provisions of the General Bond Resolution (par. 5).

The Series Resolution, to be adopted when the sale of the Bonds is awarded, will provide for the award, the execution and delivery of the Bonds and closing documents, for the amount of Bond proceeds to be deposited with the Authority in the General Bond Reserve Account (20% of the probable net average annual debt service requirement) and with the Trustee in the Bond and Interest Sinking Fund Account for capitalized interest and the Debt Service Reserve Account (80% of the probable net average annual debt service requirement). It specifically pledges the General Bond Reserve Account to the Bonds ratably with other bonds issued or which may be issued and makes the findings required by the General Bond Resolution.

NOTE: References to the "Grant Agreement" in this Statement apply only to the $520,000 First Mortgage Revenue Bonds Series D (College of St. Scholastica, Inc.) and the $1,610,000 First Mortgage Revenue Bonds Series E (College of Saint Benedict). There is no Interest Subsidy Grant involved in the $1,030,000 First Mortgage Revenue Bonds Series F (Gustavus Adolphus College).

PARITY BONDS

The Authority may issue additional Bonds to provide funds to complete the Project which will be on a parity with this issue. In the event of such issuance additional Base Rentals and related provisions will be required. Additional parity Bonds may also be issued to provide for improvement, alteration, repair or replacement of the Project with the consent of the holders of 65% of outstanding Bonds.

REGISTRATION OF BONDS

Bonds may be registered as to principal only, or as to both principal and interest. If a Bond is registered as to both principal and interest it may be reconverted into a Coupon Bond at the request and expense of the registered owner.

LEGAL OPINION

The issuance and sale of the Bonds shall be subject to the delivery of the approving legal opinion of Messrs. Faegre & Benson as Bond Counsel to the Authority, the Institution, the Trustee and the purchaser of the Bonds to the effects that (i) the Authority has authority under the Act to issue the Bonds, to acquire and lease the Project to the Institution and to execute and deliver the Indenture to secure the Bonds, (ii) the Bonds, the Deed, the Lease and the Indenture have been duly authorized by all necessary proceedings and duly executed and delivered, (iii) the Bonds, the Lease and the Indenture are valid and binding instruments in accordance with their terms, (iv) the Indenture provides a valid and direct first mortgage lien on the Project subject only to the Lease and encumbrances permitted by the Indenture, (v) the Grant Agreement, if any, is the valid and binding obligation of the United States of America to provide interest subsidy on the Bonds, (vi) the Bonds are further secured by the General Bond Reserve Account established by the Authority by its General Bond Resolution dated October 31, 1972 in a parity with bonds of other series as provided in the General Bond Resolution and (vii) the interest on the Bonds is exempt from federal and Minnesota state income taxes (other than Minnesota corporate franchise taxes measured by income) under present laws and rulings.