

NEW ISSUE

Ratings: Requested from
Standard & Poor's Corporation

In the opinion of Bond Counsel, the Bonds are exempt from taxation by the State of Minnesota and its subdivisions and municipalities; and the interest to be paid on the Bonds is not includable in the gross income of the recipient for United States or State of Minnesota income tax purposes and is not an item of tax preference included in the computation of the alternative minimum tax imposed on individuals under the Internal Revenue Code, but is subject to federal alternative minimum taxes and environmental surtaxes on corporations and the tax on United States branch profits on certain foreign corporations and to Minnesota franchise taxes on banks and corporations measured by income according to present federal and Minnesota laws, regulations, rulings and decisions. (See "TAX EXEMPTION" herein.)

\$2,550,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
MORTGAGE REVENUE BONDS, SERIES TWO-N
(GUSTAVUS ADOLPHUS COLLEGE)

Bonds Dated: August 1, 1987

Interest Due: Each April 1 and October 1,
commencing April 1, 1988

The Bonds will mature semi-annually on April 1 and October 1 as follows:

Due April 1				Due October 1			
\$45,000	1989	\$ 80,000	1998	\$45,000	1988-1989	\$ 85,000	1998
\$50,000	1990-1991	\$ 85,000	1999	\$50,000	1990-1991	\$ 90,000	1999
\$55,000	1992-1993	\$ 95,000	2000	\$55,000	1992	\$ 95,000	2000
\$60,000	1994	\$100,000	2001	\$60,000	1993	\$105,000	2001
\$65,000	1995	\$105,000	2002	\$65,000	1994	\$110,000	2002
\$70,000	1996	\$115,000	2003	\$70,000	1995-1996	\$370,000	2003
\$75,000	1997			\$80,000	1997		

Bonds due on or after October 1, 1997 shall be subject to optional redemption on April 1, 1997, and on any interest payment date thereafter, in whole or in part and if in part, in integral multiples of \$5,000. If redemption is in part, those Bonds remaining unpaid which have the latest maturity date will be redeemed first. If only part of the Bonds having a common maturity date are called for redemption, the specific Bonds to be redeemed will be chosen by lot by the Registrar. Redemption of Bonds shall be at a price of par and accrued interest.

The Bonds will be also subject to redemption on any interest payment date in whole but not in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture and in the event of Determination of Taxability, as described herein.

Bids must be for not less than \$2,500,000 and accrued interest on the total principal amount of the Bonds and must be accompanied by a certified or cashier's check in the amount of \$25,500, payable to the order of the Minnesota Higher Education Facilities Authority (the "Authority"). The check of the Purchaser will be retained as liquidated damages in the event the Purchaser fails to comply with the accepted bid. The Authority will deposit the check of the Purchaser, the amount of which will be deducted at settlement.

No rate for any maturity shall be lower than any prior rate. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity.

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by or on behalf of Gustavus Adolphus College (the "College") pursuant to a Loan Agreement between the Authority and the College, or out of other amounts pledged pursuant to the Indenture, as described herein. The Loan Repayments will be a general obligation of the College and the Bonds will be additionally secured by a mortgage on and security interest in certain property of the College as described herein and a security interest in certain unrestricted current fund revenues of the College.

The Bonds will be issued in denominations of \$5,000, and in integral multiples thereof not exceeding the amount maturing in any maturity, as requested by the purchaser, and will be fully registered as to principal and interest. Norwest Bank Minneapolis, N.A., Minneapolis, Minnesota, will act as Trustee, Registrar and Paying Agent for the Bonds.

The Bonds will be delivered without cost to the purchaser within 40 days following the date of their award. Delivery of the Bonds is subject to receipt of an approving legal opinion by Faegre & Benson, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by its Counsel, MacKenzie, Gustafson, Lucas & Riley, LTD., St. Peter, Minnesota.

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 deductibility of interest incurred by financial institutions to purchase or carry tax-exempt obligations.

THE BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA NOR CONSTITUTE A DEBT FOR WHICH THE FAITH AND CREDIT OF THE AUTHORITY OR THE STATE OF MINNESOTA, OR THE TAXING POWERS OF THE STATE, ARE PLEDGED. THE AUTHORITY HAS NO TAXING POWERS.

BID OPENING:
AWARD:

July 22, 1987 (Wednesday) at 11:00 A.M., Central Time
July 22, 1987 (Wednesday) at 3:00 P.M., Central Time

Further information may be obtained from SPRINGSTED Incorporated, Financial Advisor to the Issuer, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101-2143 (612) 223-3000.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Earl R. Herring, Chairman	Retired, formerly Vice President for Administrative Affairs, Moorhead State University, Moorhead, Minnesota.
Kathryn D. Jarvinen, Vice-Chairman	Hospital Administrator, Winona, Minnesota.
Catherine M. Warrick, Secretary	Executive Director, Chrysalis - A Center for Women, Minneapolis, Minnesota.
John M. Amundson	Managing Partner, McMahon, Hartman, Amundson & Co., St. Cloud, Minnesota.
Carol A. Blomberg	Vice President, Merchants & Miners State Bank, Hibbing, Minnesota.
David A. Longanecker*	Executive Director, Minnesota Higher Education Coordinating Board, St. Paul, Minnesota.
John A. McHugh	Attorney and Banker, Minneapolis, Minnesota.
Larry A. Osnes*	President, Minnesota Private College Council, St. Paul, Minnesota.
Milton Radjenovich	Retired, Buhl, Minnesota
John Young, Jr.	Salesman/Construction Foreman, Olson Pool Company, Hawley, Minnesota

* *Ex Officio*

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

No dealer, broker, salesman or other person has been authorized by the Authority or the College 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 either the Authority or the College. The information contained herein, except as it relates to the Authority, has been obtained from the College or other sources but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the College or the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the College since the date hereof.

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

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. 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.

This Official Statement was prepared for the information of bidders for all of the Bonds to be purchased from the Authority. Only the Arabic numbered pages and the Appendices, if any, of this Official Statement may be used or reproduced, in whole or in part, for distribution to investors. However, no assurance can be given and no representation is made that no additional information is required when the Bonds are reoffered by the purchasers to investors or that this Official Statement states all facts which would be material to an Investor purchasing Bonds from the Underwriters.

RATING

An application for a rating of this Issue has been made to Standard & Poor's Corporation ("S & P"), 25 Broadway, New York, New York. If a rating is assigned, it will reflect only the opinion of S & P. Any explanation of the significance of the rating may be obtained only from S & P.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S & P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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OFFICIAL TERMS OF OFFERING

\$2,550,000

**MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
MORTGAGE REVENUE BONDS, SERIES TWO-N
(GUSTAVUS ADOLPHUS COLLEGE)**

Sealed bids for the Bonds will be opened by Dr. Joseph E. LaBelle, Executive Director, Minnesota Higher Education Facilities Authority (the "Authority") on Wednesday, July 22, 1987, at 11:00 A.M., Central Time, at Suite 278, Metro Square Building, Saint Paul, Minnesota 55101, telephone (612) 296-4690. Consideration for award of the Bonds will be by the Board of the Authority at 3:00 P.M., Central Time, of the same day.

DETAILS OF THE BONDS

The Bonds will be dated August 1, 1987, as the date of original issue, and will bear interest payable on April 1 and October 1 of each year, commencing April 1, 1988. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. The Bonds will be issued in the denomination of \$5,000 each, or in integral multiples thereof as requested by the Purchaser, and fully registered as to principal and interest. Principal will be payable at the main corporate office of the Registrar and interest on each Bond will be payable by check or draft of the Registrar mailed to the registered holder thereof at his address as it appears on the books of the Registrar as of the 15th day of the calendar month next preceding the interest payment.

The Bonds will mature semiannually on April 1 and October 1 in the amounts and years as follows:

Due April 1				Due October 1			
\$45,000	1989	\$ 80,000	1998	\$45,000	1988-1989	\$ 85,000	1998
\$50,000	1990-1991	\$ 85,000	1999	\$50,000	1990-1991	\$ 90,000	1999
\$55,000	1992-1993	\$ 95,000	2000	\$55,000	1992	\$ 95,000	2000
\$60,000	1994	\$100,000	2001	\$60,000	1993	\$105,000	2001
\$65,000	1995	\$105,000	2002	\$65,000	1994	\$110,000	2002
\$70,000	1996	\$115,000	2003	\$70,000	1995-1996	\$370,000	2003
\$75,000	1997			\$80,000	1997		

OPTIONAL REDEMPTION

The Authority may elect on April 1, 1997, and on any interest payment date thereafter, to prepay Bonds due on or after October 1, 1997. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, those Bonds remaining unpaid which have the latest maturity date will be prepaid first. If only part of the Bonds having a common maturity date are called for prepayment the specific Bonds to be prepaid will be chosen by lot by the Registrar. The Bonds are also subject to redemption on any interest payment date in whole but not in part under certain circumstances described in a Loan Agreement between Gustavus Adolphus College (the "College") and the Authority and a Trust Indenture between the Authority and the Trustee, and in the event of taxability. All prepayments shall be at a price of par and accrued interest.

SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College pursuant to the Loan Agreement or from other amounts pledged therefore

pursuant to the Trust Indenture. The Bonds are additionally secured by a full faith and credit pledge of the College, a mortgage on and security interest in certain property of the College and a security interest in certain Unrestricted Current Fund Revenues of the College. **The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit or taxing powers of the State of Minnesota are pledged.** The Authority has no taxing powers. The proceeds will be used for remodeling the Johnson Student Union, constructing and equipping an interpretive center having approximately 2,000 square feet of covered space and 700 square feet of enclosed space for the arboretum, constructing a ring road connection and 40-car parking lot for Wahlstrom Residence Hall and a 120-car parking lot for the Schaefer Fine Arts Center, and realigning and constructing the South campus entry drive with a new stone entrance sign, all on the campus of the College in St. Peter, Minnesota.

TYPE OF BID

A sealed bid for not less than \$2,500,000 and accrued interest on the total principal amount of the Bonds shall be filed with the undersigned prior to the time set for the opening of bids. Also prior to the time set for bid opening, a certified or cashier's check in the amount of \$25,500, payable to the order of the Authority, shall have been filed with the undersigned or SPRINGSTED Incorporated, the Authority's Financial Advisor. No bid will be considered for which said check has not been filed. The check of the Purchaser will be retained by the Authority as liquidated damages in the event the Purchaser fails to comply with the accepted bid. The Authority will deposit the check of the Purchaser, the amount of which will be deducted at settlement. No bid shall be withdrawn after the time set for opening bids unless the meeting of the Authority scheduled for consideration of the bids is adjourned, recessed, or continued to another date without award of the Bonds having been made. No rate specified for a maturity shall exceed the rate specified for any subsequent maturity. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity.

AWARD

The Bonds will be awarded to the Bidder offering the lowest dollar interest cost to be determined by the deduction of the premium, if any, from, or the addition of any amount less than par, to the total dollar interest on the Bonds from their date to their final scheduled maturity. The Authority's computation of the total net dollar interest cost of each bid, in accordance with customary practice, will be controlling.

The Authority will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Bonds, (ii) reject all bids without cause, and, (iii) reject any bid which the Authority determines to have failed to comply with the terms herein.

TRUSTEE/REGISTRAR/PAYING AGENT

The Trustee/Registrar/Paying Agent shall be Norwest Bank Minneapolis, N.A., Minneapolis, MN.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

It is expected that on or about August 25, 1987, the Bonds will be delivered without cost to the Purchaser at a place mutually satisfactory to the Authority and the Purchaser. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Faegre & Benson of Minneapolis,

Minnesota, which opinion will be printed on the Bonds, and of customary closing papers, including a no-litigation certificate. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the Authority, or its designee, not later than 1:00 P.M., Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the Authority, or its agents, the Purchaser shall be liable to the Authority for any loss suffered by the Authority by reason of the Purchaser's non-compliance with said terms for payment.

At settlement the Purchaser will be furnished with a certificate, signed by appropriate officers of the Authority, to the effect that the Official Statement did not as of the date of the Official Statement, and does not as of the date of settlement, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

OFFICIAL STATEMENT

Underwriters may obtain a copy of the Official Statement by request to the Authority's Financial Advisor. The Purchaser will be provided with 50 copies of the Official Statement.

Dated June 24, 1987

BY ORDER OF THE MINNESOTA HIGHER
EDUCATION FACILITIES AUTHORITY

/s/ Joseph E. LaBelle, Executive Director

SCHEDULE OF BOND YEARS

\$2,550,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY MORTGAGE REVENUE BONDS, SERIES TWO-N (GUSTAVUS ADOLPHUS COLLEGE)

<u>Mature</u>	<u>Principal</u>	<u>Bond Years</u>	<u>Cumulative Bond Years</u>	
October 1, 1988	\$ 45,000	\$ 52.5000	52.5000	
April 1, 1989	45,000	75.0000	127.5000	
October 1, 1989	45,000	97.5000	225.0000	
April 1, 1990	50,000	133.3333	358.3333	
October 1, 1990	50,000	158.3333	516.6666	
April 1, 1991	50,000	183.3333	699.9999	
October 1, 1991	50,000	208.3333	908.3332	
April 1, 1992	55,000	256.6667	1,164.9999	
October 1, 1992	55,000	284.1667	1,449.1666	
April 1, 1993	55,000	311.6667	1,760.8333	
October 1, 1993	60,000	370.0000	2,130.8333	
April 1, 1994	60,000	400.0000	2,530.8333	
October 1, 1994	65,000	465.8333	2,996.6666	
April 1, 1995	65,000	498.3333	3,494.9999	
October 1, 1995	70,000	571.6667	4,066.6666	
April 1, 1996	70,000	606.6667	4,673.3333	
October 1, 1996	70,000	641.6667	5,315.0000	
April 1, 1997	75,000	725.0000	6,040.0000	
October 1, 1997	80,000	813.3333	6,853.3333	
April 1, 1998	80,000	853.3333	7,706.6666	
October 1, 1998	85,000	949.1667	8,655.8333	
April 1, 1999	85,000	991.6667	9,647.5000	
October 1, 1999	90,000	1,095.0000	10,742.5000	
April 1, 2000	95,000	1,203.3333	11,945.8333	
October 1, 2000	95,000	1,250.8333	13,196.6666	
April 1, 2001	100,000	1,366.6667	14,563.3333	
October 1, 2001	105,000	1,487.5000	16,050.8333	
April , 2002	105,000	1,540.0000	17,590.8333	
October 1, 2002	110,000	1,668.3333	19,259.1666	
April 1, 2003	115,000	1,801.6667	21,060.8333	
October 1, 2003	370,000	5,981.6667	27,042.5000	

Average Maturity: 10.61 Years

Bonds Dated: August 1, 1987

Interest Due: April 1, 1988 and each April 1 and October 1 to maturity.

Principal Due: October 1, 1988 and each April 1 and October 1, 1989-2003 inclusive.

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OFFICIAL STATEMENT

\$2,550,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MORTGAGE REVENUE BONDS, SERIES TWO-N

(GUSTAVUS ADOLPHUS COLLEGE)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Gustavus Adolphus College, St. Peter, Minnesota, (the "College") in connection with the issuance of the Authority's \$2,550,000 Mortgage Revenue Bonds, Series Two-N (Gustavus Adolphus College) (the "Bonds" or the "Issue").

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

The Bonds are also issued pursuant to the Trust Indenture between the Authority and Norwest Bank Minneapolis, N.A., Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Issue.

Pursuant to a Loan Agreement between the College and the Authority, the College will covenant as a general obligation of the College to make payments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the College by the Authority to finance the construction and expansion of certain College buildings, the campus street system and parking facilities (the "Project").

The Bonds will be secured by a pledge by the College of its full faith and credit, by a mortgage on and security interest in one or more College dormitory buildings and equipment, and by a security interest in certain Unrestricted Current Fund revenues of the College.

The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority or the State of Minnesota or the taxing powers of the State are pledged. The Authority has no taxing powers.

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

THE BONDS

The Bonds will be dated August 1, 1987 and will mature semi-annually on April 1 and October 1, commencing October 1, 1988, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of \$5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing April 1, 1988.

The Bonds will be registered at the office of Norwest Bank Minneapolis, N.A., Minneapolis, Minnesota, as Trustee; the Trustee will also be the Registrar and Paying Agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder thereof or his authorized attorney satisfactory to the Trustee, subject to such reasonable regulations as the Trustee may prescribe, and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for new Bonds of the same maturity which may be of different denominations so long as the aggregate principal amount thereof equals the aggregate principal sum of the Bonds surrendered. Payment of principal will be at the corporate office of the Trustee and payment of interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Authority.

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

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

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

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

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

Prior Redemption

Optional Redemption

At the option of the Authority, as directed by the College, the Bonds maturing on October 1, 1997 or thereafter will be subject to redemption, in whole or in part, and if in part in integral multiples of \$5,000 and in inverse order of maturity and by lot within a maturity, on April 1, 1997, and any interest payment date thereafter. Redemption of the Bonds shall be at a price of par and accrued interest.

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

Mandatory Redemption

The Bonds will be subject to mandatory redemption, as a whole and not in part, upon the occurrence of a Determination of Taxability, to the effect that interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder, in effect on the date of issuance of the Bonds. A determination that interest on the Bonds is includible in the computation of any alternative minimum tax is not a Determination of Taxability. The date of redemption shall be established by the Trustee at the earliest possible date for which notice of redemption can be given and the redemption prices shall be at a price of par and accrued interest.

In the case of Bonds of denominations greater than \$5,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each \$5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of \$5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. If it is determined that one or more, but not all of the \$5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee (1) for payment of the redemption price of the \$5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond shall be issued to the registered Owner thereof, without charge therefore. If the Owner of any such Bond of a denomination greater than \$5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the \$5,000 unit or units of principal amount called for redemption (and to that

extent only). Interest shall cease to accrue on the portion of the principal amount of such Bonds represented by such \$5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said \$5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such \$5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of any such redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than thirty days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. 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.

USE OF BOND PROCEEDS

The proceeds of the Bonds are expected to be used approximately as follows:

Project Construction	\$2,250,000
Debt Service Reserve	250,000
Issuance Costs Including Discount	<u>50,000</u>
Total	\$2,550,000

In the event issuance costs exceed \$50,000, such excess shall be paid by the College from other than Bond proceeds.

Accrued interest received at Bond Closing will be deposited into the Bond and Interest Sinking Fund Account and applied as a credit against the amount to be deposited in the Bond and Interest Sinking Fund on or before the next interest payment date. To the extent the purchase price exceeds the minimum price, the additional Bond proceeds will be deposited in the Construction Account and may be used for Project Costs.

SUMMARY OF SECURITY 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 moneys and investments in the Reserve Account. Loan repayments shall be a general obligation of the College. The Reserve Account will be initially funded from proceeds of the Bonds in the amount of \$250,000.

Pursuant to the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), the College will mortgage and grant a security interest in certain dormitory facilities to the Authority to secure its obligations to make timely Loan Repayments (see "SUMMARY OF DOCUMENTS - The Mortgage"). The Authority

will, in turn, assign its interest in the Mortgage to the Trustee to be held by the Trustee as part of the Trust Estate. The mortgaged dormitory facilities shall have an insured value as of the close of each fiscal year during the term of the Bonds of not less than 150% of the outstanding principal balance of the Bonds as of the close of the same fiscal year. In the event there is a deficiency, additional property shall be added to the mortgage within 30 calendar days.

The College will assign to the Trustee a security interest in all Unrestricted Current Fund Revenues, which upon receipt the College shall deposit into a special Revenue Account held by a depository bank. Upon the occurrence of an Event of Default, upon notice to the depository bank, the Revenue Account shall be transferred to the Trustee who shall use the Unrestricted Current Fund revenues then on deposit in or subsequently deposited into the Revenue Account to pay first, tuition and fees (not to exceed 4.60% annually) pledged for the \$1,030,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series E (Gustavus Adolphus College); second, to pay principal of and interest on the Bonds (and any Additional Bonds outstanding) due on the next interest payment date; third, to pay ordinary and necessary expenses of operation and maintenance of the College and any other obligations of the College incurred prior to such Event of Default or incurred thereafter with the consent of the Trustee; and fourth, if necessary, to restore funds and investments in the Reserve Account to the level of the Reserve Requirement specified in the Indenture.

The College also will covenant that:

- (a) At the end of each Fiscal Year, commencing with the Fiscal Year ending on May 31, 1988, Unrestricted Current Fund revenues shall be not less than Unrestricted Current Fund expenditures, including mandatory transfers, in at least two of the preceding three Fiscal Years, according to the principles of accounting to be used for audits of colleges and universities as required by the American Institute of Certified Public Accountants. In the event that, following any Fiscal Year, the College shall not be in compliance with this paragraph (a), the College may cure such default by making a transfer to the Unrestricted Current Fund, within 90 days of the close of such Fiscal Year, sufficient to cure the deficiency. Such deposit may be made from Unrestricted Endowment Funds or funds functioning as endowment funds but not if the Unrestricted Endowment Funds or funds functioning as endowment funds will, as a result, be less than \$1,500,000. No such deposit may be made from any proceeds of the Bonds or other borrowed funds.
- (b) At May 31, 1988 and at the end of each Fiscal Year thereafter, the total of marketable investments and cash included in unencumbered Unrestricted Endowment Funds of the College, including funds functioning as endowment, shall not be less than \$1,500,000. Within 30 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an Authorized Institution Representative accompanied by a valuation report of an independent investment manager showing the amounts of Unrestricted Endowment Funds, the investments thereof, the valuations of such investments, and the amount thereof (if any) which is pledged to secure obligations of the College or is otherwise encumbered, all as of the end of the Fiscal Year. If at the end of any Fiscal Year, the value of marketable investments and cash included in unencumbered Unrestricted Endowment Funds (including funds functioning as endowment) does not equal or exceed \$1,500,000, the College shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) and cause to be credited to unencumbered Unrestricted Endowment Funds additional unencumbered moneys or investments at least equal to the amount of the deficiency as promptly as possible, but in any event within 90 days after the

close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the College for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.

- (c) The College shall incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt outstanding), unless in each of the last two Fiscal Years for which audited financial statements are available (i) the ratio of total Unrestricted Current Fund assets to total Unrestricted Current Fund liabilities shall have been at least 1:00 to 1:00 and (ii) the Debt Service Coverage Ratio was at least 110% of Maximum Annual Debt Service of (A) then outstanding Funded Debt and (B) Funded Debt thereafter issued or proposed to be issued; provided that if the additional Funded Debt proposed to be issued is to finance student housing, student dining, student union or other revenue producing facilities there shall be added to the amount of Net Income Available for Debt Service for each of said Fiscal Years, for purposes of clause (ii) above, the estimated amount of Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an independent management consultant to the College and the Trustee; and provided further that if the additional Funded Debt proposed to be issued is to finance other College facilities and if the Board of Trustees has increased tuition, student fees or other rates or charges at or after the end of either of such Fiscal Years, for purposes of clause (ii) above, there shall be added to Net Income Available for Debt Service for the earlier Fiscal Year or Years the amount of increase net of increased operating expenses, as estimated in a report of an independent management consultant to the College and the Trustee.

The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority or the State of Minnesota, or the taxing powers of the State, are pledged. The Authority has no taxing powers.

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

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

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 are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account, a Reserve Account, a Redemption Account and a Revenue Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account, except that \$250,000 will be deposited into the Reserve Account and accrued interest will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the

Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, and the Redemption Account and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Construction Account

There shall be deposited initially into the Construction Account approximately \$2,250,000. In addition, the College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefore and to pay out of available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the principal amount of the Bonds. Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project. When work on each Project Building and Project Site has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, or the Redemption Account.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from the Revenue Account (if held by the Trustee), from earnings on other accounts established under the Indenture (other than the Revenue Account) and from Loan Repayments made by the College. The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the amount of \$250,000 irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time. All amounts paid by the College as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or Redemption Account will be deposited into the Reserve Account in order to maintain the Reserve Account in an amount not less than the Reserve Requirement, initially, \$250,000. In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than \$250,000, the College shall restore the deficiency from the next Loan Repayment.

Interest and income of the Reserve Account shall be transferred to the Bond and Interest Sinking Fund Account if not necessary to maintain the balance in the Reserve Account as above provided, and when the moneys and investments in the Reserve Account shall be sufficient to pay the principal of and interest on all outstanding Bonds when due, such moneys and investments shall be transferred, as appropriate, into the Bond and Interest Sinking Fund Account, or the Redemption Account; provided that the Trustee is authorized, in its discretion, to use funds and investments in the Reserve Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College shall have failed to pay or provide for the payment thereof under Section 6.09(f) of the Loan Agreement.

Redemption Account

Any amounts received which are not otherwise committed will be paid into the Redemption Account. Funds in this Account will be available to maintain required balances in other accounts and to purchase or redeem Bonds. No specific amounts are required. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College shall have failed to pay or provide for the payment thereof under Section 6.09 of the Loan Agreement.

Revenue Account

The College agrees to establish and maintain, so long as any of the Bonds are outstanding, an account or accounts with a bank or banks whose deposits are insured by the Federal Deposit Insurance Corporation into which the College shall deposit all Unrestricted Current Fund revenues promptly when received. So long as no Default or Event of Default shall exist, the College shall be entitled to use and invest all moneys in the Revenue Account to meet current expenses of operation and maintenance, to meet debt service on the Bonds and other obligations of the College, for capital expenditures, and for any other lawful purpose.

In an Event of Default, the Trustee shall have the right to require the depository bank or banks to transfer all moneys in the Revenue Account to the Trustee, and the College covenants that it shall direct such orders and execute such documents as may be required by the depository bank or banks or the Trustee to effect and complete the transfer of all such moneys to the Trustee and further covenants that it shall assign and deliver to the Trustee such certificates of deposit, other investments or cash as shall then be credited to the Unrestricted Current Fund, including any amounts transferred from the Unrestricted Current Fund to Board Designated Funds in the then current Fiscal Year or (if longer) in the preceding 90 days; and thereafter, so long as such Event of Default exists, the College covenants that it will deposit all Unrestricted Current Fund revenues promptly when received with the Trustee for credit to the Revenue Account.

If such Event of Default shall be cured, then at the written request of an Authorized Institution Representative, the Trustee shall return moneys and investments of the Revenue Account to the depository bank or banks, or other depository bank or banks designated by the College, and the College shall thereafter deposit to and use moneys in the Revenue Account as if no Event of Default had occurred.

If a Default or an Event of Default exists but the Trustee has not required the transfer of the Revenue Account to the Trustee, the College shall expend moneys from the Revenue Account solely to meet ordinary and current operation and maintenance expenses, debt service on the Bonds and other obligations of the College when due.

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.

Permitted Investments

Moneys on deposit to the credit of the Construction Account, Bond and Interest Sinking Fund Account, the Reserve Account, or the Redemption Account shall be invested by the Trustee only in Authorized Investments described in Section 5.05 of the Indenture. Obligations so purchased shall be deemed at all times to be a part of the respective fund or account, but may from time to time be sold or otherwise converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to such fund or account. The type, amount and maturity of any such investments shall conform to any instructions of the Authorized Institution Representative. Any interest and income accruing on and any profit realized from such investment shall be credited against Loan Repayments to be deposited by the College under the Loan Agreement. Any such interest or other investment income or profit not credited to Loan Repayments and deposits therefor under the Loan Agreement, and not needed to provide payments on the Bonds, shall be used as promptly as possible and in integral multiples of \$5,000 for the redemption of Bonds or the purchase of Bonds on the market, it being intended that interest, income and profit shall not be permitted to accumulate but shall be used to provide for the payment of principal of and interest on the Bonds or for the prior redemption or retirement of Bonds. Investment of funds shall be limited as to amount and yield of investment in such manner that no part of the outstanding Bonds shall be deemed "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986 and regulations thereunder.

THE PROJECT

The Project consists of these components:

1. Remodeling of the Johnson Student Union;
2. Construction of road connection and a 40-space parking lot for Wahlstrom Hall;
3. Realignment and construction of South Campus Drive and the installation of a stone entrance sign;
4. Reconstruction and expansion of the parking lot south of the Schaefer Fine Arts Complex; and
5. Construction of approximately 2,000 square feet of covered space and 700 square feet of enclosed space for an Interpretative Center in the Arboretum.

The remodeling of the student union commenced on May 15, 1987 and is expected to be substantially completed by August 15, 1987. The other projects are expected to be completed by December 31, 1987.

THE AUTHORITY

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

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$150 million. The Authority has had 44 issues (including refunded and retired issues) totaling \$142,860,000 of which \$102,265,000 (excluding the Bonds) is outstanding as of June 2, 1987. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are nonprofit 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.

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

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

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

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

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

LITIGATION

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

LEGALITY

The Bonds will be subject to approval as to certain matters by Faegre & Benson of Minneapolis, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the College by MacKenzie, Gustafson, Lucas & Riley, LTD., St. Peter, Minnesota

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) a limitation of \$150,000,000 on the aggregate principal amount of "tax-exempt nonhospital bonds" (generally defined as bonds for other than acute care, in-patient hospital facilities) that is allocated to Gustavus Adolphus College or any 501(c)(3) organization under common management and control with Gustavus Adolphus College as an owner or user of facilities financed with proceeds of such bonds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts and (3) provisions which require that certain investment earnings be rebated periodically to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the College, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. Certificates will be furnished by officers of the Authority and the College to Bond Counsel at closing to the effect that, at the date of issuance of the Bonds, not more than \$150,000,000 of tax-exempt nonhospital bonds (including the Bonds) are outstanding allocable to Gustavus Adolphus College and 501(c)(3) organizations under common management or control. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to mandatory redemption without premium. (See "THE LOAN AGREEMENT- Determination of Taxability" in Appendix IV). A determination that interest on the Bonds is includible in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

Interest on the Bonds is exempt from federal income taxes, including the alternative minimum tax imposed with respect to individuals and corporations and the environmental tax imposed with respect to corporations, except that (effective for taxable years beginning after 1986) interest on the Bonds will be included in the computation of "adjusted net book income" (or, for taxable years beginning after 1989, "adjusted current earnings"), which may be an item of tax preference includible in alternative minimum taxable income used in calculating the alternative minimum tax that may be imposed with respect to corporations.

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (determined as described above) over \$2 million. Regardless of whether a corporation is subject to the alternative minimum tax, the environmental tax applies with respect to taxable years beginning after December 31, 1986 and before January 1, 1992.

The Code imposes a 30% branch profits tax on the earnings and profits of a United States branch of certain foreign corporations attributable to its income effectively connected (or treated as effectively connected) with a United States trade or business. 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. Existing United States income tax treaties may modify, reduce or eliminate the branch profits tax except in cases of "treaty shopping."

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 advisor with respect to the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability, or the inclusion of social security or other retirement payments in taxable income.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Faegre & Benson, Bond Counsel, under present laws and rulings: interest on the Bonds is exempt from Federal and Minnesota income tax purposes (other than Minnesota corporate and bank excise taxes measured by income). Interest on the Bonds is not treated as a preference item in calculating alternative minimum taxable income of individuals but is includible in "book income" or in "earnings and profits" for purposes of computing the alternative minimum tax and the environmental tax that may be imposed with respect to corporations. In addition, interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax.

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

Gustavus Adolphus College is a four-year, co-educational, liberal arts college located in St. Peter, Minnesota. The College was founded originally in 1862 as the Minnesota Preparatory School in Red Wing, Minnesota. After one year, it was named St. Ansgar's Academy and moved to East Union, Minnesota. In 1876, the institution was moved to St. Peter where it was named Gustavus Adolphus College to honor the Swedish king who defended Protestantism during the Thirty Years War. The College is supported by the Minnesota and Red River Valley Synods of the Lutheran Church in America.

The College is accredited by the North Central Association of Colleges and Secondary Schools as well as by appropriate professional organizations. The College is also registered with the Minnesota Higher Education Coordinating Board in accordance with Minnesota Statutes.

Governance

The College is governed by a Board of Trustees who serve three-year terms. The current Board has 33 members.

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Gretchen Taylor	Mankato, Minnesota
Sybil L. Wersell	Edina, Minnesota
Phyllis M. Young	Secretary, Church World Service/CROP, Fargo, North Dakota

Ross Bloomquist is the Treasurer of the Board of Trustees.

President

Dr. John S. Kendall has served as President of Gustavus Adolphus College since 1981 and has been a professor in the department of psychology at the College since 1968. Between 1965 and 1968 he was vice president for academic affairs and professor of

psychology, at Augustana College in Sioux Falls, South Dakota. From 1958 to 1965 he was a member of the department of psychology at the College, advancing from assistant professor to professor and chairman of the department.

President Kendall received a B.A. from the College in 1949 and a Ph.D in psychology from the University of Minnesota in 1959. In 1954, Dr. Kendall received a B.D. from the Lutheran School of Theology in Chicago, Illinois.

Academic Information

The College offers the Bachelor of Arts degree through 36 academic departments, plus a variety of inter-departmental majors.

The College welcomes applications from students from differing ethnic, religious, racial, economic, and geographic backgrounds. Applications for admission are considered by the Admissions Committee on the basis of course selection and achievement in secondary school, aptitude test scores, letters of reference, and, whenever possible, personal interviews by admissions counselors. Consideration is given to personal objectives, character, and maturity; but, the primary factor influencing the admissions decision is academic achievement. The average high school class rank of students currently enrolled at the College is in the 88th percentile. The average ACT composite score is 25, and the average SAT combined score is 1100.

Gustavus Adolphus College follows the four-one-four academic calendar of two, 14-week semesters during the academic year, separated by a one-month interim term in January.

Campus and Buildings

The campus consists of 240 acres overlooking St. Peter and the Minnesota River Valley. College facilities consist of 21 main campus buildings, including nine residence halls. The total insured value of the College buildings is \$74,391,201.

The residence halls house 1,980 students or approximately 90% of the student body. All students are required to live in campus housing unless granted permission to live off-campus.

The majority of the College's buildings were constructed in the 1960's and early 1970's. The oldest building is Old Main, which was built in 1876 as the original College building. The most recent addition to the campus facilities is the Sports Forum, the final portion of the Lund Center for Physical Education and Health, constructed in 1984.

Student Body

The College's head count enrollment and full-time equivalent (FTE) enrollment, actual and projected, are:

<u>Fiscal Year</u>	<u>Head Count (Actual)</u>	<u>FTE (Actual)</u>	<u>Fiscal Year</u>	<u>Head Count (Projected)</u>	<u>FTE (Projected)</u>
1982/83	2,271	2,252	1987/88	2,255	2,210
1983/84	2,129	2,087	1988/89	2,203	2,165
1984/85	2,214	2,167	1989/90	2,200	2,155
1985/86	2,174	2,156	1990/91	2,126	2,080
1986/87	2,172	2,152	1991/92	2,068	2,030

Concerning the 1986/87 freshman class of 636, 518 or 81% were from Minnesota. A total of 26 states were represented. The next highest after Minnesota were Wisconsin (35), Iowa (13) and Illinois (12).

Freshman Applications, Acceptances and Enrollment

	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>	<u>1987/88</u>
Applications	997	1,193	1,260	1,210	1,357
Acceptances	890	1,055	1,123	1,081	1,097
Percent Accepted	89%	88%	89%	89%	82%
Enrollments	528	634	625	636	655 (estimated)
Percent Enrolled to Accepted	59%	60%	56%	59%	60%

Student Retention

For the past four academic years, the College has experienced the following overall retention rates.

Spring 1987 to Fall 1987:	92.9%
Spring 1986 to Fall 1986:	97.2%
Spring 1985 to Fall 1985:	88.2%
Spring 1984 to Fall 1984:	88.8%

Tuition and Fees

The College charges a comprehensive fee for each academic year which includes tuition for a regular full program of courses, academic fees, room, board, student activity charges, applied music fees, student teaching fee, laboratory fees, and linen and laundry service. Certain other fees may be charged depending on the course of study. The College estimates that the comprehensive fee represents approximately three-fourths of the cost to the College for each resident student.

The comprehensive fee for the 1987/88 academic year and the five previous years are:

<u>Year</u>	<u>Comprehensive Fee</u>
1987/88	\$10,800
1986/87	\$10,150
1985/86	\$ 9,450
1984/85	\$ 8,750
1983/84	\$ 8,150
1982/83	\$ 7,250

The College offers an optional plan for incoming freshman called the Guaranteed Cost Plan, which ensures the student that the annual comprehensive fee will remain the same as that paid in the freshman year for the student's four consecutive years at the College. To participate in the plan, a student pays a nonrefundable fee. That fee for the 1986/87 freshman class was \$1,000.

Financial Aid

Approximately 60% of the student body receives some form of financial aid. The following table is a five-year summary of financial aid received from both College and non-College sources:

	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985-86</u>	<u>1986-87</u>
GRANTS/ SCHOLARSHIPS:					
Federal	\$1,257,154	\$ 584,637	\$ 579,436	\$ 713,967	\$ 593,938
State	978,832	1,079,884	1,066,072	1,326,761	1,606,567
College	844,397	1,540,348	1,934,646	2,287,177	2,710,118
Private	752,982	159,727	232,562	254,047	249,629
Total	\$3,833,365	\$3,364,596	\$3,812,716	\$4,581,952	\$5,160,252
LOANS:	\$ 859,949	\$1,249,443	\$1,456,954	\$1,533,845	\$1,938,776
WORK-STUDY:	\$ 146,616	\$ 670,860	\$ 632,872	\$ 696,886	\$ 698,000
GRAND TOTAL	\$4,839,930	\$5,284,899	\$5,902,542	\$6,812,683	\$7,797,028
NUMBER RECEIVING AID	1,313	1,243	1,243	1,248	1,322

No assurance can be given that federal and State student financial aid will continue to be funded at current levels.

Faculty and Staff

The College employs 143 full-time and 36 part-time faculty for a total of 179 faculty members. Full-time faculty by rank, average salary and tenure are:

<u>Rank</u>	<u>Number</u>	<u>Average Salary</u>	<u>Percent Tenured</u>
Professor	40	\$37,742	28%
Associate Professor	53	\$30,997	36%
Assistant Professor	37	\$25,236	6%
Instructor	13	\$21,428	0%

Other than faculty, the College employs, full- and part-time, 344 staff members. Four persons are represented by the International Union of Operating Engineering; their contract expires in May 1988. The rest of the staff is nonunion.

Pension Plans

The College has certain contributing pension plans for academic and nonacademic personnel. The cost of the retirement plans is paid currently and amounted to approximately \$470,000 for the 1985/86 fiscal year.

Capital Campaign

Gustavus Adolphus College will formally announce a 125th anniversary fund appeal in December, 1987. To be called 20/20, the appeal will seek \$20 million for endowment

and \$20 million to produce approximately \$10 million for capital improvements and \$10 million for current operations and special programs. The appeal is scheduled to conclude in 1991. Approximately \$14 million in gifts and commitments have been achieved.

Endowment Funds

Following is a five-year history of the ending fund balances of the College's Endowment Funds and similar funds:

<u>Year Ended May 31</u>	<u>Endowment Fund</u>	<u>Funds Functioning As Endowment</u>	<u>Deferred Gift Funds</u>
1986	\$10,339,595	\$1,736,717	\$1,214,819
1985	9,092,954	1,795,873	988,616
1984	7,701,913	471,719	1,305,281
1983	7,410,445	255,963	1,545,393
1982	6,958,702	55,963	1,350,182

The College is the beneficiary of various trusts which are held by independent trustees. These trusts had a total market value of approximately \$970,000 at May 31, 1986. Trust income is paid to the donors until death at which time the assets will be distributed to the College.

Gifts, Grants and Contracts

Gifts, grants and contracts from federal, State and private sources received by the College for the past five fiscal years have been:

<u>Fiscal Year</u>	<u>Current Unrestricted Fund</u>	<u>Current Restricted Fund</u>	<u>Endowment Funds</u>	<u>Deferred Gift Funds</u>	<u>Plant Funds</u>
1986	\$1,042,305	\$1,735,978	\$ 917,800	\$221,035	\$ 648,975
1985	1,425,680	1,743,234	1,379,132	25,597	1,521,501
1984	950,422	1,554,403	425,595	96,925	2,299,778
1983	1,206,445	1,684,837	538,582	103,784	1,499,309
1982	1,244,443	1,097,340	1,316,792	63,569	559,126

Financial Statements

The College's fiscal year ends May 31 of each year. Financial records are maintained on the fund accounting system and financial statements have been prepared on the accrual basis of accounting except that depreciation is not recognized under generally accepted accounting principles applicable to nonprofit institutions of higher education. Appendix V sets forth the financial statements of the College for the years ended May 31, 1986, and the report thereon by Adrian Helgeson and Company, Certified Public Accountants, Minneapolis, Minnesota.

Summaries of Current Funds Revenues, Expenditures and Other Changes

The following tables set forth summaries of revenues, expenditures and other changes for the College's unrestricted current fund for the past five fiscal years and the budget-to-actual comparison through March 31, 1987 for fiscal year 1987. These tables should be read in conjunction with the financial statements found in Appendix V.

**SUMMARY OF UNRESTRICTED CURRENT FUND REVENUE, EXPENDITURES
AND OTHER CHANGES
FOR THE YEARS ENDED MAY 31**

	<u>1986</u>	<u>1985</u>	<u>1984</u>	<u>1983</u>	<u>1982</u>
<u>Revenues:</u>					
Tuition and Fees	\$14,175,576	\$12,735,167	\$11,009,464	\$10,572,237	\$ 9,579,277
Government Grants	59,444	59,232	72,776	327,396	342,583
Private Gifts and Grants	982,861	1,366,448	877,646	897,049	901,860
Endowment Income	205,580	117,305	158,751	132,448	158,183
Sales and Services of Ed. Activities	33,119	34,862	31,146	30,710	27,056
Other Sources	<u>484,765</u>	<u>607,993</u>	<u>529,188</u>	<u>416,200</u>	<u>653,860</u>
Total Revenue Before Aux. Enterprises	\$15,941,345	\$14,921,007	\$12,678,971	\$12,376,040	\$11,662,819
Sales and Services of Aux. Enterprises	<u>5,422,747</u>	<u>5,193,660</u>	<u>4,691,070</u>	<u>4,628,665</u>	<u>4,266,590</u>
Total Revenues	<u>\$21,364,092</u>	<u>\$20,114,667</u>	<u>\$17,370,041</u>	<u>\$17,004,705</u>	<u>\$15,929,409</u>
<u>Expenditures and Mandatory Transfers:</u>					
Education and General:					
Instruction	\$ 6,579,909	\$ 5,868,437	\$ 5,596,876	\$ 5,439,839	\$ 5,055,915
Research	19,638	24,049	21,702	21,183	16,661
Public Service	47,540	40,934	31,225	36,032	26,655
Academic Support	989,888	862,322	930,922	842,758	773,977
Student Services	1,552,885	1,432,802	1,298,315	1,193,625	1,045,541
Institutional Support	2,655,790	2,435,700	2,152,658	2,066,474	2,073,296
Operation and Maintenance	2,211,864	1,999,871	1,614,081	1,444,293	1,351,793
Scholarships and Grants	<u>1,859,561</u>	<u>1,491,040</u>	<u>925,119</u>	<u>759,333</u>	<u>839,889</u>
Educational and General Expenditures	\$15,917,075	\$14,155,155	\$12,570,898	\$11,803,537	\$11,183,727
Mandatory Transfers for Principal and Interest	177,966	157,930	5,883	101,009	107,334
Loan Fund Matching Grant	-	-	-	8,497	8,314
Total Educational and General	<u>\$16,095,041</u>	<u>\$14,313,085</u>	<u>\$12,576,781</u>	<u>\$11,913,043</u>	<u>\$11,299,375</u>
Auxiliary Enterprises:					
Expenditures	\$ 4,642,687	\$ 4,485,492	\$ 4,040,370	\$ 4,015,454	\$ 3,746,210
Mandatory Transfers for Principal and Interest	<u>57,225</u>	<u>-</u>	<u>183,482</u>	<u>121,228</u>	<u>174,366</u>
Total Auxiliary Enterprises	<u>\$ 4,699,912</u>	<u>\$ 4,485,492</u>	<u>\$ 4,223,852</u>	<u>\$ 4,136,682</u>	<u>\$ 3,920,576</u>
Total Expenditures and Mandatory Transfers	<u>\$20,794,953</u>	<u>\$18,798,577</u>	<u>\$16,800,633</u>	<u>\$16,049,725</u>	<u>\$15,219,951</u>
Excess of Revenue Over Expenditures and Mandatory Transfers	\$ 569,139	\$ 1,316,090	\$ 569,408	\$ 954,980	\$ 709,458
<u>Other Transfers and Additions (Deductions):</u>					
Unrestricted Current Fund Gifts Allocated to Unexpended Plant Funds	\$ (560,457)	\$(1,100,935)	\$ (418,688)	\$ (551,115)	\$ (461,154)
Unrestricted Current Fund to Endowment Funds	-	(1,158,936)	-	(200,000)	-
Unrestricted Current Fund to Restricted Current Funds	(46,134)	-	-	(1,108)	(8,730)
Endowment Funds to Current Funds	<u>97,036</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balance - End of Year:</u>					
Appropriated	\$ 59,584	\$ -	\$ 918,781	\$ 768,061	\$ 565,304
Unappropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 59,584</u>	<u>\$ -</u>	<u>\$ 918,781</u>	<u>\$ 768,061</u>	<u>\$ 565,304</u>

GUSTAVUS ADOLPHUS COLLEGE

1986-1987 UNRESTRICTED OPERATING FUND
MAY 31, 1987 (UNAUDITED)

INCOME		<u>\$23,476,000</u>
EXPENSES AND MANDATORY TRANSFERS		<u>\$22,614,000</u>
 SURPLUS BEFORE DISCRETIONARY TRANSFERS		 \$ 862,000
DISCRETIONARY TRANSFERS		
Uhler Hall	\$ 49,697	
Lund Center	300,000	
Health Insurance Reserve	125,000	
Norelius Hall Project	100,000	
Energy Projects	<u>125,000</u>	
 Total Discretionary Transfers		 <u>699,697</u>
NET SURPLUS		<u>\$ 162,303</u>

Long-Term Debt of the College as of June 1, 1987

1. \$1,030,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series E, dated March 1, 1973; interest rates range from 4.00% to 5.50%; final maturity due March 1, 1993; \$475,000 is outstanding. The bonds are secured by a first mortgage on the Administration Building and Social Science Building; the full faith and credit of the College; a first lien on the first 4.6% of all general tuition fees; a debt service reserve of \$77,232 and a repair and replacement reserve of \$25,000; and the Authority's General Bond Reserve.
2. \$3,223,178 (College share of \$18,520,000 total) Minnesota Higher Education Facilities Authority Pooled Revenue Bonds, Series 1983-A, dated September 1, 1983 at various interest rates from 6.75% to 8.50%; final maturity in September 1, 1991; \$2,776,822 is outstanding. The full faith and credit of the College is pledged and the bonds are additionally secured by pledged collateral of \$1.5 million.
3. Commercial mortgage loan incurred in 1974; due in equal monthly installments including principal and interest of \$434 to August, 1994 at 7.25% interest. The debt is secured by a mortgage on the President's home. \$38,379.53 is outstanding.
4. Six unsecured demand notes evidencing loans by individuals at 4% interest. \$20,000 is outstanding.
5. **The Bonds**

Total of Bonds plus long-term debt as of June 1, 1987: \$5,860,201.53

Short-Term Debt

The College maintains a \$2,000,000 bank line of credit which it draws on from time to time during the summer months and repays after receipt of student fees in the fall.

LONG-TERM DEBT SERVICE OF THE COLLEGE

By Fiscal Year

Fiscal Year	The Bonds		Less Reserve Revenue	Present Debt(b)	Total Net Debt Service
	Principal	Principal & Interest(a)			
1987/88	\$	\$ 121,297	\$ 11,300	\$ 868,912	\$ 978,909
1987/89	90,000	270,798	18,250	769,326	1,021,874
1989/90	95,000	271,005	18,250	767,971	1,020,726
1990/91	100,000	270,440	18,250	765,541	1,017,731
1991/92	105,000	269,415	18,250	761,935	1,013,100
1992/93	110,000	267,610	18,250	110,708	360,068
1993/94	120,000	270,240	18,250	5,208	257,198
1994/95	130,000	271,970	18,250	868	254,588
1995/96	140,000	272,760	18,250		254,510
1996/97	145,000	267,855	18,250		249,605
1997/98	160,000	272,090	18,250		253,840
1998/99	170,000	270,267	18,250		252,017
1999/00	185,000	272,545	18,250		254,295
2000/01	195,000	268,527	18,250		250,277
2001/02	210,000	268,375	18,250		250,125
2002/03	225,000	267,065	18,250		248,815
2003/04	370,000	384,430	259,125		175,305
	<u>\$2,550,000</u>	<u>\$4,556,689</u>	<u>\$544,175</u>	<u>\$4,050,469</u>	<u>\$8,062,983</u>

(a) Assumes an average interest rate on the Bonds of 7.42%

(b) Excludes \$20,000 of demand notes on which the College is paying interest only at 5%.

PROPOSED FORM OF LEGAL OPINION

[Proposed Form of Legal
Opinion of Faegre & Benson,
Bond Counsel]

\$2,550,000
Minnesota Higher Education Facilities Authority
Mortgage Revenue Bonds, Series Two-N
(Gustavus Adolphus College)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered Mortgage Revenue Bonds, Series Two-N (Gustavus Adolphus College), in the aggregate principal amount of \$2,550,000 (the "Bonds"), dated August 1, 1987, in the denomination of \$5,000 each and integral multiples thereof, maturing on April 1 and October 1 in the years and amounts as follows:

<u>Due April 1</u>				<u>Due October 1</u>			
1989	\$45,000	1998	\$ 80,000	1988-1989	\$45,000	1998	\$ 85,000
1990-1991	\$50,000	1999	\$ 85,000	1990-1991	\$50,000	1999	\$ 90,000
1992-1993	\$55,000	2000	\$ 95,000	1992	\$55,000	2000	\$ 95,000
1994	\$60,000	2001	\$100,000	1993	\$60,000	2001	\$105,000
1995	\$65,000	2002	\$105,000	1994	\$65,000	2002	\$110,000
1996	\$70,000	2003	\$115,000	1995-1996	\$70,000	2003	\$370,000
1997	\$75,000			1997	\$80,000		

The Bonds are subject to redemption and prepayment prior to the stated maturities thereof as provided in the Bonds. Interest on the Bonds is payable on each April 1 and October 1, commencing April 1, 1988, at the rates per annum, according to years of maturity, as follows:

<u>Due April 1</u>		<u>Due October 1</u>	
1989 maturities at _____%		1989 maturities at _____%	
1990 maturities at _____%		1990 maturities at _____%	
1991 maturities at _____%		1991 maturities at _____%	
1992 maturities at _____%		1992 maturities at _____%	
1993 maturities at _____%		1993 maturities at _____%	
1994 maturities at _____%		1994 maturities at _____%	
1995 maturities at _____%		1995 maturities at _____%	
1996 maturities at _____%		1996 maturities at _____%	
1997 maturities at _____%		1997 maturities at _____%	
1998 maturities at _____%		1998 maturities at _____%	

Due April 1

1999 maturities at _____%,
2000 maturities at _____%,
2001 maturities at _____%,
2002 maturities at _____%,
2003 maturities at _____%.

Due October 1

1999 maturities at _____%,
2000 maturities at _____%,
2001 maturities at _____%,
2002 maturities at _____%,
2003 maturities at _____%.

Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the office of Norwest Bank Minneapolis, National Association, Minneapolis, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to Gustavus Adolphus College, a Minnesota nonprofit corporation and nonprofit institution of higher education located in the City of St. Peter, Minnesota (the "College"), in order to permanently finance the costs of acquiring, constructing and improving facilities for the College, all located or to be located on the main campus of the College (as further described in the Loan Agreement mentioned below, the "Project"). We have examined executed counterparts of the Loan Agreement, the Indenture and the Mortgage referred to in the Bonds, opinions of MacKenzie, Gustafson, Lucas & Riley, Ltd., 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 MacKenzie, Gustafson, Lucas & Riley, Ltd. as to the Loan Agreement and the Mortgage having been duly authorized and executed and being binding upon the College, as to the corporate organization, good standing and powers of the College, and as to title to the Project site, and to the real estate covered by the Mortgage without examining the records of the College or original title records or abstracts of title.

We have not been engaged or undertaken to verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only matters set forth as our opinion in the Official Statement).

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Authority is an agency of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, to issue the Bonds, to loan the proceeds thereof to the College and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.

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

3. The Bonds are secured by the assignment of the loan repayments payable by the College under the Loan Agreement to the Trustee in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, the Mortgage on a dormitory facility of the College, the pledge of the funds and investments held by the Trustee under the Indenture and by a security interest in certain revenues and accounts of the College when perfected according to law.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is exempt from gross income for purposes of Federal income taxation and is exempt from Minnesota income taxation (other than Minnesota corporate franchise and bank excise taxes measured by income) under present laws and rulings. 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 Internal Revenue Code of 1986 (the "Code"). 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 Code, but is includable in "book income" or in "earnings and profits" for the purpose of determining the "alternative minimum taxable income" of corporations for taxable years beginning after December 31, 1986. The alternative minimum taxable income is also used to determine the environmental tax imposed by Section 59A of the Code. In addition, interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Deductions for "losses incurred" by property and casualty insurance companies must be reduced by 15% of the interest received or accrued on the Bonds, and 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. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code.

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

Dated at Minneapolis, Minnesota,

,1987.

DEFINITION OF CERTAIN TERMS

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

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

Authority: The Minnesota Higher Education Facilities Authority.

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

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

Authorized Investments: Investments authorized for moneys in the accounts created under Article V of the Indenture and described in Section 5.05 thereof.

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

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

Bonds: \$2,550,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-N (Gustavus Adolphus College) and any Additional Bonds then outstanding.

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

Bond Resolution: The Series Resolution of the Authority adopted on July 22, 1987, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

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

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

College: Gustavus Adolphus College, a Minnesota nonprofit corporation and institution of higher education located in St. Peter, Minnesota.

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

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

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

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

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

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

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

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

Indenture: The Trust Indenture between the Authority and Norwest Bank Minneapolis, N.A. of Minneapolis, Minnesota, as Trustee, dated as of August 1, 1987, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: The College.

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

Issue: The Bonds.

Loan Agreement: The Loan Agreement between the Authority and the Institution, as amended or supplemented from time to time.

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

Maximum Annual Debt Service: The largest total amount of principal of and interest on Funded Debt payable by the College in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates) be outstanding, and as further defined in Section 6.13 of the Loan Agreement.

Mortgage: The Combination Mortgage, Security Agreement and Fixture Financing Statement, dated as of August 1, 1987 from the College to the Authority, and assigned by the Authority to the Trustee, as amended or supplemented from time to time.

Mortgaged Buildings: The buildings of the College included in the Mortgage from time to time.

Mortgaged Property: The Mortgaged Buildings, the sites thereof and Building Equipment and Project Equipment located therein; as the same may at any time exist.

Net Income Available for Debt Service: The excess of Unrestricted Current Fund Revenues over Unrestricted Current Fund Expenditures but excluding depreciation, amortization and interest from expenditures, all as determined by generally accepted accounting principles.

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

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 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 Institution, and (iv) those additional encumbrances set forth in Exhibit C of the Mortgage.

Project: The remodeling of the Johnson Student Union, constructing and equipping an interpretive center having approximately 2,000 square feet of covered space and 700 square feet of enclosed space for the arboretum, constructing a ring road connection and 40-car parking lot for Wahlstrom Residence Hall and a 120-car parking lot for the Schaefer Fine Arts Center, and realigning and constructing the South campus entry drive with a new stone entrance sign, all on the campus of the College in St. Peter, Minnesota.

Project Buildings: The buildings constructed or improved as part of the Project.

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

Project Equipment: All furnishings, furniture, fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds and installed and located in or as part of the Project Buildings, or other College buildings, or elsewhere as part of the Project.

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

Project Site: The land on which certain Project Buildings are or will be located or improvements in connection with the Project are to be made (see "THE PROJECT").

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account, (ii) to create and maintain the required reserve in the Reserve Account, and (iii) to redeem or prepay outstanding Bonds or to purchase outstanding Bonds for redemption and cancellation. Moneys in the Redemption Account may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College fails to provide for payment of any rebate.

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

Reserve Account: The Reserve Account established under the Indenture, into which at Bond closing will be placed \$250,000 of Bond proceeds. Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient therefore and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College fails to provide for payment of any rebate.

Revenue Account: The Revenue Account established under the Loan Agreement with a bank or banks into which the College shall deposit all Unrestricted Current Fund revenues and as to which the College grants a security interest; the Revenue Account shall be transferred to and held by the Trustee if an Event of Default shall exist.

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

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

Trustee, Registrar, Paying Agent: Norwest Bank, Minneapolis, N.A., Minneapolis, Minnesota

Unrestricted Current Fund: The Unrestricted Current Fund as defined by the American Institute of Certified Public Accountants for audits of universities and colleges.

Unrestricted Endowment Funds: The Unrestricted Endowment Funds including funds functioning as endowment funds as defined by the American Institute of Certified Public Accountants for audits of universities and colleges.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The College represents that the acquisition, construction and improvement of the Project are to be substantially completed by no later than December 31, 1987, subject only to "force majeure," as provided in the Loan Agreement. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs are not met from proceeds of the Bonds in the Construction Account.

Loan Repayments

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

- (a) At least 10 business days prior to each April 1 and October 1, commencing April 1, 1988, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Series Two-N Bonds on the next succeeding interest payment date, and, commencing on October 1, 1988, a sum equal to the amount payable as principal of the Series Two-N Bonds on the next succeeding principal payment date, provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.03, 5.04 or 5.05 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings); and
- (b) forthwith into the Bond and Interest Sinking Fund Account the amount of any deficiency in the event that the funds on deposit in the Bond and Interest Sinking Fund Account on any Bond principal or interest payment date are for any reason insufficient to pay principal, premium (if any) and interest on the Series Two-N Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and
- (c) prior to a date established for the optional redemption and prepayment of the Series Two-N Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Two-N Bonds called for redemption from the Redemption Account; and
- (d) into the Reserve Account forthwith any amounts then required to be deposited therein by Section 5.03 of the Indenture; and

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

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

As additional payments the College agrees to pay the annual fee of the Authority, fees and expenses of the Trustee and certain other expenses.

Use of Project Facilities

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

Maintenance of Project Facilities and Mortgaged Property

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

Title to Property and Liens

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

Taxes and Other Governmental Charges

The College will pay all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with

respect to the operations of the College, or the Project Facilities or Mortgaged Property, or any improvements, equipment or related property installed or bought by the College therein or thereon, or the Bonds, the Loan Agreement, the Mortgage, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

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

Damage or Destruction

If the Project Facilities or Mortgaged Property shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds, or both, as more fully provided in the Loan Agreement.

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 Project Building or Mortgaged Building shall be taken in any proceeding involving the exercise of the right of eminent domain, the College shall either redeem the Bonds or rebuild or restore such facilities, or both, as more fully provided in the Loan Agreement.

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, the Mortgaged Property 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.

Institution to Maintain its Existence and Accreditation

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and a nonprofit institution of higher education under the laws of Minnesota and its accreditation as an institution of higher education

by recognized accrediting agencies and that it will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution except upon the conditions provided in the Loan Agreement. The conditions are the following: (i) if the surviving, resulting or transferee corporation, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement, and shall be either a state university or college or a nonprofit corporation and a nonprofit institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against discrimination and requiring that the institution be nonsectarian; and (ii) 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.

College To Be Nonsectarian

The College agrees that it will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect.

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 that the Bonds are includible in gross income for purpose 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 be subject to mandatory redemption on a date to be determined by the Trustee following the Determination of Taxability, and the redemption price therefor shall be equal to par plus accrued interest.

A "Determination of Taxability," as described above, means a Notice of Deficiency or a ruling from the National Office or any District Office of the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that interest on the Bonds is includible 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. A determination that interest on the Bonds is includible in the computation of an alternative minimum tax is not a Determination of Taxability.

Financial Covenants

The Institution covenants and agrees, so long as the Bonds shall remain outstanding, to comply with the following provisions:

- (a) At the end of each Fiscal Year, commencing with the Fiscal Year ending on May 31, 1988, Unrestricted Current Fund revenues shall be not less than

Unrestricted Current Fund expenditures, including mandatory transfers, in at least two of the preceding three Fiscal Years, according to the principles of accounting to be used for audits of colleges and universities, as required by the American Institute of Certified Public Accountants. In the event that, following any Fiscal Year, the College shall not be in compliance with this paragraph (a), the College may cure such default by making a transfer to Unrestricted Current Fund, within 90 days of the close of such Fiscal Year, sufficient to cure the deficiency. Such deposits may be made from Unrestricted Endowment Funds or funds functioning as endowment, but not if such deposit will cause such unencumbered endowment funds to be less than \$1,500,000. No such deposit may be made from proceeds of the Bonds or other borrowed funds.

- (b) The total of marketable investments and cash constituting unencumbered Unrestricted Endowment Funds of the College, including funds functioning as endowment, as reported annually by an independent investment manager (a copy of which report is to be furnished to the Trustee), on May 1, 1988 and at the end of each Fiscal Year thereafter, shall not be less than \$1,500,000.
- (c) Following the date hereof, and for so long as the Bonds remain outstanding, the College shall incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt now outstanding), if in the then most recently ended Fiscal Year of the College the ratio of total Unrestricted Current Fund assets to total Unrestricted Current Fund liabilities shall have been at least one to one and the Debt Service Coverage Ratio was at least 110% of Maximum Annual Debt Service of (a) then outstanding Funded Debt and (b) Funded Debt thereafter issued or proposed to be issued.

Maintenance of Mortgage Security

The College covenants that so long as any of the Bonds are outstanding, the Mortgaged Buildings shall have, in the aggregate, a full insurable replacement value equal to at least 150% of the principal amount of outstanding Bonds.

Other Covenants

The College agrees to establish and maintain, according to the terms of Section 6.14 of the Loan Agreement, a Revenue Account into which the College shall deposit all Unrestricted Current Fund revenues.

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, including but not limited to making all required rebate payments to the United States required by the Code and regulations; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Coordinating Board, subject to the right of contest.

Events of Default

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

- (a) If (i) the College shall fail to make any Loan Repayment when due and either (ii) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account or Redemption Account, as the case may be, on a Bond principal or interest payment date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (iii) such failure shall continue for 5 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 4.02(e) or 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or
- (c) If the College shall default in the observance of any of the covenants set forth in Section 6.13 of the Loan Agreement (relating to financial covenants), provided that failure to comply with Section 6.13(b) (relating to maintaining \$1,500,000 in endowment funds) shall not become an Event of Default unless the College fails to restore the deficiency thereunder within a period of 90 days from the close of the Fiscal year in which such deficiency was reported; or
- (d) If the College shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under this Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the College by the Authority or the Trustee; or
- (e) If there shall occur an event of default under the Mortgage; or
- (f) If the Institution 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 Institution; or
- (g) If a court of competent jurisdiction shall enter an order, judgment or decree against the Institution in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the Institution or of the whole or any substantial part of the property of the Institution, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty 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 Institution or of the whole or any substantial part of its property, and such custody or control shall not be terminated within sixty 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 Institution. The provisions of paragraph (d) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the Institution 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 Institution shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The Institution agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the Institution from carrying out its agreements.

Remedies on Default

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

- (a) The Trustee may declare all or any amount of Loan Repayments thereafter to become due and payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.
- (b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due or to foreclose the Mortgage or to enforce performance and observance of any obligation, agreement or covenant of the Institution under the Mortgage or 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, the Mortgage, or the Indenture in accordance with the provisions thereof.

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:

- (1) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority's annual fee and rights to indemnity and reimbursement;
- (2) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and
- (3) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the College or by anyone in behalf of them or with their written consent, to the Trustee, including, but not limited to, the Mortgage.

Accounts

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

Trustee's Right to Payment

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

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

- (a) If payment of the principal of any of the Bonds, when the same shall become due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), shall not be made; or
- (b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or
- (c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the Institution (giving the Institution 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 Institution, as that term is defined in the Loan Agreement, shall occur.

Remedies

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

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

As more fully described in the "ACCOUNTS" section contained in the body of this Official Statement, the College agrees to establish and maintain an account or accounts (the "Revenue Account") into which the College shall deposit all Unrestricted Current Fund revenues promptly when received. If an Event of Default exists, the Trustee may require the transfer of all moneys in the Revenue Account to the Trustee and the assignment and delivery to the Trustee of such certificates of deposit, other investments or cash as shall then be credited to the Unrestricted Current Fund, including the certain specified funds which may have been transferred from the Unrestricted Current Fund to Board Designated Funds. Thereafter, as long as the Event of Default exists, the College is required to promptly deposit all Unrestricted Current Fund revenues with the Trustee for credit to the Revenue Account. If such Event of Default is cured, upon request of an Authorized Institution Representative, the Trustee shall return moneys and investments of the Revenue Account to the depository bank or banks designated by the College, and the College may thereafter deposit to and use moneys in the Revenue Account as if no Event of Default had occurred. In addition, under the Loan Agreement, if a Default or an Event of Default exists but the Trustee has not required the transfer of the Revenue Account to the Trustee, the College shall expend moneys from the Revenue Account solely to meet ordinary and current operation and maintenance expenses, debt service on the Bonds and other obligations of the College when due.

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

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to its prime rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of \$10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court.

Concerning the Bondholders

No Bondholder shall have any right to institute any proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement or the Mortgage unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all Bonds outstanding.

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

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

Defeasance

If the Authority and the College shall:

- (a) pay or cause to be paid the principal of, and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or
- (b) provide for the payment of principal and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all Bonds outstanding, or
- (c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the Institution for the Authority under its official seal and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with

the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or

- (d) surrender to the Trustee for cancellation all Bonds,

and shall also pay all other sums due and payable under the Indenture by the Authority, and shall also pay or provide for the payment of the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148 of the Internal Revenue Code, then at the request of the Authority or the College all the Trust Estate shall revert to the Authority and the Institution as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

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

Supplemental Indentures

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

- (a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;
- (b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority;
- (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; and
- (e) to create a series of and authorize Additional Bonds.

In addition and subject to the provisions set forth below, the Holders of not less than 65% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture (except as provided in Section 2.09 of the Indenture), or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture.

Amendments to the Loan Agreement, and the Mortgage

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

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement or the Mortgage without the written approval or consent of the Holders of not less than 65% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the payments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

The Bonds shall be fully registered as to principal and interest at the office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for a new Bond or Bonds of the same

series, aggregate principal amount, maturity and interest rate of any authorized denominations. Payment of principal will be at the corporate office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee.

THE MORTGAGE

At or prior to the closing, the College will execute and deliver to the Trustee a Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), to be dated as of August 1, 1987, to secure the Bonds. The following is a summary of certain provisions of the Mortgage.

Under the Mortgage, in order to secure its obligations under the Loan Agreement, including payment of Loan Repayments in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Bonds, the College grants to the Trustee a security interest in the Equipment described therein and a first mortgage lien on its right, title and interest in and to the sites of Norelius Hall (the "Land"), and any buildings now standing or hereafter constructed or placed upon the Land, including Norelius Hall (the "Mortgaged Buildings"). The Land, Mortgaged Buildings and Equipment together may herein be referred to as the "Mortgaged Property." The Trustee is also granted a security interest in all of the general intangibles, rents, issues, condemnation awards, insurance proceeds and similar revenues and income arising from the ownership of the Mortgaged Property (to the extent the same may be perfected).

The Loan Agreement provides that the College may remove Equipment from the Mortgaged Property, released from the lien of the Mortgage, upon the following conditions:

- (a) the College may substitute equipment and related property for any Equipment, provided that such property so substituted shall not materially impair the character or revenue producing significance of the Mortgaged Property, and such substituted property shall be subject to the lien of the Mortgage in place of the replaced equipment;
- (b) the College shall have the privilege of removing any Equipment without substitution therefor, provided that such removal does not impair the character or revenue producing significance of the Mortgaged Property.

The Loan Agreement also provides that at the request of the College and subject to the filing of a report, so long as no Default or Event of Default exists under the Loan Agreement, the Trustee shall release from the lien of the Mortgage any Mortgaged Buildings (including the sites thereof and equipment therein) to the extent that the full insurable replacement value of the Mortgaged Buildings exceeds 150% of the principal amount of outstanding Bonds.

GUSTAVUS ADOLPHUS COLLEGE

ST. PETER, MINNESOTA

AUDIT REPORT

YEAR ENDED MAY 31, 1986



Certified Public Accountants
1221 Nicollet Mall
Minneapolis, MN 55403

August 1, 1986

To The Board of Trustees
Gustavus Adolphus College
St. Peter, Minnesota

We have examined the balance sheet of Gustavus Adolphus College as of May 31, 1986 and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year 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 financial statements referred to above present fairly the financial position of Gustavus Adolphus College at May 31, 1986 and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Certified Public Accountants

BALANCE SHEET

MAY 31, 1986

WITH COMPARATIVE FIGURES FOR 1985

ASSETS		1986	1985	LIABILITIES AND FUND BALANCES		1986	1985
Current Funds				Current Funds			
Unrestricted				Unrestricted			
Short-Term Investments				Cash Overdraft		\$ 269,878	\$ 121,677
Student Accounts Receivable (Less Allowance for Doubtful Accounts of \$76,586 and \$94,205)				Notes Payable to Banks		275,000	1,075,000
Receivable from a Beneficiary Trust				Accounts Payable		595,092	565,984
Other Receivables				Accrued Salaries and Related Staff Benefits		1,377,146	1,206,482
Inventories, at Lower of Cost or Market				Accrued Vacation Benefits		169,742	137,167
Prepaid Expenses				Accrued Unemployment Compensation		15,000	15,000
Due from College Loan Funds				Deferred Revenue		313,555	331,422
Due from Endowment Funds				Student Housing Damage Deposits		10,249	28,815
Due from Unexpended Plant Funds				Other Liabilities		14,262	9,230
Due from Investment in Plant Funds				Due to Restricted Current Funds		542,905	721,912
				Due to Endowment Funds		115,429	115,429
				Total Liabilities		3,582,829	4,308,118
						59,584	
				Fund Balance - Appropriated for Scholarships		3,642,413	4,308,118
Restricted				Restricted			
Due from U.S. Government				Due to U.S. Government		765,779	19,293
Accrued Interest Receivable				Fund Balances		765,779	836,036
Grants Receivable							855,329
Due from Unrestricted Current Fund				Totals		\$ 4,408,192	\$ 5,163,447
Totals							

WITH COMPARATIVE FIGURES FOR 1985

ASSETS - Continued		1986	1985	LIABILITIES AND FUND BALANCES - Continued		1986	1985
Loan Funds				Loan Funds			
National Direct Student Loan Fund				National Direct Student Loan Fund			
Cash		\$ 191,082	\$ 59,725	Fund Balances		\$ 2,245,318	\$ 2,207,991
Short-Term Investment (Market Value Approximates Cost)		100,000	100,000	U.S. Government Grants Refundable		243,521	239,373
Student Notes Receivable (Less Allowance for College Portion of Doubtful Notes \$22,000 Both Years)		2,182,938	2,274,862	College Fund Balance - Restricted		2,488,839	2,447,364
Due from U.S. Government		13,534	11,352				
Accrued Interest Receivable		1,285	1,425				
		<u>2,488,839</u>	<u>2,447,364</u>				
College Loan Funds				College Loan Funds			10,000
Cash		12,475	7,182	Due to Unrestricted Current Fund		171,535	168,941
Short-Term Investment (Market Value Approximates Cost)		60,000	75,000	Fund Balances - Restricted		<u>171,535</u>	<u>178,941</u>
Student Notes Receivable (Less Allowance for Doubtful Notes \$40,000 and \$29,725)		98,790	96,335				
Accrued Interest Receivable		270	424				
		<u>171,535</u>	<u>178,941</u>				
Nursing Student Loan Fund				Nursing Student Loan Fund			130,255
Cash		23,957	14,944	Fund Balances			
Student Notes Receivable (Less Allowance for College Portion of Doubtful Notes \$3,000 Both Years)		134,423	143,636	U.S. Government Grants Refundable		129,963	13,852
		<u>158,380</u>	<u>158,580</u>	College Fund Balances		13,976	13,852
				Unrestricted		<u>14,441</u>	<u>14,473</u>
				Restricted		<u>158,380</u>	<u>158,580</u>
		<u>\$ 2,818,754</u>	<u>\$ 2,784,885</u>				
				Totals		<u>\$ 2,818,754</u>	<u>\$ 2,784,885</u>
Endowment Funds				Endowment Funds			
Short-Term Investments (Market Value Approximates Cost)		\$ 100,000	\$ 102,769	Due to Unrestricted Current Fund		\$ 73,106	
Funds Held in Special Agency Accounts				Fund Balances		10,339,595	\$ 9,092,954
Cash and Short Term Investments (Market Value Approximates Cost)		1,538,073	13,009	Endowment			
Bonds (Market Value \$4,217,423 and \$4,905,280)		3,868,309	4,929,328	Funds Functioning as Endowment			
Stocks (Market Value \$7,444,725 and \$5,328,910)		5,603,203	4,694,349	Unrestricted		1,726,642	1,785,798
Stocks (Market Value \$42,082 and \$40,141)		33,688	37,288	Restricted		<u>10,075</u>	<u>10,075</u>
Contracts for Deed Receivable		450,735	441,245				
Real Estate Held for Resale		15,410	15,410	Totals		<u>\$12,149,418</u>	<u>\$10,888,827</u>
Funds Held in Trust (Market Value \$868,000 and \$725,000)		540,000	540,000				
Due from Unrestricted Current Fund			115,429				
		<u>\$12,149,418</u>	<u>\$10,888,827</u>				
Totals							

GUSTAVUS ADOLPHUS COLLEGE

EXHIBIT A
Sheet 3

BALANCE SHEET

MAY 31, 1986

WITH COMPARATIVE FIGURES FOR 1985

ASSETS - Continued		1986	1985	LIABILITIES AND FUND BALANCES - Continued		1986	1985
Deferred Gift Funds				Deferred Gift Funds			
Gift Annuity Funds				Gift Annuity Funds			
Funds Held in Special Agency Accounts				Cash Overdraft		\$ 17,395	\$ 18,454
Short-Term Investments (Market Value Approximates Cost)				Annuities Payable		227,403	241,640
Bonds (Market Value \$657,220 and \$566,739)		\$ 5,059	\$ 2,448	Fund Balances		442,814	414,906
Accrued Interest Receivable		657,753	647,752			687,612	675,000
Due from Annuitant		24,300	24,300				
		500	500				
		687,612	675,000				
Life Income Funds				Life Income Funds			
Cash		1,088	598	Due to Annuitants		4,453	1,153
Funds Held in Special Agency Accounts				Fund Balances		61,764	61,764
Short-Term Investments (Market Value Approximates Cost)		3,140	453			66,217	62,917
Bonds (Market Value \$17,783 and \$15,948)		18,186	18,186				
Stocks (Market Value \$106,770 and \$89,657)		43,544	43,435				
Accrued Interest Receivable		259	245				
		66,217	62,917				
Pooled Life Income Funds				Pooled Life Income Funds			
Cash		2,111	1,591	Due to Annuitants		2,208	1,719
Short-Term Investments (Market Value \$6,450 and \$5,666)		7,050	7,080	Fund Balances		16,456	16,456
Stocks (Market Value \$12,400 and \$11,850)		9,450	9,450			18,664	18,175
Accrued Interest Receivable		53	54				
		18,664	18,175				
Annuity Trust Funds				Annuity Trust Funds			
Cash and Savings Account		25,199	16,429	Annuities Payable		195,258	148,482
Funds Held in Special Agency Accounts				Fund Balances		328,616	258,722
Cash		852				523,874	407,204
Short-Term Investments (Market Value \$116,219 and \$107,376)		113,504	115,898				
Bonds (Market Value \$26,952 and \$22,650)		30,006	30,006				
Stocks (Market Value \$494,922 and \$203,973)		345,736	237,769				
Accrued Interest Receivable		8,577	7,102				
		523,874	407,204				
Charitable Remainder Unitrust Agreements				Charitable Remainder Unitrust Agreements			
Funds Held in Special Agency Accounts				Cash Overdraft		17,081	15,925
Cash		2,436	862	Due to Annuitants		3,520	2,602
Short-Term Investments (Market Value \$169,716 and \$162,442)		151,311	147,834	Annuities Payable		803,981	777,495
Bonds (Market Value \$255,476 and \$183,804)		218,037	155,025	Held as Trustee for Other Institutions		98,608	94,549
Contracts for Deed Receivable		599,237	608,672	Fund Balances		365,169	236,768
Accrued Interest Receivable		12,388	11,546			1,288,359	1,127,339
Real Estate Held for Resale		304,950	203,400				
		1,288,359	1,127,339				
Totals		\$ 2,584,726	\$ 2,290,635	Totals		\$ 2,584,726	\$ 2,290,635

GUSTAVUS ADOLPHUS COLLEGE

BALANCE SHEET
MAY 31, 1986

WITH COMPARATIVE FIGURES FOR 1985

ASSETS - Continued		1986	1985	LIABILITIES AND FUND BALANCES - Continued		1986	1985
Plant Funds				Plant Funds			
Unexpended				Unexpended			
Funds Held in Special Agency Account				Accounts Payable			\$ 11,413
U.S. Government Securities (Market Value \$312,376)			\$ 298,469	Due to Unrestricted Current Fund		\$ 2,245,467	2,774,124
Accrued Interest Receivable			6,396	Total Liabilities		2,245,467	2,785,537
Other Receivables			1,075	Fund Balances (Deficits)			
Construction in Progress		\$ 281,631	283,708	Unrestricted		(30,458)	(79,359)
		281,631	389,648	Restricted		(1,933,378)	(2,116,530)
				Total Fund Balances (Deficits)		(1,963,836)	(2,195,889)
				Renewal and Replacement		281,631	589,648
Funds Held by Trustee				Fund Balances			
Cash		494	3,911	Unrestricted		32,944	20,495
U.S. Government Securities (Market Value \$463,717 and \$447,606)		455,175	431,305	Restricted		425,000	425,000
Accrued Interest Receivable		2,275	10,279	Total Fund Balances		457,944	445,495
		457,944	445,495	Retirement of Indebtedness			
Funds Held by Trustee				Accrued Interest Payable		42,031	44,445
Cash		69,304	65,425	Fund Balances			
U.S. Government Securities (Market Value \$578,259 and \$655,195)		779	20,845	Unrestricted		109,745	209,444
Bonds (Market Value \$90,000 and \$102,000)		552,150	632,203	Restricted		581,232	581,232
Accrued Interest Receivable		99,559	99,559	Total Fund Balances		690,977	790,676
		11,216	17,089	Investment in Plant		733,008	835,121
		733,008	835,121	Notes Payable to Individuals		40,000	60,000
Land Improvements		517,287	517,287	Mortgage Note Payable		40,709	42,856
Buildings		1,391,391	885,519	Long-Term Lease Payable		535,000	595,000
Equipment		34,349,967	34,552,255	Auxiliary Facilities Bonds Series A Through F		2,843,000	2,981,000
Library Books		4,779,718	4,541,232	Fine Arts Building Bonds of 1969		930,000	956,000
		2,372,013	2,231,635	Library Building Bonds of 1971		834,000	855,000
		43,410,376	42,727,928	Note Payable - Lund Center for Physical Education and Health		3,223,178	3,223,178
		\$44,882,959	\$44,598,192	Due to Unrestricted Current Fund		8,445,887	15,448
				Total Liabilities		34,964,489	33,999,446
				Net Investment in Plant		43,410,376	42,727,928
				Totals		\$44,882,959	\$44,598,192
Agency Funds				Agency Funds			
Cash		\$ 35,257		Cash Overdraft		\$ 180,158	1,957
Short-Term Investments (Market Value Approximates Cost)		144,901	\$ 166,776	Deposits and Revocable Trusts Held in Custody for Others			365,146
Other Receivables			327	Totals		\$ 180,158	367,103
Real Estate Held for Resale			200,000				
		\$ 180,158	\$ 367,103				

See accompanying Notes to Financial Statements.

	<u>Current Funds</u>			<u>Loan Funds</u>	<u>Endowment Funds</u>	<u>Deferred Gift Funds</u>	<u>Plant Funds</u>		
	<u>Unappropriated</u>	<u>Restricted</u>					<u>Unexpended</u>	<u>Replacement</u>	<u>Investment in Plant</u>
Revenues and Other Additions									
Unrestricted Current Fund Revenues	\$21,364,092								
Governmental Grants - Restricted		\$1,251,521							
Private Gifts and Grants - Restricted		484,457							
Investment Income - Restricted		508,278		\$ 24,048		\$ 221,035	\$ 648,975	\$ 44,085	\$ 65,087
Matured Deferred Gifts							17,280		
Realized Gains on Sales of Investments									
Interest on Notes Receivable									
Service Cancellation Recoveries									
Adjustment of Actuarial Liability for Annuities Payable									
Expended for Plant Facilities (Including \$423,873 Charged to Current Funds Expenditures)						72,975			
Retirement of Indebtedness									\$ 952,829
Amortization of Prior Years' Accrued Vacation Benefits									267,147
									15,448
Total Revenues and Other Additions	<u>21,364,092</u>	<u>2,244,256</u>		<u>85,670</u>	<u>1,378,641</u>	<u>294,010</u>	<u>666,255</u>	<u>44,085</u>	<u>1,235,424</u>
Expenditures and Other Deductions									
Educational and General Expenditures	15,917,075	2,342,635							
Auxiliary Enterprises Expenditures	4,642,687	77,577							
Indirect Cost Recoveries Earned		34,555							
Administrative and Collection Costs				14,269					
Loan Cancellations and Write-Offs				27,532					
Matured Deferred Gifts									
Expended for Plant Facilities						67,807	528,956		
Retirement of Indebtedness									267,147
Interest on Indebtedness									630,169
Disposal of Plant Funds Assets									
									270,381
Total Expenditures and Other Deductions	<u>20,559,762</u>	<u>2,454,767</u>		<u>41,801</u>		<u>67,807</u>	<u>528,956</u>		<u>270,381</u>

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MAY 31, 1986

	Current Funds			Endowment Funds	Deferred Gift Funds	Plant Funds	
	Unrestricted	Appropriated	Restricted			Unexpended	Renewal and Retirement of Investment in Plant
Transfers Among Funds - Additions (Deductions)							
Mandatory							
Principal and Interest							
Nonmandatory							
Unrestricted Current Fund Gifts Allocated to Unexpended Plant Funds	(560,457)						
Transfer from Unrestricted Current Fund to Restricted Current Fund	(46,134)		\$ 46,134				
Transfer from Endowment Funds to Current Funds	97,036		94,120	(\$ 191,156)			
Transfer from Unexpended Plant Funds to Retirement of Indebtedness Funds						(192,569)	192,569
Transfer from Renewal and Replacement Fund to Retirement of Indebtedness Funds							
Appropriation for Scholarships	(59,584)	\$59,584					
	(804,330)	59,584	140,254	(191,156)		94,754	(31,636)
Total Transfers		59,584	(70,257)			232,053	732,530
Net Increase (Decrease) for the Year			\$ 43,869	1,187,485	\$ 226,203	12,449	(99,699)
Fund Balance (Deficit) at May 31, 1985			836,036	10,888,827	988,616	445,495	790,676
Fund Balance (Deficit) at May 31, 1986	\$ -	\$59,584	\$ 765,779	\$12,076,312	\$1,214,819	(\$1,963,836)	\$34,964,489

See accompanying Notes to Financial Statements.

GUSTAVUS ADOLPHUS COLLEGE

EXHIBIT C
Sheet 1

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

FOR THE YEAR ENDED MAY 31, 1986

WITH COMPARATIVE FIGURES FOR 1985

	1986		1985	
	Unrestricted	Restricted	Total	Percentage
Revenues				
Tuition and Fees	\$14,175,576		\$14,175,576	77.2%
Governmental Grants	59,444	\$1,220,502	1,279,946	7.0
Private Gifts and Grants	982,861	617,453	1,600,314	8.7
Endowment Income	205,580	582,257	787,837	4.3
Sales and Services of Educational Activities	33,119		33,119	.2
Other Sources	484,765		484,765	2.6
Total Revenues Before Auxiliary Enterprises	15,941,345	2,420,212	18,361,557	100.0%
Sales and Services of Auxiliary Enterprises	5,422,747		5,422,747	100.0%
Total Revenues	21,364,092	2,420,212	23,784,304	
Expenditures and Mandatory Transfers				
Educational and General				
Instruction	6,579,909	321,982	6,901,891	37.4%
Research	19,638	72,777	92,415	.5
Public Service	47,540	75,189	122,729	.7
Academic Support	989,888	393,674	1,383,562	7.5
Student Services	1,552,885	52,866	1,605,751	8.7
Institutional Support	2,655,790	116,694	2,772,484	15.0
Operation and Maintenance of Plant	2,211,864	64,864	2,276,728	12.4
Scholarships and Grants	1,859,561	1,244,589	3,104,150	16.8
Educational and General Expenditures	15,917,075	2,342,635	18,259,710	99.0
Mandatory Transfers for				
Principal and Interest	177,966		177,966	1.0
Total Educational and General	16,095,041	2,342,635	18,437,676	100.0%
Auxiliary Enterprises				
Expenditures	4,642,687	77,577	4,720,264	
Mandatory Transfers for Principal and Interest	57,225		57,225	
Total Auxiliary Enterprises	4,699,912	77,577	4,777,489	
Total Expenditures and Mandatory Transfers	20,794,953	2,420,212	23,215,165	
Excess of Revenues Over Expenditures and Mandatory Transfers	569,139		569,139	

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

FOR THE YEAR ENDED MAY 31, 1986

WITH COMPARATIVE FIGURES FOR 1985

	1986			1985		
	Unrestricted	Appropriated	Restricted	Total	Percentage	Percentage
	Unappropriated					
Other Transfers and Additions (Deductions)						
Unrestricted Current Fund Gifts Allocated to Unexpended Plant Funds	(\$ 560,457)			(\$ 560,457)		(\$ 1,100,935)
Unrestricted Current Fund to Endowment Funds						(1,158,936)
Unrestricted Current Fund to Restricted Current Funds	(46,134)	\$ 46,134				
Endowment Funds to Current Funds	97,036		94,120	191,156		25,000
Excess (Deficiency) of Restricted Receipts Over Transfers to Revenue			(210,511)	(210,511)		82,242
Appropriation for Scholarships	(59,584)	\$59,584				
Net Increase (Decrease) in Fund Balances	\$	\$59,584	(\$ 70,257)	(\$ 10,673)		(\$ 836,539)

See accompanying Notes to Financial Statements.

GUSTAVUS ADOLPHUS COLLEGE

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1986

Note 1. Significant Accounting Policies

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

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

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

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

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

Revenues - All gains and losses arising from the sale, collection or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets, except for income from investment of endowment funds, which is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in the unrestricted current fund.

GUSTAVUS ADOLPHUS COLLEGE

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1986

Note 1. Significant Accounting Policies (Continued)

Revenues (Continued) - Income from pooled endowment funds investments (all investments except those which are specifically assigned to certain endowment funds) is distributed to each participating fund on the basis of average balances. Gains and losses on the sale of investments are credited or debited to a net adjusted gains or losses on investments account, which is also distributed to each participating fund.

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

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

Physical Plant and Equipment - Physical plant assets are stated at cost at date of acquisition. Depreciation on physical plant and equipment is not recorded, in accordance with generally accepted accounting principles for nonprofit educational institutions. Normal repair and maintenance expenses and equipment replacement costs are charged to current funds operations as incurred.

Inventories - Bookstore, food service and maintenance supplies inventories are valued at the lower of cost (first-in, first-out) or market.

Pension Plan - The College has certain contributory pension plans for academic and nonacademic personnel. The cost of the retirement plans is paid currently and amounted to approximately \$470,000 for the year.

Unemployment Compensation - The College has elected to pay unemployment compensation claims as they arise. A reserve of \$15,000 has been established for this purpose.

Note 2. Arthur H. Anderson Charitable Trust

The College is the 40% beneficiary of the Arthur H. Anderson charitable trust which had a total market value of approximately \$2,171,000 at May 31, 1986. The assets of the trust, consisting primarily of marketable securities, are held by Norwest Bank Minneapolis, N.A. At the time the trust was established the College recorded its share of the estimated value, amounting to \$540,000, as an endowment fund asset in accordance with its right to the income. During the current year the College received approximately \$39,500 which has been included in endowment income.

GUSTAVUS ADOLPHUS COLLEGE

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1986

Note 3. Notes and Mortgage Payable

At May 31, 1986 the plant funds were indebted on notes and a mortgage as follows:

<u>Lender</u>	<u>Security</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Individuals	None	Demand	5 - 11%	\$40,000
Twin City Federal Savings and Loan	Real Estate	\$434 Monthly Including Interest	7 1/4	<u>40,709</u>
				<u>\$80,709</u>

Note 4. Long-Term Lease Payable - Administration
Building and Social Science Building

The College entered into a lease agreement with the Minnesota Higher Education Facilities Authority dated January 1, 1973 whereby the Authority acquired the Administration Building, which was under construction, and the Bernadotte Library, which was converted to the Social Science Building. Under a trust indenture dated March 1, 1973 the Authority sold its First Mortgage Revenue Bonds Series E (Gustavus Adolphus College) totaling \$1,030,000 in order to finance these projects. The bonds mature in annual installments of \$60,000 to \$100,000 with the last payment due on March 1, 1993 and bear interest at rates varying from 5% to 5 1/2% per annum. A balance of \$535,000 was due on the bonds at May 31, 1986.

The College must pay as base rent for the use of these facilities a sum equal to (1) the amount payable as principal and interest on the bonds; (2) payments to restore the bond and interest sinking fund to an amount equal to the next semiannual principal and interest payment reduced by the balance in the debt service reserve fund; (3) such amount as may be necessary to maintain the debt service reserve in the amount of \$77,232; and (4) such amount as may be necessary to maintain the repair and replacement reserve in the amount of \$25,000. Base rent payments were deposited as instructed by the trustee.

The lease is a net lease with additional rent payable at the rate of \$1,288 per year, plus trustee's fees, taxes, assessments and insurance. The College has the option to purchase the leased premises for \$10 at any time during the lease period upon repayment of all outstanding bonds. Since the lease has all the elements of a financing arrangement, the obligation is treated as debt and the buildings are carried at cost for financial statement purposes.

GUSTAVUS ADOLPHUS COLLEGE

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1986

Note 5. Bonds Payable - U.S. Government

Auxiliary Facilities Construction and Refunding Bonds, Series A, B, C, D, E and F - Under an indenture dated August 1, 1966 the College issued its Auxiliary Facilities Construction and Refunding Bonds Series A, B, C, D, E and F in the aggregate amount of \$4,824,000 in exchange for previously issued Auxiliary Facilities Bonds, Series A through E, in the amount of \$3,224,000 and sold an additional \$1,600,000 of Series F Bonds to the U.S. Government to finance construction of Norelius Hall. The bonds mature in amounts from \$144,000 to \$170,000 annually until the year 2006. Interest is payable semiannually on February 1, and August 1 on Series A at 2 3/4% per annum, Series B, D, and F, at 3% per annum, and Series C and E at 3 1/2% per annum. At May 31, 1986 the indebtedness had been reduced to \$2,843,000.

The bonds are secured by the general obligation of the College and additionally are secured by (1) a first mortgage on Sorensen Hall, Norelius Hall, North Hall, Sohre Hall, Uhler Hall, Valley View Hall, Wahlstrom Hall and the Food Service Building, and the respective sites thereof; and (2) a first lien on and pledge of the net revenues derived from operations of the mortgaged facilities.

The College must make deposits each January 15 and July 15 into a bond and interest sinking fund to maintain a balance sufficient to pay interest on the next interest payment date and one half of the principal due on the bonds within the next succeeding twelve months plus maintain a debt service reserve fund of \$375,000 and a repair and replacement fund of \$400,000. The College made deposits into the bond and interest sinking fund and the repair and replacement reserve fund as instructed by the trustee.

Fine Arts Building Bonds of 1969 - Fine Arts Building Bonds of 1969 in the amount of \$1,180,000 were sold to the U.S. Government under a trust indenture dated July 1, 1969 to finance the Fine Arts Building. The bonds mature in amounts from \$28,000 to \$53,000 annually on November 1 until the year 2009. Interest is payable semiannually on May 1 and November 1 at the rate of 3% per annum. At May 31, 1986 the indebtedness had been reduced to \$930,000.

The bonds are secured by the general obligation of the College and additionally are secured by a first mortgage on the building. The College must make semiannual deposits into a bond and interest sinking fund account before the fifteenth day preceding the due date of principal and interest payments in an amount sufficient to pay the principal and interest due on the next due date. In addition, the College must maintain a debt service reserve fund of \$56,000. The College made deposits into the bond and interest sinking fund and the debt service reserve fund as instructed by the trustee.

GUSTAVUS ADOLPHUS COLLEGE

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1986

Note 5. Bonds Payable - U.S. Government (Continued)

Library and Building Bonds of 1971 - Library Building Bonds of 1971 in the amount of \$1,001,000 were sold to the U.S. Government under a trust indenture dated September 1, 1971 to finance the new library. The bonds mature in amounts from \$22,000 to \$45,000 annually on November 1 until the year 2011. Interest is payable semiannually on May 1 and November 1 at the rate of 3% per annum. At May 31, 1986 the indebtedness had been reduced to \$834,000.

The bonds are secured by the general obligation of the College and additionally are secured by a first mortgage on the building. The College must make semiannual deposits into a bond and interest sinking fund account before the fifteenth day preceding the due date of principal and interest payments in an amount sufficient to pay the principal and interest due on the next due date. In addition, the College must maintain a debt service reserve fund of \$48,000. The College made deposits into the bond and interest sinking fund and the debt service reserve fund as instructed by the trustee.

Note 6. Note Payable - Lund Center for Physical Education and Health

On September 1, 1983 the College entered into a loan agreement with the Minnesota Higher Education Facilities Authority. The Authority sold its Pooled Revenue Bonds, Series 1983-A to the public and the College signed a promissory note dated October 1, 1983 for \$3,223,178 of the proceeds. The note matures in amounts from \$446,356 to \$643,325 annually beginning September 1, 1986 until the year 1991. Interest is paid monthly at rates varying from 6 3/4% to 8 1/2% per annum.

The note is secured by the general obligation of the College and additionally secured by certain short-term investments and bonds of the endowment funds. The collateral pledged must be equal to or greater than fifty percent of the original principal amount or, at least, the unpaid principal amount of the note.

Annual maturities of all long-term debt described in Notes 3 through 6 for each of the five years subsequent to May 31, 1986 are \$742,685, \$741,572, \$785,544, \$825,671, and \$882,909, respectively.

Note 7. Funds Held in Trust

The College is the beneficiary of various trusts not included in the accompanying financial statements which held securities and real estate with a total market value of approximately \$970,000 at May 31, 1986. Trust income is paid to the donors until death at which time the assets of the trusts will be distributed to the College. The College is also the income beneficiary of a perpetual trust from which it received \$2,724 during the current year.

GUSTAVUS ADOLPHUS COLLEGE

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1986

Note 8. Greater Gustavus Fund

The Greater Gustavus Fund is a corporation which exists for the benefit of the College. Its assets, liabilities and fund balance are not included in accompanying financial statements. At December 31, 1985, the most recent date for which audited financial statements are available, the Fund owned net assets with a cost of approximately \$1,563,000. Income from the fund is periodically remitted to the College. During the year ended May 31, 1986 the College received approximately \$117,000.

Note 9. Construction in Progress

Construction in progress of \$281,631 relates to costs incurred on the administrative computer. The estimated cost of the project upon completion is \$300,000.

Note 10. Pledges

The College had outstanding pledges of approximately \$756,000 at May 31, 1986. It was not practical to estimate the net realizable value of such pledges.

Note 11. Appropriated Unrestricted Current Fund Balance

The Board of Trustees designated \$59,584 as an appropriation of the unrestricted current fund balance to be used for scholarships in future years.

OFFICIAL BID FORM

TO: Dr. Joseph E. LaBelle, Executive Director
Minnesota Higher Education Facilities Authority
278 Metro Square Building
Saint Paul, Minnesota 55101

SALE DATE: July 22, 1987

RE: \$2,550,000 Mortgage Revenue Bonds, Series Two-N (Gustavus Adolphus College)

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$_____ (Note: This amount may not be less than \$2,500,000) and accrued interest to the date of delivery.

_____ % 10-1-88	_____ % 4-1-92	_____ % 4-1-96	_____ % 4-1-2000
_____ % 4-1-89	_____ % 10-1-92	_____ % 10-1-96	_____ % 10-1-2000
_____ % 10-1-89	_____ % 4-1-93	_____ % 4-1-97	_____ % 4-1-2001
_____ % 4-1-90	_____ % 10-1-93	_____ % 10-1-97	_____ % 10-1-2001
_____ % 10-1-90	_____ % 4-1-94	_____ % 4-1-98	_____ % 4-1-2002
_____ % 4-1-91	_____ % 10-1-94	_____ % 10-1-98	_____ % 10-1-2002
_____ % 10-1-91	_____ % 4-1-95	_____ % 4-1-99	_____ % 4-1-2003
	_____ % 10-1-95	_____ % 10-1-99	_____ % 10-1-2003

In making this offer we accept all of the terms and conditions of the Official Terms of Offering published in the Official Statement dated July 6, 1987. In the event of failure to deliver these Bonds in accordance with the Official Terms of Offering as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$ _____

NET EFFECTIVE RATE: _____ %

Account Members

Account Manager

BY: _____

.....
The foregoing offer is hereby accepted by the Issuer on the date of the offer by its following officers duly authorized and empowered to make such acceptance.

Executive Director

Received good faith check for return to bidder.
SPRINGSTED Incorporated _____.

OFFICIAL BID FORM

TO: Dr. Joseph E. LaBelle, Executive Director
Minnesota Higher Education Facilities Authority
278 Metro Square Building
Saint Paul, Minnesota 55101

SALE DATE: July 22, 1987

RE: \$2,550,000 Mortgage Revenue Bonds, Series Two-N (Gustavus Adolphus College)

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$_____ (Note: This amount may not be less than \$2,500,000) and accrued interest to the date of delivery.

_____ % 4-1-92	_____ % 4-1-96	_____ % 4-1-2000
_____ % 10-1-88	_____ % 10-1-92	_____ % 10-1-2000
_____ % 4-1-89	_____ % 4-1-93	_____ % 4-1-2001
_____ % 10-1-89	_____ % 10-1-93	_____ % 10-1-2001
_____ % 4-1-90	_____ % 4-1-94	_____ % 4-1-2002
_____ % 10-1-90	_____ % 10-1-94	_____ % 10-1-2002
_____ % 4-1-91	_____ % 4-1-95	_____ % 4-1-2003
_____ % 10-1-91	_____ % 10-1-95	_____ % 10-1-2003

In making this offer we accept all of the terms and conditions of the Official Terms of Offering published in the Official Statement dated July 6, 1987. In the event of failure to deliver these Bonds in accordance with the Official Terms of Offering as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$ _____

NET EFFECTIVE RATE: _____ %

Account Members

Account Manager

BY: _____

.....
The foregoing offer is hereby accepted by the Issuer on the date of the offer by its following officers duly authorized and empowered to make such acceptance.

Executive Director

Received good faith check for return to bidder.
SPRINGSTED Incorporated _____.

Certificate

The Official Statement prepared for the issuance of the Authority's \$2,550,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-N (Gustavus Adolphus College), as of its date, July 6, 1987, and the date of this Certificate, did not and does not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Witness our hands this _____ day of _____, 1987.

FOR THE AUTHORITY

Joseph E. LaBelle, Executive Director

FOR THE COLLEGE

Ross Bloomquist, Vice President for
Business Affairs and Treasurer

