OFFICIAL STATEMENT DATED SEPTEMBER 13, 1989

NEW ISSUE

Rating: Requested from Standard & Poor's Corporation

In the opinion of Faegre & Benson, Minneapolis, Minnesota, 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. Interest on the Bonds is subject to Minnesota franchise taxes on banks and corporations measured by income and is includable in the calculation of certain federal and State of Minnesota taxes imposed on corporations. (See "TAX EXEMPTION" herein.)

$1,440,000*

Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Two-V
(Gustavus Adolphus College)

Dated Date: November 1, 1989

Interest Due: April 1 and October 1 commencing April 1, 1990

The Bonds will mature annually on October 1 as follows:

1991	$ 10,000	1996	$ 90,000	2001	$120,000
1992	$ 30,000	1997	$ 95,000	2002	$130,000
1993	$ 70,000	1998	$ 100,000	2003	$150,000
1994	$ 80,000	1999	$ 105,000	2004	$260,000
1995	$ 85,000	2000	$ 115,000		

* *The Minnesota Higher Education Facilities Authority (the "Authority") reserves the right, after bids are opened and prior to award, to increase or reduce the principal amount of the Bonds offered for sale. Any such increase or reduction will be in a total amount not to exceed $50,000 and will be made in multiples of $5,000 in any of the maturities. In the event the principal amount of the Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.*

At the option of the Authority all Bonds maturing on or after October 1, 1999 may be redeemed prior to maturity, in whole or in part, on any interest payment date commencing October 1, 1998. The Bonds will also be subject to optional redemption on any interest payment date in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture and in whole but not in part in the event of a Determination of Taxability, as described herein.

Bids must be for not less than $1,418,000 (subject to adjustment as described in the Official Terms of Offering), 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 $14,400, payable to the order of the Minnesota Higher Education Facilities Authority (the "Authority"). Bidders shall specify rates in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order.

The Bonds will be issued in integral multiples of $5,000, as requested by the Purchaser, and will be fully registered as to principal and interest. Norwest Bank Minnesota, N.A., Minneapolis, Minnesota, will act as Trustee, Registrar and Paying Agent. The Bonds will be delivered without cost to the Purchaser within 40 days following the date of their award.

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the College pursuant to a Loan Agreement between the Authority and Gustavus Adolphus College (the "College"), or out of other amounts pledged pursuant to the Indenture, as described herein. The Loan Repayments will be a general obligation of the College.

The Bonds will not be qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986.

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: September 27, 1989 (Wednesday) at 11:00 A.M., Central Time

AWARD: September 27, 1989 (Wednesday) at 2:00 P.M., Central Time

SPRINGSTED
PUBLIC FINANCE ADVISORS

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

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 and is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the College since the date hereof.

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

An application for registration of the Bonds under the Minnesota Securities Act, Minnesota Statutes, Chapter 80A, has been filed and the sale of the Bonds is contingent upon registration of the Bonds by the Minnesota Department of Securities.

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 the Bonds at public sale by the Authority. Only the Arabic numbered pages and the appendices of this Official Statement may be used or reproduced, in whole or in part, for distribution to investors. However, no assurance is given and no representation is made that no additional information will be required if the Bonds are reoffered by the purchasers of the Bonds from the Authority to investors or that this Official Statement states all facts material to an investor who purchases Bonds.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Catherine M. Warrick, Chair	Faculty Member, Metropolitan State University, Saint Paul, Minnesota.
Carol A. Blomberg, Vice Chair	Vice President, Merchants & Miners State Bank, Hibbing, Minnesota.
Kathryn D. Jarvinen, Secretary	Hospital Administrator, Winona, Minnesota.
Jack Amundson	Partner, McMahon, Hartman, Amundson & Co., Saint Cloud, Minnesota.
Earl R. Herring	Retired, formerly Vice President for Administrative Affairs, Moorhead State University, Moorhead, Minnesota.
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota.
John A. McHugh	Attorney and Banker, Minneapolis, Minnesota.
David Powers (Ex Officio)	Executive Director, Minnesota Higher Education Coordinating Board, Saint Paul, Minnesota.
Steve Senich	Director of Physical Therapy, Leisure Hills Health Care Center, Hibbing, Minnesota.
John Young, Jr.	Salesman/Construction Foreman, Olson Pool Company, Hawley, Minnesota.

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

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OFFICIAL TERMS OF OFFERING

$1,440,000*

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY MORTGAGE REVENUE BONDS, SERIES TWO-V

(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, September 27, 1989, at 11:00 A.M., Central Time, at Suite 450, Galtier Plaza, 175 East Fifth Street, Saint Paul, Minnesota 55101, telephone (612) 296-4690. Consideration for award of the Bonds will be by the Board of the Authority at 2:00 P.M., Central Time, of the same day.

DETAILS OF THE BONDS

The Bonds will be dated November 1, 1989, as the date of original issue, and will bear interest payable on April 1 and October 1 of each year, commencing April 1, 1990. 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 Trustee and interest on each Bond will be payable by check or draft of the Trustee mailed to the registered holder thereof at his address as it appears on the books of the Trustee as of the 15th day of the calendar month next preceding the interest payment.

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

1991	$10,000	1996	$ 90,000	2001	$120,000
1992	$30,000	1997	$ 95,000	2002	$130,000
1993	$70,000	1998	$100,000	2003	$150,000
1994	$80,000	1999	$105,000	2004	$260,000
1995	$85,000	2000	$115,000		

* *The Authority reserves the right, after bids are opened and prior to award, to increase or reduce the principal amount of the Bonds offered for sale. Any such increase or reduction will be in a total amount not to exceed $50,000 and will be made in multiples of $5,000 in any of the maturities. In the event the principal amount of the Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.*

The Bonds will bear additional interest at a rate of 2.00% per annum in the event of a Determination of Taxability as described in the Loan Agreement and the Trust Indenture.

OPTIONAL REDEMPTION

The Authority may elect on October 1, 1998, and on any interest payment date thereafter, to prepay Bonds due on or after October 1, 1999. 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 Trustee.

The Bonds are also subject to redemption on any interest payment date in whole or in part under certain events of damage or destruction described in a Loan Agreement between the College and the Authority and a Trust Indenture between the Authority and the Trustee, and in whole but not in part in the event of a Determination of Taxability as defined therein. All prepayments shall be at a price of par and accrued interest.

SECURITY AND PURPOSE

The Bonds will be issued as Additional Bonds pursuant to a Trust Indenture between the Authority and the Trustee originally executed in connection with the issuance of the Authority's Mortgage Revenue Bonds, Series Two-N on behalf of the College in 1987, as supplemented by a First Supplemental Trust Indenture. 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, as supplemented by a First Supplemental Loan Agreement or from other amounts pledged therefor pursuant to the Trust Indenture. The Bonds are additionally secured on a parity with the Series Two-N Bonds by a full faith and credit pledge of the College, a mortgage on and security interest in certain property of the College, a security interest in certain Unrestricted Current Fund Revenues of the College, and a debt service reserve in an amount of $250,000 plus 10% of the proceeds of the Bonds (par less original issue discount according to the reoffering scale). **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 refunding the remaining balance of the College's loan from the Authority's Pooled Revenue Bonds, Series 1983-A.

TYPE OF BID

A sealed bid for not less than $1,418,000 (subject to adjustment by increase or decrease of the principal amount of the Bonds and pro-rata adjustment of discount or premium as described above) 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 $14,400, 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. Rates offered by Bidders shall be in integral multiples of 5/100 or 1/8 of 1%. No basic rate of interest specified for a maturity shall exceed the basic rate of interest 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

Subject to the Authority's reservation of rights described below, 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 reserves 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, or, (iii) reject any bid which the Authority determines to have failed to comply with the terms herein.

TRUSTEE/REGISTRAR/PAYING AGENT

The Trustee, which shall also act as Registrar and Paying Agent, shall be Norwest Bank Minnesota, N.A., Minneapolis, Minnesota.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP number 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 November 7, 1989, 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 and a certificate pertaining to information in the Official Statement. Certain legal matters will be passed on for the College by its counsel. 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 and the College 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 statement therein, in light of the circumstances under which they were made, not misleading.

OFFICIAL STATEMENT

Prospective Bidders may obtain a copy of the Official Statement by request to the Authority's financial advisor. The Purchaser will be provided with 100 copies of the Official Statement.

Dated August 23, 1989

BY ORDER OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

/s/ Joseph E. LaBelle, Executive Director

SCHEDULE OF BOND YEARS

$1,440,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
MORTGAGE REVENUE BONDS, SERIES TWO-V

Year	Principal	Bond Years	Cumulative Bond Years	
1991	$10,000	19.1667	19.1667	______
1992	$30,000	87.5000	106.6667	______
1993	$70,000	274.1667	380.8334	______
1994	$80,000	393.3333	774.1667	______
1995	$85,000	502.9167	1,277.0834	______
1996	$90,000	622.5000	1,899.5834	______
1997	$95,000	752.0833	2,651.6667	______
1998	$100,000	891.6667	3,543.3334	______
1999	$105,000 c	1,041.2500	4,584.5834	______
2000	$115,000 c	1,255.4167	5,840.0001	______
2001	$120,000 c	1,430.0000	7,270.0001	______
2002	$130,000 c	1,679.1667	8,949.1668	______
2003	$150,000 c	2,087.5000	11,036.6668	______
2004	$260,000 c	3,878.3333	14,915.0001	______

Average Maturity: 10.36 Years

Bonds Dated: November 1, 1989

Interest Due: April 1, 1990 and each October 1 and April 1 to maturity.

Principal Due: October 1, 1991-2004 inclusive.

Optional Call: Bonds maturing on or after October 1, 1999 are callable commencing October 1, 1998 and any date thereafter at par. (See Official Terms of Offering.)

c: subject to optional call

OFFICIAL STATEMENT

$1,440,000*

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY MORTGAGE REVENUE BONDS, SERIES TWO-V

(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 $1,440,000* Mortgage Revenue Bonds, Series Two-V (Gustavus Adolphus College). In this Official Statement, "Bonds" refers to the Series Two-V Bonds except that in Appendix IV, Summary Of Documents, "Bonds" means the Series Two-N Bonds, the Series Two-V Bonds and any Additional Bonds.

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 being issued as Additional Bonds under the Trust Indenture (the "Original Indenture") between the Authority and Norwest Bank Minneapolis, N.A., now called Norwest Bank Minnesota, N.A., Minneapolis, Minnesota, as trustee (the "Trustee"), dated August 1, 1987, entered into in connection with the issuance of the Authority's $2,550,000 Mortgage Revenue Bonds, Series Two-N (Gustavus Adolphus College) (the "Series Two-N Bonds") and the First Supplemental Indenture (the "First Supplemental Indenture") between the Authority and the Trustee in connection with this Issue. The Original Indenture and the First Supplemental Indenture together are referred to as the "Indenture."

In connection with the Series Two-N Bonds, the Authority and the College entered into a Loan Agreement (the "Original Loan Agreement") and the Authority and the College will enter into a First Supplemental Loan Agreement (the "First Supplemental Loan Agreement") to provide for the issuance of the Bonds. The Original Loan Agreement and the First Supplemental Loan Agreement together are referred to as the "Loan Agreement." Pursuant to the 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 Bonds will be loaned to the College by the Authority to refinance the remaining principal balance of the College's note to the Authority (the "Series 1983-A Note"), executed in connection with the loan to the College of part of the proceeds of the Authority's Pooled Revenue Bonds, Series 1983-A (the "Series 1983-A Bonds").

* *The Authority reserves the right, after bids are opened and prior to award, to increase or reduce the principal amount of the Bonds offered for sale. Any such increase or reduction will be in a total amount not to exceed $50,000 and will be made in multiples of $5,000 in any of the maturities. In the event the principal amount of the Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.*

The Bonds will be secured on a parity with the Series Two-N Bonds by a pledge by the College of its full faith and credit by the Reserve Account, by a mortgage on and security interest in certain College dormitory buildings and equipment, and by a security interest in certain Unrestricted Current Fund revenues of the College. After the Bond Closing, the Reserve Account will consist of investments of $250,000 of proceeds of the Series Two-N Bonds plus a sum of 10% of the proceeds of the Bonds (par value less original issue discount according to the reoffering scale) initially expected to be $144,000.

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 November 1, 1989 and will mature annually each October 1, commencing October 1, 1991, 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, 1990.

The Bonds will be registered at the office of Norwest Bank Minnesota, 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 Owner thereof or the Owner's authorized attorney satisfactory to the Trustee, subject to such reasonable regulations as the Trustee may prescribe, and shall be without expense to the Owner, 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 any authorized 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 less 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

Series Two-V Bonds maturing on or after October 1, 1999 are subject to optional redemption, in whole or in part and if in part, in inverse order of maturity of Bonds of the Series and by lot within a maturity, in integral multiples of $5,000, on any interest payment date, commencing October 1, 1998, at par plus accrued interest.

The Bonds will also be subject to optional redemption at par and accrued interest, as a whole or in part, on any interest payment date, in certain cases of damage to or destruction or condemnation of the Project Facilities (see "DEFINITION OF TERMS"), and as a whole but not in part, upon a Determination of Taxability as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS - The Loan Agreement").

Partial Redemption

In the case of Bonds of denominations greater than $5,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each $5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. If it is determined that one or more, but not all of the $5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such $5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the $5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the registered Owner thereof, without charge therefor. If the Owner of any such Bond of a denomination greater than $5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the $5,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said $5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

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

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Series Two-V Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Series Two-V Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic rate from the date of taxability effective until the respective dates on which the principal of the Bonds is paid. See "Tax Exemption" on page 13 and Appendix III, "DEFINITION OF CERTAIN TERMS."

The College will have the option to redeem the Series Two-V Bonds in full but not in part on any interest payment date after a Determination of Taxability at a price of par and accrued interest (including additional interest from the date of taxability).

ESTIMATED USE OF FUNDS

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

Refunding of Series 1983-A Note	$1,270,000
Debt Service Reserve	144,000
Issuance Costs	26,000
	$1,440,000

In the event issuance costs including underwriters' discount exceed 2% of the proceeds of the Bonds, defined as par less original issue discount according to the reoffering scale, such excess shall be paid by the College from other than Bond proceeds.

Accrued interest received at Bond Closing will be deposited into the Bond and Interest Sinking Fund Account and applied as a credit against the amount to be deposited in the Bond and Interest Sinking Fund Account on or before the next interest payment date.

PURPOSE OF THE BONDS

Net proceeds of the Bonds will be used to refund, in advance of maturity, the outstanding principal amount of $1,238,124, having a final maturity on October 1, 1991, of the Series 1983-A Note, executed in connection with the loan to the College of part of the proceeds of the Authority's Pooled Revenue Bonds, Series 1983-A. The proceeds of the Bonds, exclusive of issuance costs and amounts needed for deposit in the Reserve Account, will be placed in the Loan Prepayment Account established under the Trust Indenture for the Series 1983-A Bonds and held by First Trust National Association, Saint Paul, Minnesota, as Trustee for the Series 1983-A Bonds (the "Series 1983-A Trustee"). Funds in the Loan Prepayment Account will be invested in special obligations of the United States Treasury which shall mature in such amounts and at such times as to be available to pay the semi-annual interest due April 1 and October 1 and the annual principal due October 1 to the final maturity of the Series 1983-A Note.

Actuarial services necessary to insure the adequacy of the funds held in the Loan Prepayment Account to provide timely payment of the debt service for which the Loan Prepayment Account is obligated will be performed by an independent certified public accounting firm.

The proceeds of the Series 1983-A Note were used by the College to finance the construction of the Lund Center for Physical Education and Health, which was constructed in 1984.

Upon the defeasance of the Series 1983-A Note, the Series 1983-A Trustee will deliver to the College all moneys and investments in the Collateral Account, established to secure the payment of the Series 1983-A Note.

SUMMARY OF SECURITY FOR THE BONDS

The Bonds are being issued on a parity with the Authority's Series Two-N Bonds as Additional Bonds under the Indenture. The Bonds are 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 College has agreed, 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 Reserve Account was initially established at $250,000 for the Series Two-N Bonds. Pursuant to the Indenture, the Reserve Account will be increased by an amount equal to 10% of the net proceeds of the Series Two-V Bonds (par value less original issue discount according to the reoffering scale) (the "Reserve Requirement"). The addition to the Reserve Account for the Series Two-V Bonds will be funded from Bond proceeds, initially expected to be approximately $144,000.

Pursuant to a Combination Mortgage, Security Agreement and Fixture Financing Statement, dated August 1, 1987, (the "Original Mortgage"), the College has mortgaged and granted a security interest in certain dormitory facilities to the Authority to secure its obligations to make timely Loan Repayments on the Series Two-N Bonds, which the Authority has assigned to the Trustee (see "SUMMARY OF DOCUMENTS - The Mortgage"). The College will execute the First Supplemental Combination Mortgage, Security Agreement and Fixture Financing Statement, dated September 1, 1989 (the "Supplemental Mortgage" and, together with the Original Mortgage, the "Mortgage"), to mortgage additional dormitory facilities so that the combined mortgaged dormitory facilities shall have an insured value as of the close of each Fiscal Year during the terms of the Bonds and the Series Two-N Bonds of not less than 150% of the outstanding aggregate principal balance of the Bonds and the Series Two-N 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 Authority will assign its interest in the Supplemental Mortgage to the Trustee to be held by the Trustee as part of the Trust Estate.

The College has assigned 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 the Series Two-N 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.

Under the Original Loan Agreement (amended by the First Supplemental Loan Agreement where indicated) the College has covenanted 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, as of May 31, 1989 (as amended in the First Supplemental Loan Agreement). 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 90 days (as amended in the First Supplemental Loan Agreement) 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.

Such covenants are for the benefit of the holders of the Series Two-V Bonds, as well as the holders of the Series Two-N Bonds. At Bond Closing, the College will represent to the Authority that it is in compliance with (a), (b) and (c), above.

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

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

ACCOUNTS

Summary

The Indenture will provide for the continuation or creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Costs of Issuance Fund 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 Loan Repayment Account, held by the Series 1983-A Trustee, except that funds for the payment of issuance costs will be deposited into the Costs of Issuance Fund Account, the amount of the addition to the Reserve Requirement (approximately $144,000) will be deposited into the Series Two-V subaccount of the Reserve Account and accrued interest will be deposited in the Series Two-V subaccount of 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 and the Series Two-N Bonds.

Costs of Issuance Fund Account

The Supplemental Indenture establishes a Costs of Issuance Fund Account. There shall be deposited initially into the Costs of Issuance Fund Account any Series Two-V Bond proceeds available for the payment of issuance costs. In addition, the College will agree in the Supplemental Loan Agreement to pay out of available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds. Any balance in the Costs of Issuance Fund Account shall be deposited into the Series Two-V subaccount of the Bond and Interest Sinking Fund Account.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Series Two-V subaccount of 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 and the Series Two-N 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 Series Two-V subaccount of the Reserve Account from Bond proceeds an amount equal to 10% of the proceeds of the Bonds (par less original issue discount according to the reoffering scale), initially estimated to be $144,000, as additional Reserve Requirement for the Bonds. Cash and investments in the Reserve Account are irrevocably pledged to the payment of principal of and interest on the Bonds and the Series Two-N 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. In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the College shall 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 and Series Two-N 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 and Series Two-N Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Redemption Account

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 and Series Two-N Bonds. No specific amounts are required. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement. In accordance with provisions in the First Supplemental Indenture, any excess funds in the Bond and Interest Sinking Fund Account or the Reserve Account shall be transferred by the Trustee to the Redemption Account.

Revenue Account

The College agrees to establish and maintain, so long as any of the Bonds or Series Two-N 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, the Series Two-N 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, the Series Two-N 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 Costs of Issuance Fund 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 and Series Two-N 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 Arbitrage Regulations thereunder.

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 $250 million. The Authority has had 51 issues (including refunded and retired issues) totaling $177,945,000 of which $114,620,000 (excluding the Bonds) is outstanding as of September 2, 1989. Additionally, one issue in the amount of $1,680,000 is in the process of issuance by the Authority. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. However, pursuant to special legislation, the Authority has once issued bonds on behalf of a State owned and operated post-secondary institution. 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.

RATING

An application for a rating of the Bonds 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.

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 the unqualified approving opinion as to validity and tax exemption 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 the College or any 501(c)(3) organization under common management or control with the 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 the 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 with respect to the Series Two-V Bonds, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Series Two-V Bonds are subject to optional redemption without premium, and the Series Two-V Bonds shall bear additional interest at a rate of two percent (2%) per annum from the date of taxability until the respective dates on which the principal of the Bonds is paid. (See "THE LOAN AGREEMENT- Determination of Taxability" in Appendix IV). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability, and a Determination of Taxability with respect to the Series Two-N Bonds does not constitute a Determination of Taxability with respect to the Series Two-V Bonds. If a Determination of Taxability shall occur with respect to the Series Two-N Bonds, the College is obligated to redeem the Series Two-N Bonds in full at the earliest practical date.

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

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

The Code imposes a 30% branch profits tax on the taxable income of a United States branch of certain foreign corporations attributable to its taxable income effectively connected (or treated as effectively connected) with a United States trade or business and a tax equal to 30% of the "dividend equivalent amount" which is measured by "earnings and profits" effectively connected to the United States, net of certain adjustments. Included in the earnings and profits of a United States branch of a foreign corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Bonds. Existing United States income tax treaties may modify, reduce or eliminate the branch profits tax except in cases of "treaty shopping."

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

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

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

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

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.

CERTIFICATION

Officials of the Minnesota Higher Education Facilities Authority and Gustavus Adolphus College, for and on behalf of their respective entities only will, at Bond closing, furnish certificates to the effect that this Official Statement, as of its date, September 13, 1989, and the date of such 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.

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 affiliated with the Evangelical 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 36 members.

<u>Board of Trustees</u>

Paul D. Hanson	Lamont Professor of Divinity, Harvard University, Cambridge, Massachusetts
Maynard Hasselquist	Attorney, Dorsey & Whitney, Minneapolis, Minnesota
Philip C. Helland	Chancellor Emeritus, Minnesota Community College System, Burnsville, Minnesota
John Himle	President, Himle Horner, Inc., State Representative, District 41A, MN, Bloomington, Minnesota
Dwight Holcombe	President & CEO, Marigold Foods, Inc., Minneapolis, Minnesota
David L. Johnson	Minister, St. John Lutheran Church, Fargo, North Dakota
John S. Kendall	President, Gustavus Adolphus College, St. Peter, Minnesota
Theodore M. Kunze	Minister, Augustana Lutheran Church, St. James, Minnesota
Gerald Larson	Medical Doctor, Cambridge Clinic, Cambridge, Minnesota
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Gretchen Taylor	Homemaker, Mankato, Minnesota
C. Richard Youngdahl	Retired Chairman, Aubrey G. Lanston Company, New York, New York
Paul M. Youngdahl	Minister, Mount Olivet Lutheran Church, Minneapolis, Minnesota

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 24 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 26 main campus buildings, including eleven residence halls. The total insured value of the College buildings is $77,725,083.

The residence halls house 1,980 students or approximately 84% 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 a twelve unit apartment building constructed in 1988.

The College was recently awarded a $5.1 million grant -- the largest in the school's history -- from the F.W. Olin Foundation for a new science facility and equipment. Olin Hall will house the physics, math and computer sciences departments, as well as the academic computing department. In addition to classrooms and offices, the building will have seven physics department laboratories, including an astronomical observatory and special facilities for advanced optics and electronics. The math and computer sciences departments will receive an artificial-intelligence laboratory and a high-tech classroom for calculus courses. The building is to provide about 50,000 square feet of work space. Construction is to begin in the spring, with occupancy slated for the beginning of the 1991-92 school year.

Student Body

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

Fiscal Year	Head Count (Actual)	FTE (Actual)	Fiscal Year	Head Count (Projected)	FTE (Projected)
1984-85	2,214	2,167	1989-90	2,390	2,360
1985-86	2,174	2,156	1990-91	2,380	2,350
1986-87	2,172	2,152	1991-92	2,340	2,310
1987-88	2,337	2,287	1992-93	2,340	2,310
1988-89	2,451	2,389	1993-94	2,350	2,320

Concerning the 1988-89 freshman class of 590, 450 or 76% were from Minnesota. A total of 25 states were represented. The next highest after Minnesota were Wisconsin (42), Iowa (16) and Illinois (16).

Freshman Applications, Acceptances and Enrollment

	1985-86	1986-87	1987-88	1988-89	1989-90 (Est.)
Applications	1,260	1,210	1,357	1,556	1,443
Acceptances	1,123	1,081	1,097	1,124	1,194
Percent Accepted	89%	89%	81%	72%	83%
Enrollments	625	636	648	634	588
Percent Enrolled to Accepted	56%	59%	59%	56%	49%

Student Retention

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

Spring 1989 to Fall 1989: 93.3% (estimated)
Spring 1988 to Fall 1988: 94.3%
Spring 1987 to Fall 1987: 92.9%
Spring 1986 to Fall 1986: 97.2%
Spring 1985 to Fall 1985: 88.2%

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 1989-90 academic year and the five previous years are:

Year	Comprehensive Fee
1989-90	$12,800
1988-89	$11,750
1987-88	$10,800
1986-87	$10,150
1985-86	$ 9,450
1984-85	$ 8,750

The College offers an optional plan for incoming freshman called the Guaranteed Cost Plan, which ensures the student that the annual comprehensive fee will increase by no more than 2.5% per year. To participate in the plan, a student pays a nonrefundable fee. That fee for the 1989-90 freshman class is $500.

Financial Assistance

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

	1984-85	1985-86	1986-87	1987-88	1988-89
GRANTS/ SCHOLARSHIPS:					
Federal	$ 579,436	$ 713,967	$ 593,938	$ 702,233	$ 827,704
State	1,066,072	1,326,761	1,606,567	1,884,128	1,824,880
College	1,934,646	2,287,177	2,710,118	3,045,646	3,373,863
Private	232,562	254,047	249,629	376,080	502,091
Total	$3,812,716	$4,581,952	$5,160,252	$6,008,087	$6,528,538
LOANS:	$1,456,954	$1,533,845	$1,938,776	$2,497,445	$2,232,606
WORK-STUDY:	$ 632,872	$ 696,886	$ 698,000	$ 836,750	$ 887,074
GRAND TOTAL	$5,902,542	$6,812,683	$7,797,028	$9,342,282	$9,748,218
NUMBER RECEIVING ASSISTANCE	1,243	1,248	1,310	1,412	1,435

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

Faculty and Staff

The College employs 140 full-time and 42 part-time faculty for a total of 182 faculty members. Full-time faculty by rank, average salary and tenure are:

Rank	Number	Average Salary	Percent Tenured
Professor	44	$41,937	98%
Associate Professor	49	34,758	98
Assistant Professor	38	28,868	11
Instructor	11	25,513	0

Other than faculty, the College employs, full- and part-time, 400 staff members. Four persons are represented by the International Union of Operating Engineering; their contract expires in May 1990. 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 $569,000 for the 1988-89 fiscal year.

Capital Campaign

Gustavus Adolphus College announced a 125th Anniversary Fund appeal on May 28, 1988. The appeal seeks $20 million for endowment, $12 million for capital improvements and equipment, and $8 million for current operations and special programs. Scheduled for completion in May, 1992, the appeal has recorded slightly more than $30 million in gifts and commitments. Because of its success, goals for the appeal are expected to be increased to $55 or $60 million. The expanded appeal will be conducted within the time frame of the 125th Anniversary Fund appeal.

Endowment Funds

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

Year Ended May 31	Endowment Fund	Unrestricted Funds Functioning As Endowment	Deferred Gift Funds
1989	$14,936,433	$2,651,617	$2,599,232
1988	13,718,142	2,512,504	1,521,782
1987	12,331,177	2,275,585	1,496,124
1986	10,339,595	1,826,642	1,214,819
1985	9,092,954	1,785,798	988,616

The College is the beneficiary of various trusts which are held by independent trustees. These trusts had a total market value of approximately $217,000 at May 31, 1989. 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:

Fiscal Year	Current Unrestricted Fund	Current Restricted Fund	Endowment Funds	Deferred Gift Funds	Plant Funds
1989	$1,199,386	$2,030,696	$ 668,278	$1,064,373	$1,188,833
1988	1,153,855	1,836,486	786,662	63,724	1,024,736
1987	1,493,694	1,723,688	1,576,142	428,003	1,053,788
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

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 year ended May 31, 1989 with comparative figures for 1988, and the report thereon by Adrian Helgeson and Company, Certified Public Accountants, Minneapolis, Minnesota. Adrian Helgeson and Company has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

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 unrestricted current fund budget for fiscal year 1989-90. 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

	1989	1988	1987	1986	1985
Revenues:					
Tuition and Fees	$19,918,168	$17,736,459	$15,598,741	$14,175,576	$12,735,167
Government Grants	78,761	63,664	63,653	59,444	59,232
Private Gifts and Grants	1,120,625	1,090,191	1,430,041	982,861	1,366,448
Endowment Income	267,703	224,391	188,723	205,580	117,305
Sales and Services of Ed. Activities	25,825	17,092	710	33,119	34,862
Other Sources	529,868	479,979	458,540	484,765	607,993
Matured Deferred Gift Funds	-	95,579	116,652	-	-
Total Revenue Before Auxiliary Enterprises	$21,940,950	$19,707,355	$17,857,060	$15,941,345	$14,921,007
Sales and Services of Auxiliary Enterprises	7,025,203	6,423,003	5,901,389	5,422,747	5,193,660
Total Revenues	$28,966,153	$26,130,358	$23,758,449	$21,364,092	$20,114,667
Expenditures and Mandatory Transfers:					
Education and General:					
Instruction	$ 9,529,471	$ 7,882,856	$ 6,980,941	$ 6,579,909	$ 5,868,437
Research	19,690	18,733	18,249	19,638	24,049
Public Service	59,919	103,290	63,637	47,540	40,934
Academic Support	844,702	1,296,899	1,135,609	989,888	862,322
Student Services	2,177,699	1,762,091	1,675,766	1,552,885	1,432,802
Institutional Support	3,439,382	3,408,021	2,887,363	2,655,790	2,435,700
Operation and Maintenance	2,599,658	2,670,371	2,261,958	2,211,864	1,999,871
Scholarships and Grants	2,958,943	2,582,462	2,241,319	1,859,561	1,491,040
Educational and General Expenditures	$21,629,464	$19,724,723	$17,264,842	$15,917,075	$14,155,155
Mandatory Transfers for Principal and Interest	360,337	181,183	178,358	177,966	157,930
Loan Fund Matching Grant	14,949	-	-	-	-
Total Educational and General	$22,004,750	$19,905,906	$17,443,200	$16,095,041	$14,313,085
Auxiliary Enterprises:					
Expenditures	$ 6,048,173	$ 5,723,244	$ 5,024,900	$ 4,642,687	$ 4,485,492
Mandatory Transfers for Principal and Interest	-	-	158,999	57,225	-
Total Auxiliary Enterprises	$ 6,048,173	$ 5,723,244	$ 5,183,899	$ 4,699,912	$ 4,485,492
Total Expenditures and Mandatory Transfers	$28,052,923	$25,629,150	$22,627,099	$20,794,953	$18,798,577
Excess of Revenue Over Expenditures and Mandatory Transfers	$ 913,230	$ 501,208	$ 1,131,350	$ 569,139	$ 1,316,090
Other Transfers and Additions (Deductions):					
Unrestricted Current Fund to Retirement of Indebtedness Fund	$ (35,899)	$ -	$ -	$ -	$ -
Unrestricted Current Fund to Unexpended Plant Funds	(830,565)	(470,134)	(544,697)	(560,457)	(1,100,935)
Unrestricted Current Fund to Endowment Funds	(46,766)	(124,388)	(482,833)	-	(1,158,936)
Unrestricted Current Fund to Restricted Current Fund	-	-	(947)	(46,134)	-
Endowment Funds to Current Funds	-	9,576	124,898	97,036	25,000
Renewal and Replacement Fund to Unrestricted Current Fund	-	3,061	-	-	-
Fund Balance - End of Year:					
Appropriated	$ 206,678	$ 206,678	$ 287,355	$ 59,584	$ -
Unappropriated	-	-	-	-	-
Total	$ 206,678	$ 206,678	$ 287,355	$ 59,584	$ -

Source: College's annual Audit Reports.

GUSTAVUS ADOLPHUS COLLEGE

UNRESTRICTED CURRENT FUND

BUDGET FOR 1989-90

	1989-90 Budget
REVENUE	
Tuition and Fees	$21,485,361
Auxiliaries Income	7,275,450
Gifts and Grants	1,126,000
Endowment Income	325,665
Investment Income	320,000
Other Income	362,900
Total Revenue	$30,895,376
EXPENDITURES	
Mandatory	
Instruction	$ 956,748
Research	23,146
Public Service	55,642
Academic Support	578,892
Student Services	953,110
Institutional Support	2,112,470
Maintenance of Plant	2,911,656
Scholarships and Grants	3,885,793
Mandatory Debt Service	449,421
Auxiliary Enterprises	2,777,935
Salary and Benefits	15,037,990
Operating Reserves	200,000
Total Mandatory Expenditures	$29,942,803
Excess of Revenues Over Mandatory Expenditures	$ 952,573
Non-Mandatory	
Transfers to Plant Funds	$ 952,573
Excess of Revenues Over Expenditures	$ 0

Long-Term Debt of the College as of September 2, 1989

1. $1,030,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series E, dated March 1, 1973; interest rates range from 5.40% to 5.50%; final maturity due March 1, 1993; $340,000 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 Series 1983-A Note (College share of $18,520,000 total Minnesota Higher Education Facilities Authority Pooled Revenue Bonds, Series 1983-A), dated October 1, 1983 at various interest rates from 6.75% to 8.50%; final maturity in September 1, 1991; $1,238,124 is outstanding. The full faith and credit of the College is pledged and the note is additionally secured by pledged collateral equal to 50% of the loan balance. This debt is being refinanced by the Series Two-V Bonds.

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. $32,500 is outstanding.

4. Two unsecured demand notes evidencing loans by individuals at 5% to 5.5% interest. $2,500 is outstanding.

5. $2,550,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-N, dated August 1, 1987; interest ranges from 5.0% to 7.50%, final maturities due October 1, 2003; $2,460,000 is outstanding. The Series Two-N bonds are secured on a a parity with the Series Two-V Bonds by the full faith and credit of the College; a debt service reserve; a mortgage on and security interest in certain dormitory facilities; and a security interest in the College's Unrestricted Current Fund Revenues after the 4.6% of revenues pledged to secure the Series E Bonds.

6. **The Series Two-V Bonds**

   Total of long-term debt outstanding adjusted to include the Bonds but to exclude the Series 1983-A Note as of September 2, 1989 is $4,275,000.

Short-Term Debt

The College maintains a $5,000,000 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. The College currently has no draw against the bank line of credit.

Long-Term Debt Service and Coverage

The following table sets forth the principal and estimated debt service on the Bonds and the College's outstanding debt service by Fiscal Year. Debt service coverage calculations use $1,273,567, which for Fiscal Year 1989 was the sum of Unrestricted Current Fund revenues less expenditures and mandatory transfers, excluding mandatory transfers for debt service.

Fiscal Year	The Bonds Principal	The Bonds Principal & Interest(a)	Outstanding Debt Service(b)	Total Debt Service	Coverage of Total Debt Service
1990		$ 41,286	$ 329,483	$ 370,769	3.43 times
1991		99,086	360,934	460,020	2.77
1992	10,000	108,776	361,064	469,840	2.71
1993	30,000	127,521	370,203	497,724	2.56
1994	70,000	164,336	268,008	432,344	2.95
1995	80,000	169,496	270,473	439,969	2.89
1996	85,000	169,091	272,058	441,149	2.89
1997	90,000	168,271	267,888	436,159	2.92
1998	95,000	167,050	270,212	437,262	2.91
1999	100,000	165,444	266,333	431,777	2.95
2000	105,000	163,421	269,127	432,548	2.94
2001	115,000	165,802	265,672	431,474	2.95
2002	120,000	162,606	266,119	428,725	2.97
2003	130,000	163,823	265,446	429,269	2.97
2004	150,000	173,915	383,875	557,790	2.28
2005	260,000	269,295		269,295	4.73
Total	$1,440,000	$2,479,219	$4,486,895	$6,966,114	

(a) Assumes an average interest rate on the Bonds of 6.97%.

(b) Excludes the Series 1983-A Note.

Other Financial Transactions

During 1988 the College registered with the Securities and Exchange Commission the sale of units totaling $5,000,000 offered by the Gustavus Adolphus College Pooled Life Income Fund (the "Fund"). Units in the amount of $709,744 have been sold as of June 30, 1989.

On May 31, 1989 the Fund purchased a one-third interest in Uhler Hall, a College dormitory, for $500,000. The Fund and the College have entered into a lease agreement whereby the land under Uhler Hall is leased from the College over a term of 99 years. In addition, the College and the Fund entered into land and building leases, under which the Fund leases to the College the Fund's fractional ownership interest in Uhler Hall and subleases to the College the corresponding fractional interest in the underlying land for a term of 20 years. The leases provide for the Fund to receive annual rental on the current fractional interest approximating $52,500 with an annual payment to the College for the land of $2,150. Lease payments of the College are obligations of the unrestricted current fund. Terms of the lease arrangement provide for adjustments to the rental amount every five years based on changes in the Consumer Price Index.

The Fund expects to purchase an additional $500,000 interest in Uhler Hall by the end of September, 1989. The Fund may or may not be able to sell additional units to purchase any further interest in Uhler Hall or any other College building.

As the units of the Fund mature on the death of each donor or beneficiary, the Fund will transfer that portion of the building and leasehold interests back to the College. At the earlier of the end of the 20-year lease term or the time when the Funds' ownership in the building is reduced to 25% or less, the land and building leases grant the College the right to purchase the Fund's fractional ownership interests in the buildings at the fair market value of the Funds' fractional ownership interests at the date the option is exercised.

PROPOSED FORM OF LEGAL OPINION

$_______________
Minnesota Higher Education Facilities Authority
Mortgage Revenue Bonds, Series Two-V
(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 Revenue Bonds, Series Two-V (Gustavus Adolphus College), in the aggregate principal amount of $__________ (the "Bonds"), dated November 1, 1989, in the denomination of $5,000 each and integral multiples thereof, maturing on October 1 in the years and amounts as follows:

1991	1998
1992	1999
1993	2000
1994	2001
1995	2002
1996	2003
1997	2004

The Bonds are subject to optional redemption 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, 1990, at the basic rates per annum, according to years of maturity, as follows:

In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds will bear additional interest at the rate of 2.00% per annum from the Date of Taxability (as defined). Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the office of Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to Gustavus Adolphus College, a Minnesota nonprofit corporation and institution of higher education located in the City of St. Peter, Minnesota (the "College"), in order to provide funds to prepay the outstanding balance of a promissory note dated October 1, 1983 (the "Series 1983-A Note") executed in connection with the loan to the College of part of the proceeds of the $18,520,000 Minnesota Higher Education Facilities Authority Pooled Revenue Bonds, Series 1983-A (the Series 1983-A Bonds"), which proceeds were used to finance the acquisition, construction and equipping of the Lund Center for Physical Education and Health, a student athletic facility (as further described in the Loan Agreement and Indenture, the "Series 1983-A Project"). We have examined executed counterparts of the Loan Agreement dated as of August 1, 1987 between the Authority and the College, as supplemented by a First Supplemental Loan Agreement dated as of September 1, 1989 between the Authority and the College (together, the "Loan Agreement"), the Trust Indenture dated as of August 1, 1987 between the Authority and the Trustee (the "Original Indenture"), as supplemented by a First Supplemental Trust Indenture dated as of September 1, 1989 between the Authority and the Trustee (together, the "Indenture"), the Combination Mortgage, Security Agreement and Fixture Financing Statement from the College to the Authority and assigned by the Authority to the Trustee, dated as of August 1, 1987, as supplemented by a First Supplemental Combination Mortgage, Security Agreement and Fixture Financing Statement from the College to the Authority and assigned by the Authority to the Trustee, dated as of September 1, 1989 (together, the "Mortgage"), the opinion 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. The Bonds are being issued as Additional Bonds under the Indenture, which was originally entered into in connection with the Authority's Mortgage Revenue Bonds, Series Two-N (the "Series Two-N Bonds").

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 the title to the Mortgaged Property (as defined in the Loan Agreement and Trust Indenture) without examining the records of the College or original title records or abstracts of title.

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

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

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

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

3. The Bonds are secured on a parity with the Series Two-N Bonds 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 and Series Two-N Bonds when due, by the pledge of the funds and investments held by the Trustee under the Indenture, by the mortgage lien on certain dormitory facilities owned and operated by the College and a security interest in the revenues and income arising therefrom provided by the Mortgage and by a security interest in certain additional 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 excludable 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 not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations thereunder. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. 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 "adjusted current earnings" for the purpose of determining the "alternative minimum taxable income" of corporations. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the environmental tax imposed on corporations, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture, 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, ______________, 1989.

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.

Arbitrage Regulations: All Regulations and Proposed Regulations from time to time issued and in effect under Section 148 of the Internal Revenue Code (and former Section 1.03(c) of the Internal Revenue Code of 1954), including without limitation Treasury Regulation Sections 1.103-13 to 1.103-15 and Sections 1.148-0T to 1.150-1T.

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 Chair, Vice Chair, 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 Series Two-N subaccount or the Series Two-V subaccount, as appropriate, of the account established pursuant to the Indenture into which the Authority and Trustee shall deposit certain moneys for payment of principal of and interest on the Bonds.

Bonds: The Series Two-V Bonds or, where appropriate, the Series Two-N Bonds, the Series Two-V Bonds and any Additional Bonds then outstanding.

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

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.

Costs of Issuance Fund Account: The Costs of Issuance Fund Account established under the Indenture for the deposit of certain Series Two-V Bond proceeds to be used for the payment of certain costs of issuance of the Series Two-V Bonds.

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 determination that the interest payable on one or more series of 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 such series of Bonds, as more fully described in the Loan Agreement. A determination that interest on the Bonds is includible in the computation of any alternative minimum tax is not a Determination of Taxability. Except as otherwise provided in the Loan Agreement, a Determination of Taxability with respect to the Series Two-V Bonds shall not be deemed a Determination of Taxability with respect to the Series Two-N Bonds and a Determination of Taxability with respect to the Series Two-N Bonds shall not be deemed a Determination of Taxability with respect to the Series Two-V Bonds.

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, National Association (now known as Norwest Bank Minnesota, National Association) 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, including the First Supplemental Trust Indenture dated as of September 1, 1989 between the Authority and the Trustee.

Institution: The College.

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

Issue: The Two-V Bonds.

Loan Agreement: The Loan Agreement between the Authority and the Institution, as amended and supplemented by the First Supplemental Loan Agreement dated as of September 1, 1989 between the Authority and the Institution and as further 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, Section 4.02A of the First Supplemental Loan Agreement, or both, as appropriate..

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 and supplemented by the First Supplemental Mortgage dated as of September 1, 1989 from the College to the Authority and assigned by the Authority to the Trustee, and as further 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, as in effect on May 31, 1989.

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 and Mortgaged Property, (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 Mortgaged Property 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 Series Two-N Project, the Series 1983-A Project, or both, as appropriate.

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

Project Equipment: All furnishings, furniture, fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Series Two-N Bonds or the Series 1983-A 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 have been made.

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 Bond proceeds in an amount equal to the Reserve Requirement or portion of the Reserve Requirement required to be deposited therein in connection with the issuance of any series of Bonds. 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.

Reserve Requirement: The sum of (i) 10% of the proceeds of the Series Two-V Bonds (par less original discount according to the reoffering scale), plus (ii) $250,000, plus (iii) if Additional Bonds other than the Series Two-V Bonds are outstanding, the maximum amount of principal and interest of any Additional Bonds (other than the Series Two-V Bonds) payable in any Bond Year or (if less) 10% of the proceeds (par value less original issue discount according to the reoffering scale) received from the issuance and sale of the Additional Bonds (other than the Series Two-V Bonds).

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.

Series 1983-A Bonds: The Minnesota Higher Education Facilities Authority Pooled Revenue Bonds, Series 1983-A, dated October 1, 1983.

Series 1983-A Note: The promissory note dated as of October 1, 1983, executed in connection with the loan of part of the proceeds of the Series 1983-A Bonds to the College, in the original principal amount of $3,223,178, the outstanding principal amount of which shall be $1,238,124 as of September 2, 1989.

Series 1983-A Project: The acquisition, construction and equipping of the Lund Center for Physical Education and Health, a student athletic facility.

Series 1983-A Trustee: First Trust Company of Saint Paul (now known as First Trust National Association), as trustee with respect to the Series 1983-A Bonds.

Series Two-N Bonds: Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-N (Gustavus Adolphus College), dated August 1, 1987, in the original aggregate principal amount of $2,550,000.

Series Two-N Project: The remodeling of the Johnson Student Union, constructing and equipping of an interpretive center having approximately 2,000 square feet of covered space and 700 square feet of enclosed space for the arboretum, constructing of 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 of the South campus entry drive with a new stone entrance sign, all on the campus of the College in St. Peter, Minnesota.

Series Two-V Bonds: Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-V (Gustavus Adolphus College), dated November 1, 1989.

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 Minnesota, National Association (formerly Norwest Bank Minneapolis, National Association).

Unrestricted Current Fund: The Unrestricted Current Fund as defined by the American Institute of Certified Public Accountants for audits of universities and colleges, as of May 31, 1989.

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, as of May 31, 1989.

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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.

Prepayment of Series 1983-A Note

At Bond Closing, upon delivery of moneys to the Series 1983-A Trustee sufficient to prepay the Series 1983-A Note, the Series 1983-A Trustee shall deliver to the College a receipt for such amount and confirming that such amount constitutes the Optional Prepayment Price as described in the Series 1983-A Indenture, and shall cancel the Series 1983-A Note and deliver the cancelled Note to the College. In addition, the Series 1983-A Trustee shall deliver to the College all moneys and investments in the Collateral Account established in the name of the College pursuant to Section 4.06 of the Series 1983-A Indenture. The College agrees that it will provide, from available general funds, any such additional amounts necessary to prepay the Series 1983-A Note as set forth above, and that the Authority shall have no obligation to provide moneys to pay the Series 1983-A Note, other than from the funds and Accounts described above.

Loan Repayments

Under the Loan Agreement, in addition to Loan Repayments due with respect to the Series Two-N Bonds, 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 Series Two-V 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, 1990, into the Series Two-V subaccount of the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Series Two-V Bonds on the next succeeding interest payment date, and, commencing on October 1, 1991, a sum equal to the amount payable as principal of the Series Two-V 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 Series Two-V subaccount 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 Series Two-V subaccount of the Bond and Interest Sinking Fund Account the amount of any deficiency in the event that the funds on deposit in the Series Two-V subaccount of 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-V 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-V Bonds, into the Series Two-V subaccount of the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Two-V Bonds called for redemption from the Redemption Account; and

(d) into the Series Two-V subaccount of 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) or 6.09A(f) of the Loan Agreement and Section 5.05 of the Indenture, relating to arbitrage rebate calculations and payments.

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. If the Bonds are redeemed in part, the available Net Proceeds in respect of any Project Building or Mortgaged Building which the Institution elects not to repair, rebuild, restore or replace shall be used pro-rata (according to the amount of outstanding Bonds of each series) for the redemption of outstanding Bonds.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any 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. If the Bonds are redeemed in part, the available Net Proceeds in respect of any Project Building or Mortgaged Building which the Institution elects not to repair, rebuild, restore or replace shall be used pro-rata (according to the amount of outstanding Bonds of each series) for the redemption of outstanding Bonds.

Insurance

The College is required to maintain, or cause to be maintained, insurance as follows:

(a) Insurance against loss and/or damage to the Project Facilities and Mortgaged Property and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Buildings.

(b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $7,000,000 and against liability for property damage in the minimum amount for each occurrence of $100,000.

(c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College.

Upon the written request of the College, the Trustee (i) may permit modifications to such insurance requirements and deductible amounts, including permission for the College to be self-insured in whole or in part for any such coverage, upon such terms and conditions as the Trustee may require, and (ii) shall permit modifications to such insurance requirements and deductible amounts, including permission for self-insurance, in accordance with the recommendation of an independent insurance consultant employed by the College and satisfactory to the Trustee.

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

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 interest payable on the Series Two-V Bonds is includible in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Series Two-V Bonds, the Series Two-V Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability described in the Loan Agreement until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Series Two-V Bonds shall be subject to optional redemption, as a whole and not in part, on the next practicable interest payment date and any interest payment date thereafter and the redemption price therefor shall be equal to par plus accrued interest.

In the event a Determination of Taxability is made that interest payable on the Series Two-N Bonds is 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 Series Two-N Bonds, the Series Two-N 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.

Financial Covenants

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

(a) 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, as in effect on May 31, 1989. 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 31, 1988 and at the end of each Fiscal Year thereafter, shall not be less than $1,500,000. If at the end of any Fiscal Year, the market value of investments and cash included in unencumbered Unrestricted Quasi-Endowment Funds does not equal or exceed $1,500,000, the College shall cause to credited to unencumbered Unrestricted Endowment Funds additional unencumbered moneys or investments at least equal to the amount of the deficiency within 90 days after the close of the Fiscal Year, 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) 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. Reference should be made to the heading "SUMMARY OF SECURITY FOR THE BONDS" of this Official Statement, paragraph (c), for an explanation of possible additions to Net Income Available for Debt Service in computing the Debt Service Coverage Ratio test for additional Funded Debt.

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 the Arbitrage Regulations 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 the Arbitrage 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.

The Authority further agrees to comply with the applicable rebate requirements imposed under Section 148(f) of the Internal Revenue Code with respect (but only with respect) to amounts paid by the College to the Authority as the Authority's annual fee under the Loan Agreement and any income earned or imputed therefrom.

Events of Default

Following are Events of Default under 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), 4.02A(e), 6.09(f) or 6.09A(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 the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the College by the Authority or the Trustee; or

(e) If 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 moneys and investments in the Costs of Issuance Fund Account not paid out for costs of issuance of the Series Two-V Bonds, 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

* *The Construction Account was created to provide for payment of costs of the Series Two-N Project, which has been completed, and no amounts remain and no further amounts will be deposited in the Construction Account.*

(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 comply with the applicable rebate requirements under Section 148(f) of the Code and under the Arbitrage Regulations; 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

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

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 land described in Exhibit A to the Mortgage (the "Land"), and any buildings now standing or hereafter constructed or placed upon the Land (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), and in the Revenue Account created under the Loan Agreement.

The Loan Agreement provides that the College may remove Equipment from the Mortgaged Property and release such equipment 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.

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GUSTAVUS ADOLPHUS COLLEGE

SAINT PETER, MINNESOTA

AUDIT REPORT

YEAR ENDED MAY 31, 1989

C O N T E N T S

ADRIAN HELGESON AND COMPANY

Certified Public Accountants
1221 Nicollet Mall
Minneapolis, MN 55403

INDEPENDENT AUDITOR'S REPORT

July 28, 1989

To The Board of Trustees
Gustavus Adolphus College
Saint Peter, Minnesota

We have audited the accompanying balance sheet of Gustavus Adolphus College as of May 31, 1989 and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gustavus Adolphus College at May 31, 1989 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.

Adrian Helgeson and Company

Certified Public Accountants

EXHIBIT A
Sheet 1

GUSTAVUS ADOLPHUS COLLEGE

BALANCE SHEET

MAY 31, 1989

WITH COMPARATIVE FIGURES FOR 1988

ASSETS	1989	1988
Current Funds		
Unrestricted		
Short-Term Investments (Market Value Approximates Cost)	$ 891,397	$ 128,387
Student Accounts Receivable (Less Allowance for Doubtful Accounts of $74,236 and $87,315)	357,708	312,518
Receivable from a Beneficiary Trust	286,700	277,700
Other Receivables	226,863	236,765
Inventories, at Lower of Cost or Market	613,041	595,542
Prepaid Expenses	32,389	61,577
Due from Perkins Loan Fund	48,963	53,334
Due from Endowment Funds	16,792	
Due from Gift Annuity Funds	63,740	47,069
Due from Unexpended Plant Funds	1,977,963	2,882,170
Due from Retirement of Indebtedness Funds	52,174	41,369
Due from Investment in Plant Fund		2,020,260
	4,567,730	6,656,691
Restricted		
Due from U.S. Government	116,841	116,025
Accrued Interest Receivable	147,800	92,181
Grants Receivable	9,376	7,492
Due from Unrestricted Current Fund	700,692	740,432
	974,709	956,130
Totals	$ 5,542,439	$ 7,612,821

LIABILITIES AND FUND BALANCES	1989	1988
Current Funds		
Unrestricted		
Cash Overdraft	$ 662,750	$ 470,638
Notes Payable to Bank		2,400,000
Accounts Payable	721,325	874,648
Accrued Salaries and Related Benefits	1,687,937	1,579,375
Deferred Revenue	289,274	300,664
Student Housing Damage Deposits	130,651	71,439
Due to Restricted Current Funds	700,692	740,432
Due to College Loan Funds	168,322	
Due to Pooled Life Income Funds	101	12,817
Total Liabilities	4,361,052	6,450,013
Fund Balance - Appropriated for		
Scholarships Reserve	44,389	44,389
President's Discretionary Reserve	162,289	162,289
Total Fund Balance	206,678	206,678
	4,567,730	6,656,691
Restricted		
Due to College Loan Funds		5,425
Fund Balances	974,709	950,705
	974,709	956,130
Totals	$ 5,542,439	$ 7,612,821

GUSTAVUS ADOLPHUS COLLEGE

BALANCE SHEET

MAY 31, 1989

WITH COMPARATIVE FIGURES FOR 1988

ASSETS - Continued	1989	1988
Loan Funds		
Perkins Loan Fund		
Cash	$ 54,155	$ 117,630
Student Notes Receivable (Less Allowance for College Portion of Doubtful Notes $22,000 Both Years)	2,630,087	2,393,602
Due from U.S. Government	10,499	12,634
	2,694,741	2,523,866
College Loan Funds		
Cash	8,586	112,661
Short-Term Investment (Market Value Approximates Cost)		60,000
Student Notes Receivable (Less Allowance for Doubtful Notes $40,000 Both Years)	97,497	85,838
Accrued Interest Receivable	8,291	7,793
Due from Unrestricted Current Fund	168,322	
Due from Restricted Current Funds		5,425
	282,696	271,717
Nursing Student Loan Fund		
Cash	30,551	26,966
Student Notes Receivable (Less Allowance for College Portion of Doubtful Notes $3,000 Both Years)	83,427	102,837
	113,978	129,803
Totals	$ 3,091,415	$ 2,925,386
Endowment Funds		
Cash		$ 61,604
Short-Term Investment	$ 16,500	
Funds Held in Special Agency Accounts		
Cash and Cash Equivalents	902,537	532,710
Bonds (Market Value $2,940,164 and $689,224)	2,916,861	700,000
U.S. Government Securities (Market Value $4,163,001 and $5,712,616)	4,129,483	5,691,554
Stocks (Market Value $7,349,534 and $8,798,387)	5,739,716	8,146,347
Investment in Real Estate Partnership	119,000	
Stocks (Market Value $24,861 and $24,543)	13,869	13,869
Bonds (Market Value $89,500)	89,500	
Contracts for Deed Receivable	194,822	115,227
Real Estate Held for Resale	393,610	393,610
Funds Held in Trust (Market Value $917,000 and $871,000)	540,000	540,000
Other Investments	51,549	46,651
Due from Investment in Plant Fund	2,508,925	
Totals	$17,616,372	$16,241,572

LIABILITIES AND FUND BALANCES - Continued	1989	1988
Loan Funds		
Perkins Loan Fund		
Due to Unrestricted Current Fund	$ 48,963	$ 53,334
Fund Balances		
U.S. Government Grants Refundable	2,386,563	2,228,841
College Fund Balance - Restricted	259,215	241,691
Total Fund Balances	2,645,778	2,470,532
	2,694,741	2,523,866
College Loan Funds		
Fund Balances - Restricted	282,696	271,717
Nursing Student Loan Fund		
Fund Balances		
U.S. Government Grants Refundable	84,502	100,744
College Fund Balances		
Unrestricted	20,087	17,865
Restricted	9,389	11,194
	113,978	129,803
Totals	$ 3,091,415	$ 2,925,386
Endowment Funds		
Due to Unrestricted Current Fund	$ 16,792	
Fund Balances		
Endowment	14,936,433	$13,718,142
Funds Functioning as Endowment		
Unrestricted	2,651,617	2,512,504
Restricted	11,530	10,926
Totals	$17,616,372	$16,241,572

GUSTAVUS ADOLPHUS COLLEGE

BALANCE SHEET

MAY 31, 1989

WITH COMPARATIVE FIGURES FOR 1988

ASSETS - Continued	1989	1988
Deferred Gift Funds		
Gift Annuity Funds		
Funds Held in Special Agency Accounts		
Cash and Cash Equivalents	$ 86,290	$ 15,127
Stocks and Bonds (Market Value $1,005,051 and $774,497)	1,045,111	859,240
Contract for Deed Receivable	881,335	892,849
Accrued Interest Receivable	23,747	21,158
	2,036,483	1,788,374
Life Income Funds		
Cash	10,597	6,296
Funds Held in Special Agency Accounts		
Cash and Cash Equivalents	3,205	2,612
Stocks and Bonds (Market Value $79,398 and $79,112)	35,135	36,195
Accrued Interest Receivable	258	
	49,195	45,103
Pooled Life Income Funds		
Cash		215
Funds Held in Special Agency Accounts		
Cash and Cash Equivalents	154,379	
Interest in Building	500,000	
Accrued Interest Receivable	1,989	
Due from Unrestricted Current Fund	101	12,817
	656,469	13,032
Annuity Trust Funds		
Cash	21,070	11,039
Funds Held in Special Agency Accounts		
Cash and Cash Equivalents	16,312	1,547
Bonds (Market Value $1,104,234 and $350,568)	1,103,143	370,734
Interest in Limited Partnerships	146,000	
Bonds (Market Value $162,397)		167,260
Accrued Interest Receivable	12,937	8,401
	1,299,462	558,981
Charitable Remainder Unitrust Agreements		
Cash	87,303	
Funds Held in Special Agency Accounts		
Cash and Cash Equivalents	8,568	2,266
Bonds (Market Value $515,391 and $473,535)	498,397	458,023
Contracts for Deed Receivable	743,730	638,794
Accrued Interest Receivable	24,639	13,208
Real Estate Held for Resale	110,000	110,000
	1,472,637	1,222,291
Totals	$ 5,514,246	$ 3,627,781

LIABILITIES AND FUND BALANCES - Continued	1989	1988
Deferred Gift Funds		
Gift Annuity Funds		
Due to Unrestricted Current Fund	$ 63,740	$ 47,069
Annuities Payable	1,074,305	949,389
Fund Balances	898,438	791,916
	2,036,483	1,788,374
Life Income Funds		
Due to Income Beneficiaries	12,943	8,851
Fund Balances	36,252	36,252
	49,195	45,103
Pooled Life Income Funds		
Due to Income Beneficiaries	10,779	215
Fund Balance	645,690	12,817
	656,469	13,032
Annuity Trust Funds		
Annuities Payable	702,320	200,345
Held as Trustee for Other Institutions	11,448	
Fund Balances	585,694	358,636
	1,299,462	558,981
Charitable Remainder Unitrust Agreements		
Cash Overdraft		249
Due to Annuitants	11,451	22,241
Annuities Payable	894,453	769,763
Held as Trustee for Other Institutions	133,575	107,877
Fund Balances	433,158	322,161
	1,472,637	1,222,291
Totals	$ 5,514,246	$ 3,627,781

EXHIBIT A
Sheet 4

GUSTAVUS ADOLPHUS COLLEGE

BALANCE SHEET

MAY 31, 1989

WITH COMPARATIVE FIGURES FOR 1988

ASSETS - Continued	1989	1988
Plant Funds		
Unexpended		
Funds Held by Trustee		
Cash and Cash Equivalents	$ 575	$ 986
Construction in Progress	356,404	713,766
	356,979	714,752
Renewal and Replacement		
Funds Held by Trustee		
Cash	10	19
U.S. Government Securities (Market Value Approximates Cost)	50,945	47,145
Accrued Interest Receivable	397	244
	51,352	47,408
Retirement of Indebtedness		
Certificate of Deposit (Market Value $46,082 and $45,200)	50,000	50,000
Funds Held by Trustee		
Cash and Cash Equivalents	2,329	7,467
U.S. Government Securities (Market Value Approximates Cost)	343,912	323,628
Accrued Interest Receivable	9,867	9,672
	406,108	390,767
Investment in Plant		
Land	532,287	517,287
Land Improvements	1,926,607	1,926,607
Buildings	38,120,293	37,694,015
Equipment	6,311,609	5,415,336
Library Books	2,941,993	2,739,714
	49,832,789	48,292,959
Totals	$50,647,228	$49,445,886

LIABILITIES AND FUND BALANCES - Continued	1989	1988
Plant Funds		
Unexpended		
Accounts Payable	$ 684	$ 10,695
Due to Unrestricted Current Fund	1,977,963	2,882,170
Total Liabilities	1,978,647	2,892,865
Fund Balances (Deficits)		
Unrestricted	(656,192)	(660,108)
Restricted	(965,476)	(1,518,005)
Total Fund Balances (Deficits)	(1,621,668)	(2,178,113)
	356,979	714,752
Renewal and Replacement		
Fund Balances		
Unrestricted	26,352	22,408
Restricted	25,000	25,000
Total Fund Balances	51,352	47,408
Retirement of Indebtedness		
Accrued Interest Payable	35,616	34,785
Due to Unrestricted Current Fund	52,174	41,369
Total Liabilities	87,790	76,154
Fund Balances		
Unrestricted	1,581	9,698
Restricted	316,737	304,915
Total Fund Balances	318,318	314,613
	406,108	390,767
Investment in Plant		
Notes Payable to Individuals	2,500	20,000
Mortgage Note Payable	33,181	35,659
Long-Term Obligations to Minnesota Higher Education Facilities Authority		
Capital Lease Obligation Payable	340,000	410,000
Note Payable - Lund Center for Physical Education and Health	1,788,902	2,299,754
Note Payable - Student Union Remodeling	2,460,000	2,550,000
Due to Unrestricted Current Fund		2,020,260
Due to Endowment Funds	2,508,925	
Total Liabilities	7,133,508	7,335,673
Net Investment in Plant	42,699,281	40,957,286
	49,832,789	48,292,959
Totals	$50,647,228	$49,445,886

EXHIBIT A
Sheet 5

GUSTAVUS ADOLPHUS COLLEGE

BALANCE SHEET

MAY 31, 1989

WITH COMPARATIVE FIGURES FOR 1988

ASSETS - Continued	1989	1988	LIABILITIES AND FUND BALANCES - Continued	1989	1988
Agency Funds			Agency Funds		
Cash	$ 24,825	$ 18,127	Deposits and Revocable Trusts		
Short-Term Investments (Market Value Approximates Cost)	48,708	49,736	Held in Custody for Others	$ 73,533	$ 67,863
Totals	$ 73,533	$ 67,863	Totals	$ 73,533	$ 67,863

See accompanying Notes to Financial Statements.

GUSTAVUS ADOLPHUS COLLEGE

EXHIBIT B
Sheet 1

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MAY 31, 1989

	Current Funds						Plant Funds			
	Unrestricted									
	Unappropriated	Appropriated	Restricted	Loan Funds	Endowment Funds	Deferred Gift Funds	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant
Revenues and Other Additions										
Unrestricted Current Fund Revenues	$28,966,153									
Private Gifts and Grants - Restricted			$ 683,477		$ 668,278	$1,064,373	$1,188,833			
Governmental Grants - Restricted			1,347,219							
Investment Income			759,935	$ 13,775	7,816		22,830	$ 3,944	$ 32,074	
Realized Gains on Sales of Investments					603,567					
Matured Deferred Gifts					31,581					
Interest on Notes Receivable				101,331						
U. S. Government Advances				134,541						
Service Cancellation Recoveries				5,946						
Adjustment of Actuarial Liability for Annuities Payable						55,403				
Proceeds from Sale of Plant Assets							500,000			
Expended for Plant Facilities (Including $609,569 Charged to Current Funds Expenditures)										$ 2,274,710
Retirement of Indebtedness										1,194,408
Total Revenues and Other Additions	28,966,153		2,790,631	255,593	1,311,242	1,119,776	1,711,663	3,944	32,074	3,469,118
Expenditures and Other Deductions										
Educational and General Expenditures	21,629,464		2,667,710							
Auxiliary Enterprises Expenditures	6,048,173		89,342							
Indirect Cost Recoveries Earned			9,575							
Administrative and Collection Costs				70,071						
Loan Cancellations and Write-Offs				10,071						
Excess Cash Refunded to U.S. Government				20,000						
Realized Losses on Sales of Investments						10,745				
Matured Deferred Gifts						31,581				
Expended for Plant Facilities							1,665,141			
Retirement of Indebtedness									1,194,408	
Interest on Indebtedness									543,082	
Disposal of Plant Funds Assets										734,880
Total Expenditures and Other Deductions	27,677,637		2,766,627	100,142		42,326	1,665,141		1,737,490	734,880

EXHIBIT B
Sheet 2

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MAY 31, 1989

	Current Funds						Plant Funds			
	Unrestricted									
	Unappropriated	Appropriated	Restricted	Loan Funds	Endowment Funds	Deferred Gift Funds	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant
Transfers Among Funds - Additions (Deductions)										
Mandatory										
Loan Fund Matching Grant	($ 14,949)			$ 14,949						
Principal and Interest	(360,337)						($ 668,566)		$1,028,903	
Nonmandatory										
Transfers from Unrestricted Current Fund to										
Endowment Funds	(46,766)				$ 46,766					
Unexpended Plant Funds	(830,565)						830,565			
Retirement of Indebtedness Funds	(35,899)								35,899	
Transfer from Unexpended Plant Funds to Retirement of Indebtedness Funds							(644,319)		644,319	
Transfer from Investment in Plant Fund to Unexpended Plant Funds							992,243			($ 992,243)
Total Transfers	(1,288,516)			14,949	46,766		509,923		1,709,121	(992,243)
Net Increase for the Year			$ 24,004	170,400	1,358,008	$1,077,450	556,445	$ 3,944	3,705	1,741,995
Fund Balance (Deficit) at May 31, 1988		$206,678	950,705	2,872,052	16,241,572	1,521,782	(2,178,113)	47,408	314,613	40,957,286
Fund Balance (Deficit) at May 31, 1989	$ -	$206,678	$ 974,709	$3,042,452	$17,599,580	$2,599,232	($1,621,668)	$51,352	$ 318,318	$42,699,281

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, 1989

WITH COMPARATIVE FIGURES FOR 1988

	1989					1988	
	Unrestricted						
	Unappropriated	Appropriated	Restricted	Total	Percentage	Total	Percentage
Revenues							
Tuition and Fees	$19,918,168			$19,918,168	80.7%	$17,736,459	79.5%
Governmental Grants	78,761		$1,337,937	1,416,698	5.7	1,327,907	5.9
Private Gifts and Grants	1,120,625		648,960	1,769,585	7.2	1,678,403	7.5
Endowment Income	267,703		770,155	1,037,858	4.2	981,233	4.4
Sales and Services of Educational Activities	25,825			25,825	.1	17,092	.1
Other Sources	529,868			529,868	2.1	479,979	2.2
Matured Deferred Gift Funds						95,579	.4
Total Revenues Before Auxiliary Enterprises	21,940,950		2,757,052	24,698,002	100.0%	22,316,652	100.0%
Sales and Services of Auxiliary Enterprises	7,025,203			7,025,203		6,423,003	
Total Revenues	28,966,153		2,757,052	31,723,205		28,739,655	
Expenditures and Mandatory Transfers							
Educational and General							
Instruction	9,529,471		544,948	10,074,419	40.8%	8,258,978	36.8%
Research	19,690		4,740	24,430	.1	24,254	.1
Public Service	59,919		69,055	128,974	.5	178,614	.8
Academic Support	844,702		309,270	1,153,972	4.7	1,646,630	7.3
Student Services	2,177,699		78,303	2,256,002	9.2	1,849,678	8.3
Institutional Support	3,439,382		205,928	3,645,310	14.8	3,659,862	16.3
Operation and Maintenance of Plant	2,599,658		61,122	2,660,780	10.8	2,734,803	12.2
Scholarships and Grants	2,958,943		1,394,344	4,353,287	17.6	3,896,665	17.4
Educational and General Expenditures	21,629,464		2,667,710	24,297,174	98.5	22,249,484	99.2
Mandatory Transfers for							
Loan Fund Matching Grant	14,949			14,949	.1		
Principal and Interest	360,337			360,337	1.4	181,183	.8
Total Educational and General	22,004,750		2,667,710	24,672,460	100.0%	22,430,667	100.0%
Auxiliary Enterprises							
Expenditures	6,048,173		89,342	6,137,515		5,807,780	
Total Expenditures and Mandatory Transfers	28,052,923		2,757,052	30,809,975		28,238,447	
Excess of Revenues Over Expenditures and Mandatory Transfers	913,230			913,230		501,208	

EXHIBIT C
Sheet 2

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

FOR THE YEAR ENDED MAY 31, 1989

WITH COMPARATIVE FIGURES FOR 1988

	1 9 8 9					1 9 8 8	
	Unrestricted						
	Unappropriated	Appropriated	Restricted	Total	Percentage	Total	Percentage
Other Transfers and Additions (Deductions)							
Unrestricted Current Fund to							
Endowment Funds	($ 46,766)			($ 46,766)		($ 124,388)	
Unexpended Plant Funds	(830,565)			(830,565)		(470,134)	
Retirement of Indebtedness Funds	(35,899)			(35,899)			
Endowment Funds to Current Funds						36,000	
Renewal and Replacement Fund to Unrestricted Current Fund						3,061	
Excess (Deficiency) of Restricted Receipts Over Transfers to Revenue			$ 24,004	24,004		(172,763)	
Net Increase (Decrease) in Fund Balances	$ -	$ -	$ 24,004	$ 24,004		($ 227,016)	

See accompanying Notes to Financial Statements.

GUSTAVUS ADOLPHUS COLLEGE

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1989

Note 1. Significant Accounting Policies

Gustavus Adolphus College is a four-year liberal arts college affiliated with the Evangelical Lutheran Church in America. The accounting policies of the College reflect practices common to colleges and universities and conform to 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.

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 part of the principal of the 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. When the market value of an investment is below the carrying value and the decline is determined to be permanent, the resulting write-down is accounted for as a realized loss in the fund which owns the investment.

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. Contributions for employees are determined on a percentage of annual compensation. The cost of the retirement plans is paid currently and amounted to approximately $569,000 for the year.

Change in Allocation of Expenditures - The College has changed its procedures in fiscal 1989 for allocating certain expenditures of the current funds between departments. Balances for fiscal 1988 have not been restated.

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 $2,292,000 at May 31, 1989. The assets of the trust, consisting primarily of marketable securities, are held by Norwest Bank Minnesota, 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 $39,000 which has been included in endowment income.

Note 3. Short-Term Borrowing

The College has an unsecured line of credit totaling $5,000,000 with First National Bank of St. Peter payable on demand and expiring September 1989 with interest payable at one-half to one percent over prime. At May 31, 1989 the College had no outstanding borrowings under this agreement.

Note 4. Notes and Mortgage Payable

At May 31, 1989 the plant funds were indebted on demand notes payable to individuals of $2,500 bearing interest at 5 - 5 1/2%. In addition, there was a 7 1/4% real estate loan to TCF Banking and Savings, F.A. with a balance of $33,181 which required monthly payments of $434.

Note 5. Other Long-Term Debt

The College has obligations with the Minnesota Higher Education Facilities Authority (the Authority) under which the related projects were financed through issuance of revenue bonds by the Authority as follows:

	Original Amount	Outstanding May 31, 1989
Capital Lease Obligation Payable - Administration Building and Social Science Building (1973 Series E)	$1,030,000	$ 340,000
Note Payable - Lund Center for Physical Education and Health (1983 Series A Pooled)	3,223,178	1,788,902
Note Payable - Student Union Remodeling (1987 Series Two-N)	2,550,000	2,460,000
	$6,803,178	$4,588,902

Note 5. Other Long-Term Debt (Continued)

The First Mortgage Revenue Bonds, Series E have interest rates varying from 5.4% to 5.5% and mature in amounts from $75,000 to $100,000 annually on March 1 through 1993. Under the capital lease agreement between the College and the Authority, the College must make payments sufficient to pay required debt service, an annual fee to the Authority, fees and expenses of the trustee and certain other expenses. The College has an option to purchase the leased premises for $10 at any time during the lease period upon repayment of all outstanding bonds.

The Pooled Revenue Bonds, Series 1983-A have interest rates varying from 8% to 8.5% and mature in amounts from $550,778 to $643,325 annually on September 1 through 1991. The note payable to the Authority is secured by the general obligation of the College and additionally secured by certain 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.

The Revenue Bonds, Series Two-N have interest rates varying from 5.2% to 7.5% and mature in semi-annual installments of $45,000 to $370,000 on October 1 and April 1 through October 1, 2003. The promissory note to the Authority is secured by the general obligation of the College and additionally secured by a first mortgage and equipment of Norelius Hall and a security interest in certain unrestricted current fund revenues of the College.

The College is required to maintain debt service reserve funds under the various bond issues in amounts aggregating $327,232 and a repair and replacement reserve, under the Series E issue, of $25,000.

Annual maturities of all long-term debt described in Notes 4 and 5 for each of the five years subsequent to May 31, 1989 are $726,171, $777,909, $836,668, $213,595 and $123,630, respectively. Total interest expense for the year ended May 31, 1989, including interest on short-term and interfund borrowing as well as on long-term debt, amounted to $790,404.

Note 6. Interfund Borrowings

Interfund borrowings at the College are primarily a result of capital additions not currently funded and commingling of cash. At May 31, 1989 unexpended plant funds were indebted to the unrestricted current fund in the amount of $1,977,963, which is payable with interest. The investment in plant fund was indebted to the endowment fund in the amount of $2,508,925 at year-end. Monthly payments of $17,949, including interest at 8% per annum, are payable until March 31, 1999 at which time the remaining principal balance of $2,195,033 is due. In addition, there were various other temporary interfund borrowings, some of which provide for interest.

Note 7. Construction in Progress

At May 31, 1989 the following projects were in progress:

	Estimated Total Cost	Cost to Date	Funding Plan
Vickner II Project	$2,700,000	$110,198	Gifts and Current Operations
Nobel Hall Remodeling	144,000	78,885	Gifts
Writing Lab Project	84,000	76,610	Gifts
Communications Lab	51,000	31,178	Gifts
Administrative Computer	30,000	23,474	Gifts
Olin Hall	5,300,000	20,498	Gifts and Current Operations
Food Service Remodeling	2,500,000	15,561	Current Operations
		$356,404	

Note 8. 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 $217,000 at May 31, 1989. 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 approximately $2,300 during the current year.

Note 9. 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 the accompanying financial statements. At December 31, 1988, the most recent date for which audited financial statements are available, the Fund owned net assets with a cost of approximately $1,841,000. Income from the fund is periodically remitted to the College. During the year ended May 31, 1989 the College received approximately $137,000.

Note 10. Pledges

The College had outstanding pledges of approximately $1,769,000 at May 31, 1989. It was not practical to estimate the net realizable value of such pledges.

Note 11. Appropriated Unrestricted Current Fund Balance

The Board of Trustees has designated $206,678 as an appropriation of the unrestricted current fund balance to be used as follows: $44,389 for Scholarships Reserve and $162,289 for President's Discretionary Reserve.

Note 12. Pooled Life Income Fund

During 1988 the College registered with the Securities and Exchange Commission the sale of units totaling $5,000,000 offered by the Gustavus Adolphus College Pooled Life Income Fund (the Fund). Units in the amount of $643,618 have been sold to date.

On May 31, 1989 the Fund purchased a one-third interest in Uhler Hall, a College dormitory, for $500,000. This portion of the building had a carrying value of $715,625 which has been removed from the investment in plant fund. The Fund has recorded its interest in the building at $500,000 and will record depreciation for financial statement purposes using the straight-line method over a 45-year life. The Fund and the College have entered into a lease agreement whereby the land under Uhler Hall is leased from the College over a term of 99 years. In addition, the College and the Fund entered into land and building leases, under which the Fund leases to the College the Fund's fractional ownership interest in Uhler Hall and subleases to the College the corresponding fractional interest in the underlying land for a term of 20 years. The leases provide for the Fund to receive annual rental on the current fractional interest approximating $52,500 with an annual payment to the College for the land of $2,150. Lease payments of the College are obligations of the unrestricted current fund. Terms of the lease arrangement provide for adjustments to the rental amount every five years based on changes in the Consumer Price Index.

As the units of the Fund mature on the death of each donor or beneficiary, the Fund will transfer that portion of the building and leasehold interests back to the College. At the earlier of the end of the 20-year lease term or the time when the Fund's ownership in the building is reduced to 25% or less, the land and building leases grant the College the right to purchase the Fund's fractional ownership interests in the buildings at the fair market value of the Fund's fractional ownership interests at the date the option is exercised.

OFFICIAL BID FORM

TO: Dr. Joseph E. LaBelle, Executive Director
Minnesota Higher Education Facilities Authority
Suite 450, Galtier Plaza
175 East Fifth Street
Saint Paul, MN 55101

SALE DATE: September 27, 1989

RE: $1,440,000* Mortgage Revenue Bonds, Series Two-V (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 $1,418,000, subject to adjustment as described in the Official Terms of Offering) and accrued interest to the date of delivery.

_________% 1991	_________% 1995	_________% 1999	_________% 2002
_________% 1992	_________% 1996	_________% 2000	_________% 2003
_________% 1993	_________% 1997	_________% 2001	_________% 2004
_________% 1994	_________% 1998		

* *The Minnesota Higher Education Facilities Authority (the "Authority") reserves the right, after bids are opened and prior to award, to increase or reduce the principal amount of the Bonds offered for sale and the undersigned agrees that the purchase price will be increased or decreased accordingly, less the pro-rata discount or plus the pro-rata premium. Any such increase or reduction will be in a total amount not to exceed $50,000 and will be made in multiples of $5,000 in any of the maturities. In the event the principal amount of the Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.*

In making this offer we accept all of the terms and conditions of the Official Terms of Offering published in the Official Statement dated September 13, 1989. 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 by __________

OFFICIAL BID FORM

TO: Dr. Joseph E. LaBelle, Executive Director
Minnesota Higher Education Facilities Authority
Suite 450, Galtier Plaza
175 East Fifth Street
Saint Paul, MN 55101

SALE DATE: September 27, 1989

RE: $1,440,000* Mortgage Revenue Bonds, Series Two-V (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 $1,418,000, subject to adjustment as described in the Official Terms of Offering) and accrued interest to the date of delivery.

_________% 1991	_________% 1995	_________% 1999	_________% 2002
_________% 1992	_________% 1996	_________% 2000	_________% 2003
_________% 1993	_________% 1997	_________% 2001	_________% 2004
_________% 1994	_________% 1998		

* *The Minnesota Higher Education Facilities Authority (the "Authority") reserves the right, after bids are opened and prior to award, to increase or reduce the principal amount of the Bonds offered for sale and the undersigned agrees that the purchase price will be increased or decreased accordingly, less the pro-rata discount or plus the pro-rata premium. Any such increase or reduction will be in a total amount not to exceed $50,000 and will be made in multiples of $5,000 in any of the maturities. In the event the principal amount of the Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.*

In making this offer we accept all of the terms and conditions of the Official Terms of Offering published in the Official Statement dated September 13, 1989. 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 by __________