OFFICIAL STATEMENT DATED JULY 23, 1996

NEW ISSUE

Rating: Requested from Moody's Investors Service

In the opinion of Bond Counsel, according to present State of Minnesota and federal laws, regulations and rulings, assuming compliance with certain covenants, the interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable income of individuals, estates, and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code. (See "Tax Exemption" herein.)

$6,045,000*
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Four-H
(Gustavus Adolphus College)
(Book Entry Only)

Dated Date: August 1, 1996

Interest Due: April 1 and October 1, commencing October 1, 1996

The Bonds to mature on October 1 as follows:

Year	Amount*	Year	Amount*
1996	$125,000	2004	$295,000
1997	$495,000	2005	$180,000
1998	$565,000	2006	$190,000
1999	$590,000	2007	$200,000
2000	$630,000	2008	$210,000
2001	$495,000	2009	$225,000
2002	$520,000	2010	$765,000
2003	$560,000		

* *Based upon interest rates bid on the day of sale, these amounts may be increased or reduced at the discretion of the Authority in an aggregate amount not to exceed $100,000. Purchase price bid will be adjusted pro rata to reflect any greater or lesser principal amount.*

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), the Bonds are subject to redemption prior to maturity, as described herein. See "The Bonds - Prior Redemption - Optional Redemption". The Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture. The Bonds will be subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein). Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as Trustee.

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

Prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% with the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes; however, the initial Purchaser of the Bonds shall be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell (but may offer) any of the Bonds to Minnesota buyers at a price greater than 105% until the Bonds have been re-registered for sale at such higher price by the Department of Commerce, as more fully provided in the Terms and Conditions of Contract of Sale.

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 are offered when, as, and if issued by the Authority subject to the approval of legality by Faegre & Benson LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by MacKenzie & Gustafson, Ltd., St. Peter, Minnesota. Bonds are expected to be available for delivery on or about August 29, 1996.

PROPOSALS RECEIVED: August 6, 1996 (Tuesday) at 11:00 A.M., Central Time
AWARD: August 6, 1996 (Tuesday) 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

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Authority from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority, except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Official Statement and the addendum or addenda described in the preceding paragraph in the amount specified in the Terms of Proposal.

The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a Proposal with respect to the Bonds agrees thereby that if its bid is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

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 with respect to the Bonds, other than as contained in the Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the Authority and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE COLLEGE SINCE THE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and 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 to the Official Statement or the Final Official Statement, they will be furnished on request.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

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THE AUTHORITY HAS AUTHORIZED SPRINGSTED INCORPORATED TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

$6,045,000*

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES FOUR-H

(Gustavus Adolphus College)

(BOOK ENTRY ONLY)

Proposals for the Bonds will be received by J. Luther Anderson, Executive Director, Minnesota Higher Education Facilities Authority (the "Authority") or his duly appointed representative on Tuesday, August 6, 1996, until 11:00 A.M., Central Time, at Suite 450, Galtier Plaza, 175 East Fifth Street, Saint Paul, Minnesota 55101, telephone (612) 296-4690, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the Executive Director on behalf of the Authority at 2:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Proposals may be submitted in a sealed envelope or by fax (612) 223-3002 to Springsted. Signed Proposals, without final price or coupons, may be submitted to Springsted prior to the time of sale. The prospective purchaser shall be responsible for submitting to Springsted the final Proposal price and coupons, by telephone (612) 223-3000 or fax (612) 223-3002 for inclusion in the submitted Proposal. Springsted will assume no liability for the inability of the bidder to reach Springsted prior to the time of sale specified above. Proposals may also be filed electronically via PARITY, in accordance with PARITY Rules of Participation and the Terms of Proposal, within a one-hour period prior to the time of sale established above, but no Proposals will be received after that time. If provisions in the Terms of Proposal conflict with the PARITY Rules of Participation, the Terms of Proposal shall control. The normal fee for use of PARITY may be obtained from PARITY and such fee shall be the responsibility of the bidder. For further information about PARITY, prospective purchasers may contact PARITY at 100 116th Avenue SE, Suite 100, Bellevue, Washington 98004, telephone (206) 635-3545. Neither the Authority nor Springsted Incorporated assumes any liability if there is a malfunction of PARITY. All prospective purchasers are advised that each Proposal shall be deemed to constitute a contract between the prospective purchaser and the Authority to purchase the Bonds regardless of the manner of the Proposal submitted.

DETAILS OF THE BONDS

The Bonds will be dated August 1, 1996, as the date of original issue, and will bear interest payable on April 1 and October 1 of each year, commencing October 1, 1996. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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

1996	$125,000	2000	$630,000	2004	$295,000	2008	$210,000
1997	$495,000	2001	$495,000	2005	$180,000	2009	$225,000
1998	$565,000	2002	$520,000	2006	$190,000	2010	$765,000
1999	$590,000	2003	$560,000	2007	$200,000		

* *Based upon interest rates bid on the day of sale, these amounts may be increased or reduced at the discretion of the Authority in an aggregate amount not to exceed $100,000. Purchase price bid will be adjusted pro rata to reflect any greater or lesser principal amount.*

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

TRUSTEE

Norwest Bank Minnesota, National Association, Minneapolis, Minnesota of the Authority will act as trustee and escrow agent, registrar and paying agent.

OPTIONAL REDEMPTION

The Authority may elect on October 1, 2005, and, if in whole, on any day thereafter and, if in part, on any interest payment date thereafter, to prepay Bonds due on or after October 1, 2006. Redemption may be in whole or in part and if in part at the option of the Authority and in such manner as the Authority shall determine. If less than all Bonds of a maturity are called for redemption, the Authority will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

The Bonds are subject to optional redemption in whole or in part on any date in 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, or in whole or in part on any date in the event of a Determination of Taxability as defined therein. All prepayments shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College pursuant to the Loan Agreement or from other amounts pledged thereto pursuant to the Trust Indenture. Pursuant to the Loan Agreement, Loan Repayments sufficient to pay principal, premium (if any) and interest on the Bonds when due are a general obligation of the College. The Bonds are additionally secured by debt service reserve in an amount equal to 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 of the Authority, or the State of Minnesota, or the taxing powers of the State, are pledged.** The Authority has no taxing powers. The proceeds will be used, together with other funds of the College, to acquire an administrative computer system and to refund, in advance of maturity, the outstanding Series Two-N, Series Two-V and Series Three-B Bonds, issued on behalf of the College by the Authority.

TYPE OF PROPOSALS

Proposals shall be for not less than $5,972,460 and accrued interest on the total principal amount of the Bonds. Proposals shall be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of $60,450, payable to the order of the Authority. If a check is used, it must accompany each Proposal. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the Authority. Such bond must be submitted to Springsted Incorporated prior to the opening of the Proposals. The Financial Surety Bond must identify each underwriter whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to an underwriter using a Financial Surety Bond, then that purchaser is required to submit its Deposit to Springsted Incorporated in the form of a certified or cashier's check or wire transfer as instructed by Springsted Incorporated not later than 3:30 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Authority to satisfy the Deposit requirement. The Authority will deposit the check of the purchaser, the amount of which will be deducted at settlement and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the Authority. No proposal can be withdrawn or amended after the time set for receiving Proposals unless the Executive Director on behalf of the Authority, does not award the Bonds by 2:00 P.M., Central Time, on August 6, 1996. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

TERMS AND CONDITIONS OF CONTRACT OF SALE

In addition to the provisions of the Terms of Proposal, the sale of the Bonds will be subject to the Terms and Conditions of Contract of Sale set forth on the Proposal Form. Reference is made to the Proposal Form for a complete statement of the Terms and Conditions of Contract of Sale.

REOFFERING OF BONDS

Prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% of par with the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes; however, the purchaser of the Bonds shall be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell (but may offer) any of the Bonds to Minnesota buyers at a price greater than 105% of par until the Bonds have been re-registered for sale at such higher price by the Department of Commerce, as more fully provided in the Terms and Conditions of Contract of Sale set forth on the Proposal Form to be executed by the Authority and the purchaser in connection with the sale of the Bonds.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Authority's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

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

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the underwriter, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the Authority has requested and received a rating on the Bonds from a rating agency, the Authority will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

CUSIP NUMBERS

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

CONTINUING DISCLOSURE

The College and Trustee will enter into a Continuing Disclosure Agreement to provide, or cause to be provided, annual financial information, including audited financial statements of the College, and notices of certain material events, as required by SEC Rule 15c2-12.

SETTLEMENT

The Bonds will be delivered on or about August 29, 1996 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, LLP of Minneapolis, Minnesota, 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, MacKenzie & Gustafson Ltd., St. Peter, Minnesota. 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 12:00 Noon, 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.

OFFICIAL STATEMENT

The Authority has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly-final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the Authority, Springsted Incorporated, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101, telephone (612) 223-3000.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded 150 copies of the Official Statement and the addendum or addenda described above. The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated July 17, 1996

BY ORDER OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

/s/ J. Luther Anderson
Executive Director

SCHEDULE OF BOND YEARS

$6,045,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES FOUR-H

(GUSTAVUS ADOLPHUS COLLEGE)

Year	Principal	Bond Years	Cumulative Bond Years	
1996	$125,000	20.8333	20.8333	______
1997	$495,000	577.5000	598.3333	______
1998	$565,000	1,224.1667	1,822.5000	______
1999	$590,000	1,868.3333	3,690.8333	______
2000	$630,000	2,625.0000	6,315.8333	______
2001	$495,000	2,557.5000	8,873.3333	______
2002	$520,000	3,206.6667	12,080.0000	______
2003	$560,000	4,013.3333	16,093.3333	______
2004	$295,000	2,409.1667	18,502.5000	______
2005	$180,000	1,650.0000	20,152.5000	______
2006	$190,000 c	1,931.6667	22,084.1667	______
2007	$200,000 c	2,233.3333	24,317.5000	______
2008	$210,000 c	2,555.0000	26,872.5000	______
2009	$225,000 c	2,962.5000	29,835.0000	______
2010	$765,000 c	10,837.5000	40,672.5000	______

Average Maturity: 6.73 Years

Bonds Dated: August 1, 1996

Interest Due: October 1, 1996 and each April 1 and October 1 to maturity.

Principal Due: October 1, 1996-2010 inclusive.

Optional Call: Bonds maturing on or after October 1, 2006 are callable commencing October 1, 2005 and any date thereafter at par. (See Terms of Proposal.)

c: subject to optional call

OFFICIAL STATEMENT

$6,045,000*

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES FOUR-H
(Gustavus Adolphus College)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the Gustavus Adolphus College (the "College"), an institution of higher education located in St. Peter, Minnesota, in connection with the issuance of the Authority's $6,045,000* Revenue Bonds, Series Four-H (Gustavus Adolphus College) (the "Bonds" or the "Issue").

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

The Bonds are also issued pursuant to the Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, as trustee (the "Trustee").

Pursuant to a Loan Agreement between the College and the Authority, the College will covenant as a general obligation of the College to make Loan Repayments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the College by the Authority to be used to finance the acquisition of a computer system for college administration and for the purpose of refunding certain prior bond issues of the Authority (the "Prior Bonds") on behalf of the College, as more fully described in "USE OF PROCEEDS," pages 8 and 9 herein (the "Project"), to fund a debt service reserve, and to pay certain issuance costs.

The Bonds are secured by a pledge of the Loan Repayments, which are a general obligation of the College. See "SUMMARY OF SECURITY FOR THE BONDS" herein.

The Reserve Account will be funded in the amount of 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) (the "Reserve Requirements") from proceeds of the Bonds. (See "RESERVE ACCOUNT" herein.)

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 descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices IV and V for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

* *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 $100,000 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 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.*

RISK FACTORS

No person should purchase Bonds without carefully reviewing the following information which sets forth some, but not all, of the factors which may affect the Owners' receipt of payments of the principal of or interest on the Bonds.

Risk of Insufficient Collateral

The Bonds are secured by (a) a pledge of amounts payable under the Loan Agreement, and (b) a Reserve Account which will be held by the Trustee and applied to the payment of principal and interest on the Bonds. If an Event of Default occurs, there can be no assurance that such security will be sufficient to pay the principal of, premium, if any, or interest on the Bonds.

Adequacy of Revenues

Payment of principal of and interest on the Bonds is intended to be made from Loan Repayments of the College. The College's ability to make Loan Repayments will be dependent on its ability to generate sufficient unrestricted revenues in excess of expenditures. Such revenues and expenditures are subject to many conditions and factors, some of which may be beyond the control of the College and may change in the future to an extent that cannot be presently determined.

Reliance on Tuition

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

Financial Aid

Approximately 84% of the College's students currently receive some form of financial aid covering tuition and fees or living expenses from the College and other sources. No assurance can be given that federal and State financial aid will continue to be funded at current levels or that the College will continue to fund student aid at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues.

Damage or Destruction

Although the College will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the College will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss will not exceed the coverage of such insurance policies.

Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the College and computed pro forma debt service coverage is provided in APPENDIX I under the caption "Annual Debt Service by Fiscal Year and Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and Bond and other debt service requirements.

Limited Obligation

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Trust Indenture, or the Bonds or the other obligations of the College. Accordingly, for payment of principal and interest on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the College under the Loan Agreement and the Reserve Account.

Bankruptcy

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

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the College:

(1) Reinstatement of or establishment of mandatory governmental wage and price controls.

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

(3) Employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without corresponding increase in revenues.

(4) Adoption of Federal, State or local legislation or regulations having an adverse effect on the future operating or financial performance of the College.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the College will enter into an undertaking (the "Undertaking") with the Trustee for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the College to certain information repositories annually, and to provide notices of the occurrence of the eleven events enumerated in the Rule to such repositories or the Municipal Securities Rulemaking Board and to the Minnesota state information depository, if any. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Agreement, attached as Appendix III, to be executed by the College at the time the Bonds are delivered, a copy of which is available from the College or the Trustee. The Continuing Disclosure Agreement may be amended under certain circumstances as permitted by the Rule. Furthermore, the College has reserved its right to discontinue providing information required by the Continuing Disclosure Agreement or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the College determines that such modification is required by the Rule. The College has never failed to comply in any material respect with any previous undertakings under the Rule to provide annual reports or notices of material events. (The College has never been a party to any Undertaking under the Rule.) A failure by the College to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have other remedies at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the College pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

The Bonds will be dated August 1, 1996 and will mature annually each October 1, commencing October 1, 1996, 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 on any principal payment date, 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 October 1, 1996.

Book Entry Only System

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc.; the American Stock Exchange, Inc.; and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners'. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The Authority may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Authority believes to be reliable, but neither the College nor the Authority takes any responsibility for the accuracy thereof.

Prior Redemption

<u>Optional Redemption</u>

Bonds maturing on or after October, 1, 2006 are subject to optional redemption on October 1, 2005, and on any date thereafter if in whole and on any interest payment date thereafter if in part, in such order of maturity as the College shall direct and selected by random means within a maturity, in integral multiples of $5,000, at par plus accrued interest.

The Bonds will also be subject to optional redemption in whole on any date and in part on any interest payment date, in integral multiples of $5,000, at par and accrued interest in certain cases of damage to or destruction or condemnation of the Project Facilities, as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS - The Loan Agreement").

Partial Redemption

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

In the case of Bonds of denominations greater than $5,000, if 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 Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date of Taxability effective until the respective dates on which the principal of the Bonds is paid.

The Bonds shall also be subject to optional redemption in whole or in part on the next date for which due notice can be given and any date thereafter at a price of par and accrued interest without premium. See "TAX EXEMPTION" on pages 18 through 20 and Appendix IV, "DEFINITION OF CERTAIN TERMS."

Additional Bonds

In addition to the Bonds, the Authority may in its discretion and with the consent of the College issue Additional Bonds (i) to provide funds to complete the Project, or (ii) to refund all or any series or portion of series of the then outstanding Bonds, or (iii) to provide funds for improvements to or alterations, repairs or replacement of the Project Facilities or (iv) for another project or projects, as defined in and authorized by the Act, provided that no such Additional Bonds will be issued under the Indenture or secured by the Trust Estate on a parity with the Bonds then outstanding unless:

1. The exclusion of interest on the outstanding Bonds from gross income of the holders of the Bonds for purposes of federal income taxation under the Code shall not be jeopardized by the issuance of the Additional Bonds.

2. Supplements to the Loan Agreement and the Indenture are executed and delivered describing the Additional Bonds as additional indebtedness secured thereby.

3. No Default or Event of Default on the part of the College exists under the Loan Agreement.

4. The College furnishes evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds and comply with certain financial covenants as further provided in Section 6.14 of the Loan Agreement and deposits additional monies or investments in the Reserve Account, to be held by the Trustee under the Indenture in such amount and value as shall bring the amount on deposit in the Reserve Account to the Reserve Requirement, calculated after giving effect to the issuance of the Additional Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Series Four-H Bond Principal	$6,045,000
College Funds	36,297
Investment Earnings	911
Reserve and Other Account Balances from Prior Bonds	1,157,289
Total Sources	$7,239,497
Uses of Funds	
Refunding Escrow for the Prior Bonds	$5,877,800
Computer Acquisition	600,000
Underwriter's Discount Allowance	72,540
Costs of Issuance	84,657
Reserve Account	604,500
Total Uses	$7,239,497

In the event issuance costs including underwriter's 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 first interest payment date.

USE OF THE PROCEEDS

Approximately $600,000 of the proceeds of the Bonds will be used to finance the acquisition and installation of an administrative computer system:

Net proceeds will also be used to finance (i) the refunding of the Authority's outstanding Mortgage Revenue Bonds, Series Three-B (Gustavus Adolphus College), dated October 1, 1990, originally issued to finance the constructing, furnishing and equipping of Confer Hall, a classroom building and the acquisition and installation of chiller and related equipment and piping to improve and expand the air conditioning system; (ii) the refunding of the Authority's outstanding Mortgage Revenue Bonds, Series Two-V (Gustavus Adolphus College), dated November 1, 1989, originally issued to refund the College's portion of outstanding debt in connection with the Authority's Pooled Revenue Bonds, Series 1983-A, which debt was used in part to finance the construction of the Lund Center for Physical Education and Health, a student athletic facility; and (iii) the refunding of the Authority's outstanding Mortgage Revenue Bonds, Series Two-N (Gustavus Adolphus College), dated August 1, 1987, originally issued to finance the remodeling of Johnson Student Union, constructing and equipping of the Interpretive Center related to the arboretum, constructing a ring road connection and 40-car parking lot for Wahlstrom Residence Hall and a 120-car parking lot for the Schaefer Fine Arts Center, and realigning and constructing the South campus entry drive with a new stone entrance sign, all owned and operated by the College and located on its main campus.

The Refunding

Proceeds of the Bonds, together with funds on deposit in certain funds and accounts of the issues to be refunded (collectively, the "Prior Bonds") will be deposited in an Escrow Account to provide for payment of principal and interest on the Prior Bonds to the applicable redemption dates thereof and redemption of the Prior Bonds called prior to maturity at a price of par plus accrued interest. The Prior Bonds consist of:

Prior Bonds	Amount and Maturities Refunded		Redemption Date
Mortgage Revenue Bonds, Series Three-B	$2,700,000	1996-2010	October 1, 2000
Mortgage Revenue Bonds, Series Two-V	$1,165,000	1996-2004	October 1, 1998
Mortgage Revenue Bonds, Series Two-N	$1,660,000	1996-2003	April 1, 1997

Collectively, the projects financed with the proceeds of the Prior Bonds are referred to herein as the "Prior Bonds Project." At the Closing Date, Bond proceeds together with balances in reserve funds and other accounts held by the trustees for the Prior Bonds will be deposited in an Escrow Account to be established pursuant to an Escrow Agreement among Norwest Bank Minnesota, National Association (the "Escrow Agent"), the trustee for the Prior Bonds, the College and the Authority. The Escrow Account will be funded with cash and securities sufficient to provide for defeasance of all the Prior Bonds. In accordance with the trust indentures for the Prior Bonds, the Prior Bonds will no longer be considered outstanding under the indentures upon such deposit for prepayment and will be secured solely by and payable solely from the Escrow Account.

Verification services necessary to ensure the adequacy of the Escrow Account to provide timely payment of the debt service for which the Escrow Account is obligated will be performed by McGladrey & Pullen, Certified Public Accountants.

SUMMARY OF SECURITY FOR THE BONDS

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

The Bonds are secured by the pledge of the Loan Repayments and a Reserve Account. The Loan Repayments are a general obligation of the College. The College will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The College agrees to make such payments out of its operating funds or any other moneys legally available.

The College covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the College as they become due.

The College will also covenant that so long as the Bonds shall remain outstanding:

a. For at least two of the preceding three complete Fiscal Years, the Revenue/Expenditure Test must be met.

b. At May 31, 1996 and at the end of each Fiscal Year thereafter, the unencumbered Unrestricted Quasi-endowment Fund Balance, as reported in the notes to the College's audited financial report, shall be not less than $1,500,000. Within 120 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an Authorized Institution Representative showing the Unrestricted Quasi-endowment Fund Balance, 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 unencumbered Unrestricted Quasi-endowment Fund Balance 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 Quasi-endowment Fund Balance additional unencumbered moneys or investments at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 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 which does not increase the amount of the Maximum Annual Debt Service and further excepting indebtedness for capital projects for which the College has secured funds on hand or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless the average Debt Service Coverage Ratio for the last two Fiscal Years for which audited financial statements are available was at least 110% of Maximum Annual Debt Service of (A) then Outstanding Funded Debt and (B) Funded Debt thereafter incurred or proposed to be incurred; provided that if the additional Funded Debt proposed to be incurred is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for the most recent complete Fiscal Year, for purposes of this paragraph, 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 incurred 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 such Fiscal Year, for purposes of this paragraph, there shall be added to Net Income Available for Debt Service for the two most recent complete Fiscal 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.

For purpose of these covenants, the following terms shall have the following meanings:

"Adjusted Increase (Decrease) in Unrestricted Net Assets" means the Increase (decrease) in Unrestricted Net Assets, as reported in the Statement of Activities section of the audited financial report of the College, adjusted to: (a) exclude depreciation expense and include (as a reduction to unrestricted net assets) the cost of current equipment acquisitions which have been funded through operations and capitalized; (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment; (c) exclude extraordinary gains or losses; and (d) exclude unrealized net gains or losses on investments.

"Board-controlled" means, when used with reference to quasi-endowment funds, funds designated by the Board of Trustees, and not by the donor, to function as quasi-endowment funds and which may be transferred to the Unrestricted Current Fund by action of the Board of Trustees and used for the general purposes of the College.

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

"Funded Debt" means indebtedness for borrowed money having a maturity date of more than one year from the date of creation thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including obligations whenever payable if renewable pursuant to the terms thereof or of a revolving loan agreement for a period of more than one year from the date of creation thereof and including lease rental obligations which, under generally accepted accounting principles, are shown on the balance sheet as a liability, but excluding lease rental obligations which were not shown on the balance sheet as a liability in the College audited financial statements for any fiscal year prior to May 31, 1996.

"Maximum Annual Debt Service" means the largest total amount of principal of and interest on Funded Debt payable by the College in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding subject to the following: (i) If any part of the Funded Debt is outstanding variable rate indebtedness, the rate of interest on the variable rate indebtedness for future Fiscal Years shall be computed at the average rate of interest for the then most recent Fiscal

Year or, at the election of the College, for the then current interest period; if variable rate indebtedness is proposed to be issued, the rate of interest shall be the initial variable rate as estimated by an independent management consultant, or an investment banking firm selected by the College to underwrite the sale of such variable rate indebtedness. (ii) If any part of the Funded Debt outstanding or to be issued is a guarantee by the College of indebtedness of a third person or so-called "pass-through" or "covered" indebtedness (the College having borrowed money to relend to a third person), such Funded Debt shall be excluded if the third person (whose debt is guaranteed or whose payments are expected to service the College's obligations with respect to such Funded Debt) had a Debt Service Coverage Ratio (including the amount of debt proposed to be incurred in the computation of debt service) of at least 110%. (iii) The amount of debt service with respect to "balloon indebtedness" may, at the option of the College be calculated on a level debt service basis over the period ending the Fiscal Year when the balloon is payable; as used herein, "balloon indebtedness" means Funded Debt 25% or more of the principal of which is due in any 12 month period. (iv) The amount of debt service with respect to "put" indebtedness shall be calculated at the maximum amount of principal of or interest on such indebtedness which the College may be required to purchase or redeem in any Fiscal Year; provided that if there is a written commitment from a bank or other financial institution to refinance the amount of any indebtedness which the College may be required to redeem or purchase, the debt service with respect to such put indebtedness may, at the option of the College, be calculated on the basis of the repayment schedule contemplated by such written commitment, commencing the date such commitment will (unless renewed) expire; "put" indebtedness means Funded Debt (A) which the College may be required, at the option of the holder thereof, to prepay or purchase prior to the stated maturity date thereof, in whole or in part, but if in part, in an amount 25% or more of the original principal amount thereof and (B), if subject to variable rates, is then in an interest rate reset period of more than two years. (v) There shall not be taken into account any part of the Funded Debt of the College which has been refunded, refinanced or otherwise defeased under an arrangement whereby all future payments of such indebtedness will be met from monies and investments held by an indenture trustee or escrow agent, provided that any such investments shall be direct obligations of or obligations fully guaranteed by the United States of America. (vi) If any part of such Funded Debt consists of crossover refunding debt, no part of the debt service with respect to such crossover refunding debt shall be taken into account prior to the crossover date, and after the crossover date, no part of the debt service of the refunded debt shall be taken into account. (vii) If any part of such Funded Debt is "nonrecourse" indebtedness or "subordinated" indebtedness, no part of the debt service with respect thereto shall be taken into account; "nonrecourse" indebtedness means indebtedness payable only from a limited fund and secured only by property purchased or acquired from the proceeds of such indebtedness; "subordinated" indebtedness means indebtedness the principal and interest on which are subordinated to payment of the Bonds by a written instrument of the holder, a copy of which is filed with the Trustee. (viii) The amount of any reserve fund for any Funded Debt issued or proposed to be issued may be deducted from debt service for the Fiscal Year or Years in which such Funded Debt finally matures and for payment of which the reserve fund moneys may be used without creating a default.

"Net Income Available for Debt Service" means (i) for the Fiscal Year ended May 31, 1995 and prior Fiscal Years, Unrestricted Current Fund revenues over Unrestricted Current Fund expenditures (excluding depreciation, amortization and interest from expenditures), plus income from investment of Accounts held by the Trustee under the Indenture, as determined by generally accepted accounting principles as applied in preparation of the College financial statements for such Fiscal Years and (ii) for any Fiscal Year ended after May 31, 1995, the Adjusted Increase (Decrease) in Unrestricted Net Assets (plus interest payments on Funded Debt).

"Revenue/Expenditure Test" means (i) for the Fiscal Year ended May 31, 1995 and prior Fiscal Years, that Unrestricted Current Fund revenues were at least equal to Unrestricted Current Fund expenditures, including mandatory transfers, according to principles of accounting used in the preparation of the College's financial statements for such Fiscal Years; and (ii) for any Fiscal Year ending after May 31, 1995, the Adjusted Increase in Unrestricted Net Assets shall not be less than zero.

For purposes of (a), (b) and (c) above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by the College's auditors in the report of the College's financial statements for the Fiscal Year ended May 31, 1995, if relating to such Fiscal Year or prior Fiscal Years and for the Fiscal Year ended May 31, 1996 if relating to such Fiscal Year or any subsequent Fiscal Year.

The above-described covenants may be modified to reflect changes in presentation of the financial statements. The College may elect on or before 180 days after May 31, 1997 to submit modifications to the Trustee accompanied by, among other things, evidence that the rating on the Bonds will not be adversely affected by the modification to the covenants and certain representations of the College. Any modifications are intended to enable the College's auditors to certify compliance with the covenants based upon the financial statements as presented under new standards and not intended to make the covenants less restrictive. See Appendix I - "Financial Statements", for a discussion on the changes in financial reporting for not-for-profit organizations which may require modification of the above-described covenants.

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 creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds, after deposits to the Escrow Account, are to be deposited into the Construction Account, except that the amount of the Reserve Requirement will be deposited into the Reserve Account, and accrued interest, if any, will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, or the Redemption Account, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Escrow Account

On the Issue Date, there shall be deposited in the Escrow Account, pursuant to the Escrow Agreement, an amount sufficient from the proceeds of the Series Four-H Bonds, and from amounts held by the trustee for the Prior Bonds in the reserve accounts for the Prior Bonds and the bond accounts for the Prior Bonds to be used for the payment upon maturity prior to and redemption on (i) April 1, 1997 of all of the then outstanding Series Two-N Bonds; (ii) October 1, 1998 of all of the then outstanding Series Two-V Bonds and (iii) October 1, 2000 of all of the then outstanding Series Three-B Bonds, including accrued interest and without redemption premium. The Authority shall have no obligation to provide moneys to pay the Series Two-N Bonds, the Series Two-V Bonds, the Series Three-B Bonds or costs of such refunding, other than from the funds described above.

Construction Account

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account, and the Reserve Account. In addition to such proceeds of the Bonds, by the Loan Agreement, the College has covenanted that it will provide and apply additional funds, if any, which, together with Bond proceeds, will be sufficient to provide for the payment of all Project Costs and all other costs relating to the Project. The Authority shall have no obligation to deposit any moneys in said Construction Account or apply moneys to Project Costs except proceeds of the Bonds or funds made available therefor by the College.

The moneys in the Construction Account shall be held in trust by the Trustee and applied to the payment and reimbursement of Project Costs and pending such application shall be subject to a lien and charge in favor of the Holders of the Bonds and shall be held for the further security of such Holders until paid out.

Payments may be made from the Construction Account for costs of improvement, acquisition, construction and equipping of the Project ("Project Costs"), provided, however, that proceeds of the Bonds may not be applied to the costs of issuance thereof (including underwriting discount) in an amount in excess of two percent of the proceeds (par value less original issue discount according to the reoffering scale) of the Bonds.

Project Costs shall be paid only upon written order of the Authorized Institution Representative provided that interest accruing on the Bonds during the Construction Period may be paid from the Construction Account.

Bond and Interest Sinking Fund Account

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

Reserve Account

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

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the College shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the College for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than as of the first day of the calendar month next preceding October 1, 1996 and each interest payment date thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the lesser of the amount of the Reserve

Requirement, or the amount permitted for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days.

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

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.**

Authorized Investments

Moneys on deposit to the credit of the Construction Account, Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, rated at least "AA" or "Aa"; revenue bond obligations of states and local governments insured by municipal bond insurance and rated "AAA" or "Aaa"; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States Government, its agencies, state and local governments; time deposits and other accounts fully insured by the

Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least "A"; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

THE AUTHORITY

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

J. Luther Anderson has been the Executive Director of the Authority since June 30, 1995, at which time he replaced Joseph E. LaBelle, who retired after serving as Executive Director since the inception of the Authority. Mr. Anderson was formerly a Senior Vice President with Springsted Incorporated.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $350 million. The Authority has had 95 issues (including refunded and retired issues) totaling $460,364,189 of which $249,021,274 (excluding the Bonds) is outstanding as of July 1, 1996. An additional $3,000,000 has been authorized but unissued as of that date. 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. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

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

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

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority 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.

FINANCIAL ADVISOR

The Authority has retained Springsted Incorporated, Public Finance Advisors, of St. Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon College officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

RATING

An application for a rating of the Bonds has been made to Moody's Investors Service ("Moody's"), 99 Church Street, New York, New York. If a rating is assigned, it will reflect only the opinion of Moody's. Any explanation of the significance of the rating may be obtained only from Moody's.

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 Moody's, 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 LLP 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, Ltd., of 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) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed or refinanced by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the College, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to additional interest and optional redemption without premium. (See "THE LOAN AGREEMENT—Determination of Taxability" in Appendix V). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

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

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, 1996.

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

In addition, interest on the Bonds is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of a property, casualty or other insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year. In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of its gross receipts 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 LLP, Bond Counsel, under present laws and rulings: interest on the Bonds is not includable in gross income for federal income tax purposes or in the taxable income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations and is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

THE COLLEGE

Gustavus Adolphus College is a four-year, co-educational, liberal arts college located in St. Peter, Minnesota. The College was founded originally in 1862 as the Minnesota Preparatory School in Red Wing, Minnesota. After one year, it was named St. Ansgar's Academy and moved to East Union, Minnesota. In 1876, the institution was moved to St. Peter where it was named Gustavus Adolphus College to honor the Swedish King who defended Protestantism during the Thirty Years War. The College is 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 Minnesota Higher Education Services Office.

Governance

The College is governed by a Board of Trustees who serve three-year terms. The current Board has 36 members.

Dwight Holcombe	Vice Chairman, Marigold Foods, Minneapolis, Minnesota
Arland Hultgren	Professor, Luther Northwestern Theological Seminary, St. Paul, Minnesota
C. Charles Jackson	Retired Businessman, Minnetonka, Minnesota
Dwight Jaeger	Orthopedic Surgeon, St. Cloud Orthopedic Association, St. Cloud, Minnesota
Talmadge E. King, Jr.	Executive Vice President for Clinical Affairs, National Jewish Center for Immunology and Respiratory Medicine, Denver, Colorado
Ron Koch	Pastor, Bethlehem Lutheran Church, St. Cloud, Minnesota
Paul R. Kuehn	President, Miller, Johnson & Kuehn, Minneapolis, Minnesota
Judith Kaeding Larsen	Vice President, Dataquest, San Jose, California
Philip J. Lindau	President, Commodity Specialists Company, Minneapolis, Minnesota
Steve Linder	President, Lakeland Broadcasting Company, Willmar, Minnesota
Judith M. Mattison	Associate Pastor, University Lutheran Church of Hope, Minneapolis, Minnesota
Stanley N. Olson	Bishop, Southwestern Minnesota Synod, ELCA, Redwood Falls, Minnesota
M. Susan Peterson	Senior Pastor, Gloria Dei Lutheran Church, St. Paul, Minnesota
Ruth A. Reister	President, The Groveland Corporation, Minneapolis, Minnesota
Florence Sponberg	Professor Emeritus, Mankato State University, Mankato, Minnesota
Axel D. Steuer	President, Gustavus Adolphus College, St. Peter, Minnesota
Gretchen Taylor	Homemaker, Mankato, Minnesota
George B. Torrey	President, Herberger's (retired), St. Cloud, Minnesota
Cathy Waldhauser	Vice President, Actuarial, LifeUSA Insurance Company, Minneapolis, Minnesota
Anita J.T. Young	Vice President and Treasurer, Lutheran Brotherhood, Minneapolis, Minnesota
Paul M. Youngdahl	Senior Pastor, Mount Olivet Lutheran Church, Minneapolis, Minnesota

President

Dr. Axel D. Steuer has served as President of Gustavus Adolphus College since 1991. Dr. Steuer received his bachelor's degree in philosophy and psychology from Occidental College in 1965. After completing a master's degree in philosophy at Harvard University, a divinity degree at Harvard Divinity School, and a doctorate in religious thought at the University of Pennsylvania, President Steuer taught at Haverford College, Princeton University and Swarthmore College before returning to Occidental College in 1976 as a faculty member.

He served as Chair of the Department of Religious Studies for six years and also as Associate Dean of Faculty and Director of Graduate Studies at Occidental. Before coming to Gustavus Adolphus College, Dr. Steuer served as the executive assistant to the president at Occidental College from 1987 to 1991.

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 1200.

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 330 acres overlooking St. Peter and the Minnesota River Valley. College facilities consist of 28 main campus buildings, including eleven residence halls. The total insured value of the College buildings is approximately $132,000,000.

The residence halls house 1,875 students or approximately 80% of the student body. Students are required to live in campus housing unless granted permission to live off-campus.

The oldest building is Old Main, which was built in 1876 as the original College building. The most recent completed additions to the campus facilities are Confer Hall, Olin Hall and the Swanson Tennis Center. Confer Hall was constructed in 1991 and has 21,120 square feet. It is principally a classroom building, but also houses academic offices for various language departments. Olin Hall was also constructed in 1991. Olin Hall houses math and computer science, physics and academic computing departments and has 64,259 square feet of classrooms, laboratories and academic offices. The Swanson Tennis Center is a recreation facility containing 53,222 square feet and was constructed in 1992.

In 1995, the College began a three year renovation and expansion of the Nobel Hall of Science. The expansion will add 10,504 square feet to the building, bringing its total to 93,597. The 1995 phase included replacement of the rooftop greenhouse and renovation of some classroom and laboratory space. The 1996 phase includes the building expansion, and the 1997 phase will renovate more classroom and laboratory space. The building houses the biology, chemistry, geology and geography departments.

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)
1991-92	2,303	2,271	1996-97	2,400	2,390
1992-93	2,271	2,247	1997-98	2,390	2,375
1993-94	2,316	2,296	1998-99	2,390	2,375
1994-95	2,362	2,347	1999-00	2,390	2,375
1995-96	2,398	2,379	2000-01	2,390	2,375

Approximately 69% of the students of the 1995/96 first year class at the College are from Minnesota. A total of 35 states are represented.

Applications, Acceptances and Enrollments

Applications, acceptances and enrollments for first-year students for the past five academic years are as follows:

	1991-92	1992-93	1993-94	1994-95	1995-96
Applications	1,340	1,701	1,709	1,828	1,801
Acceptances	1,235	1,344	1,385	1,439	1,484
Percent Accepted	92.2%	79.0%	81.0%	78.7%	82.4%
Enrolled	628	619	634	604	638
Percent Enrolled to Accepted	50.9%	46.1%	45.8%	42.0%	40.0%

Graduation Rate for First Year Students Graduating in Four Years

Entering Year	4-year Graduation rate
1988	74.4%
1989	76.3%
1990	74.3%
1991	74.3%
1992	74.4%

Student Retention

For the past five academic years, the College has experienced the following overall retention rates. These percentages represent the combined percentages of first year, second year and third year students re-enrolled from one fall semester to the next fall semester.

Fall 1990 to Fall 1991: 85.6%
Fall 1991 to Fall 1992: 88.1%
Fall 1992 to Fall 1993: 87.7%
Fall 1993 to Fall 1994: 88.0%
Fall 1994 to Fall 1995: 87.7%

Tuition and Fees

The College meets the costs of its educational programs primarily through tuition and fees. The following table lists the fees charged full-time students for the past four academic years and as adopted by the Board of Trustees for the 1996-97 academic year.

	1992-93	1993-94	1994-95	1995-96	1996-97
Tuition for First Year Student	$12,600	$13,400	$14,125	$14,760	$15,350
Room and Board*	3,225	3,500	3,600	3,760	3,900
Fees	35	35	70	80	180
Total	$15,860	$16,935	$17,795	$18,600	$19,430

* *Average room charges; may be more or less depending on residence hall and number of students per room.*

Certain other fees may be charged depending on the course of study.

1995-96 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by 1995-96 Comprehensive Fee)

College	Tuition & Fees	Room & Board	Comprehensive Fees
Carleton College	$20,300	$4,125	$24,425
Macalester College	16,686	4,975	21,661
St. Olaf College	15,000	3,850	18,850
Gustavus Adolphus College	**14,760**	**3,760**	**18,520**
Hamline University	13,808	4,342	18,150
Minneapolis College of Art & Design	13,942	3,660	17,602
University of St. Thomas	13,106	4,374	17,480
College of Saint Catherine	13,190	4,282	17,472
College of Saint Benedict	13,089	4,370	17,459
St. John's University	13,089	4,224	17,313
Augsburg College	12,604	4,591	17,195
Bethel College	12,260	4,460	16,720
College of St. Scholastica	12,534	3,807	16,341
St. Mary's University of Minnesota	11,280	3,770	15,050
Concordia College (St. Paul)	10,815	3,930	14,745
Concordia College (Moorhead)	10,720	3,280	14,000
Average	$13,574	$4,113	$17,686

NOTE: *Charges apply to new entering students only. Several colleges have differential tuition for upperclass students, housing cost freezes for returning students or other policies that result in variation in costs.*

Source: *Minnesota Private College Council.*

Financial Aid

Approximately 84% of the student body annually receives some form of financial aid. The following table is a five-year summary of financial aid received from both College and non-College sources.

	1990-91	1991-92	1992-93	1993-94	1994-95
Grants/Scholarships:					
Federal	$ 836,008	$ 946,135	$ 993,600	$ 919,632	$ 922,919
State	2,259,436	2,400,501	2,668,428	2,716,612	2,643,968
College	3,974,694	4,705,675	5,586,906	6,453,366	7,860,003
Private	511,267	627,419	735,627	827,203	952,608
Total	$ 7,581,405	$ 8,679,730	$ 9,984,561	$ 10,916,813	$ 12,379,498
Loans	$ 2,555,105	$ 2,879,096	$ 3,536,643	$ 5,000,156	$ 5,595,741
Work-Study	1,136,535	1,311,891	1,378,767	1,533,233	1,585,198
Grand Total	$11,273,045	$12,870,717	$14,899,971	$17,450,202	$19,560,437
Number of Students Receiving Assistance	1,708	1,719	1,753	1,851	1,933

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 188 full-time and 65 part-time faculty. Average salaries by full-time faculty rank are:

Rank	Number	Average Salary	Percent Tenured
Professor	55	$52,384	98%
Associate Professor	59	43,153	95
Assistant Professor	37	36,499	0
Instructor	13	31,403	0

Pension Plans

The College has certain contributory defined contribution pension plans for academic and non-academic personnel. Contributions for employees are determined on a percentage of annual salary. The cost of the retirement plans is paid currently and amounted to approximately $864,000 for the year. The College also provides health insurance coverage for retired employees. The cost of this coverage for the year was approximately $78,000.

Financial Accounting Standards Board Statement No. 106, *Accounting for postretirement Benefits Other than Pensions*, requires recording the present value of such obligations. The College will adopt Statement 106 in its fiscal year ending May 31, 1996. The College estimates the present value of postretirement health benefits as the plan currently exists to approximate $830,000 as of May 31, 1996.

Capital Campaign

The College is engaged in a $32.5 million capital campaign which was officially announced on April 29, 1995. As of June 1, 1996, the College has secured $25.5 million in gifts and pledges for endowment, current operations and building, including technology enhancements. The campaign is scheduled for completion on May 31, 1997.

Endowment Funds

Following is a five-year history of the ending fund balances of the College's Endowment Funds and Similar Funds and Deferred Gift Funds:

Year Ended May 31	Endowment Fund	Unrestricted Funds Functioning As Endowment	Deferred Gift Funds
1995	$32,710,841	$5,406,344	$10,873,511
1994	30,835,633	5,033,401	11,697,410
1993	26,270,193	4,502,012	9,813,540
1992	23,302,077	4,224,739	8,038,947
1991	21,343,565	3,788,623	6,676,027

The Greater Gustavus Fund is a corporation which exists for the benefit of the College. The Fund had a market value of approximately $670,000 at May 31, 1995. During fiscal 1995, the College received approximately $104,000 in distributions from the Fund.

Gifts, Grants and Contracts

Gifts and grants revenues received from federal, State and private sources for the past five years have been:

Fiscal Year Ended May 31	Current Unrestricted Fund	Current Restricted Funds	Endowment Funds	Deferred Gift Funds	Plant Funds
1995	$1,204,197	$2,537,341	$1,589,593	$1,507,740	$ 684,208
1994	1,431,317	3,034,234	3,256,712	558,620	583,052
1993	1,254,043	3,004,338	1,236,510	1,578,627	604,211
1992	1,346,831	2,440,194	1,471,883	1,715,888	1,373,369
1991	1,951,141	2,405,136	838,510	440,107	5,934,113

Financial Statements

The College's fiscal year ends May 31 of each year. Financial records have historically been maintained on the fund accounting system and financial statements are prepared on the accrual basis of accounting. Appendix VI sets forth the financial statements of the College for the year ended May 31, 1995, audited by Virchow, Krause & Company, Certified Public Accountants, Minneapolis, Minnesota. The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

The College expects that the presentation of financial statements prepared for the Fiscal Year ended May 31, 1996 will be significantly different from the presentation contained in Appendix VI. The Financial Accounting Standard Board ("FASB") has adopted two Statements of Financial Accounting Standards ("SFAS"), SFAS No. 116 and SFAS No. 117, which affect financial reporting by not-for-profit organizations. These standards will affect the College's financial statements beginning with the Fiscal Year ended May 31, 1996. Changes in presentation will impair the comparability between financial statements for the Fiscal Years ended prior to May 31, 1996 and financial statements for 1996 and thereafter.

SFAS No. 116 establishes accounting standards for contributions and applies to all entities that receive or make contributions. Generally, contributions received, including unconditional promises to give, will now be recognized as revenues, at their fair values, in the period in which the promise was made. This is a departure from prior standards under which colleges did not recognize promises to give until the asset was received.

SFAS No. 117 establishes standards for general-purpose external financial statements that will be more comparable to for-profit entities. The new statement requires classification of an organization's net assets, as well as its revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. It requires three classes of net assets, permanently restricted, temporarily restricted and unrestricted, to be displayed in a statement of financial position. It also requires the amount of change in each of those classes of net assets to be displayed in a statement of activities. In addition, it requires a statement of cash flows that focuses on the entity as a whole. Revenues that are classified as temporarily restricted or permanently restricted consist almost entirely of donor-restricted contributions. Most other types of revenue will be accounted for in the unrestricted asset class.

Summaries of Current Funds Revenues, Expenditures and Transfers

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 from the College's audited financial statements and the budget and actual (unaudited) for the Unrestricted Current Fund for the Fiscal Year 1995/1996. These tables should be read in conjunction with the financial statements found in Appendix VI.

Gustavus Adolphus College
Summary of Current Fund Revenues, Expenditures and Other Changes

	Fiscal Year ended May 31,				
	1991	1992	1993	1994	1995
REVENUES					
Tuition & Fees	$22,500,324	$24,373,337	$26,431,113	$28,818,390	$30,995,157
Government Grants	78,677	91,962	111,594	154,133	133,889
Private Gifts and Grants	1,951,141	1,346,831	1,254,043	1,431,317	1,204,197
Endowment Income	302,761	205,495	249,220	385,948	376,994
Sales of Educ. Services	35,127	11,918	20,930	25,000	47,113
Other Sources	860,531	1,013,401	804,576	900,516	1,109,477
Total Revenues Before Auxiliary Enterprises	$25,728,561	$27,042,944	$28,871,476	$31,715,304	$33,866,827
Auxiliary Enterprises	7,611,345	7,928,163	8,282,396	9,022,798	9,388,359
TOTAL REVENUES	$33,339,906	$34,971,107	$37,153,872	$40,738,102	$43,255,186
EXPENDITURES AND MANDATORY TRANSFERS					
Educational and General					
Instruction	$11,250,523	$11,454,945	$12,387,181	$12,661,838	$13,632,309
Public Service	214,923	199,480	269,072	272,590	347,501
Academic Support	1,003,370	1,097,572	1,166,781	1,337,158	1,400,095
Student Services	2,533,555	2,858,015	3,211,420	3,325,401	3,404,176
Institutional Support	3,702,838	3,853,484	3,884,183	3,952,967	4,727,027
Operation and Maintenance	2,569,204	2,826,331	3,068,998	3,210,253	3,142,457
Scholarships and Grants	3,706,726	4,087,783	4,963,782	5,995,954	6,705,153
Educational and General Expenditures	$24,981,139	$26,377,610	$28,951,417	$30,756,161	$33,358,718
Mandatory Transfers for Principal and Interest	482,522	634,667	745,801	787,978	853,703
Pooled Life Income Fund	162,562	273,179	347,292	399,493	430,532
Loan Fund Matching Grants	6,125	4,682	0	17,627	44,140
Total Education and General	$25,632,348	$27,290,138	$30,044,510	$31,961,259	$34,687,093
Auxiliary Enterprises					
Expenditures	6,448,727	6,368,420	6,417,085	7,313,353	7,074,884
Mandatory Transfers for Principal and Interest	0	0	0	0	0
Pooled Life Income Fund	72,418	72,418	72,418	72,418	72,418
Total Auxiliary Enterprises	$6,521,145	$6,440,838	$6,489,503	$7,385,771	$7,147,302
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	$32,153,493	$33,730,976	$36,534,013	$39,347,030	$41,834,395
Excess of Revenues over Expen– ditures & Mandatory Transfers	$1,186,413	$1,240,131	$619,859	$1,391,072	$1,420,791
Other Transfers & Additions (Deductions)					
Endowment Funds	($881,664)	($447,001)	($94,458)	($450,152)	($362,535)
Deferred Gift Funds	(14,000)	(20,000)	(25,000)	(25,000)	(25,000)
Unexpended Plant Fund	(75,358)	(726,653)	(531,804)	(915,920)	(1,033,256)
Other	(215,391)	(46,477)	31,403	0	0
Net Increase (Decrease) in Fund Balance	$0	$0	$0	$0	$0

GUSTAVUS ADOLPHUS COLLEGE
1995-96 UNRESTRICTED OPERATING FUND

	1995-96 Budget	1995-96 (Unaudited)
Revenues:		
Tuition and Fees	$33,016,185	$33,263,791
Government Cost Recoveries	113,011	167,197
Gifts and Grants	1,450,000	1,397,168
Endowment Income	400,000	457,042
Residence Halls	3,285,726	3,378,459
Food Service	4,163,349	4,254,605
Bookstore/Computer Store	2,139,000	2,489,809
Investment Income	508,000	549,445
Athletic Income	145,375	111,674
Matured Deferred Gifts	0	146,987
Other Income	432,700	591,547
Total Revenues	$45,653,346	$46,807,724
Expenditures:		
Mandatory		
Instruction	$ 1,927,879	$ 1,885,293
Research	39,113	34,060
Public Service	151,462	178,313
Academic Support	574,398	566,184
Student Services	1,394,246	1,446,614
Institutional Support	1,727,942	2,189,149
Maintenance of Plant	2,905,685	3,025,048
Debt Service	1,433,200	1,448,478
Financial Assistance	9,520,000	9,389,894
Auxiliary Enterprises	3,674,424	3,812,917
Salary and Benefits	21,704,997	21,500,317
Total Mandatory Expenditures	$45,053,346	$45,476,267
Excess of Revenues over Mandatory Expenditures	600,000	1,331,457
Non-Mandatory		
Transfer to Endowment Fund		82,800
Transfers to Plant Fund	300,000	972,356
Excess of Revenues over Expenditures	$ 300,000	$ 276,301

Long-Term Debt of the College as of July 1, 1996

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

2. Contract for deed incurred in 1991; payable in annual principal installments of $20,000 with the final payment due December 1, 2002. Interest is payable annually at 1% over prime; $140,000 is outstanding.

3. $622,189 Minnesota Higher Education Facilities Authority Lease and Purchase Agreement; Series Three-V, dated 1993, interest rate of 5.18%, final payment due August 4, 2000; $425,051 is outstanding. The College has granted a security interest in the equipment to Norwest Investment Services, Inc., the lender in the transaction.

4. $2,550,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-N, dated August 1, 1987. These bonds will be refunded by the Series Four-H Bonds.

5. $1,440,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-V, dated November 1, 1989. These bonds will be refunded by the Series Four-H Bonds.

6. $3,000,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-B, dated October 1, 1990. These bonds will be refunded by the Series Four-H Bonds.

7. The Series Four-H Bonds.

Total of long-term debt outstanding as of July 1, 1996 adjusted to include the Bonds and excluding the Prior Bonds is $6,472,551*.

Short-Term Debt

The College maintains a $1,500,000 unsecured line of credit with a local bank payable on demand which it draws on from time to time during the summer months and repays after receipt of student fees in the fall. Interest is payable at 0.75% over prime. This line of credit expires on October 15, 1996. As of July 1, 1996, the College had no borrowings under this agreement. The College expects to renew the line of credit annually.

Annual Debt Service by Fiscal Year and Coverage Statement

The table on page I-14 shows (i) the estimated debt service for each of such Fiscal Years on the Series Four-H Bonds; (ii) the annual debt service of the College for each of the listed Fiscal Years ending May 31 with respect to all remaining long-term indebtedness; (iii) the combined total annual debt service for each of such Fiscal Years; and (iv) the amount of coverage for the combined annual debt service provided by the "income available for debt service" for the Fiscal Year ending May 31, 1995. For purposes of this table "income available for debt service" means the sum of (i) unrestricted current fund revenues less unrestricted current fund expenses and mandatory transfers for all purposes plus (ii) mandatory transfers for the payment of debt service, all as stated in the audited financial statements of the College attached hereto as Appendix VI.

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* *Subject to change.*

This table is intended merely to show the relationship of historic annual revenues of the College available for the payment of debt service to a pro forma statement of combined annual debt service of the College based on an assumed interest rate and amortization schedule with respect thereto. It is not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the College. There is no assurance that the future revenues, expenses, debt service and debt service coverage of the College or the respective relationships thereof will correspond to the revenues, expenses and debt service or the respective relationships thereof shown by or reflected in the following table.

GUSTAVUS ADOLPHUS COLLEGE

ANNUAL DEBT SERVICE BY FISCAL YEAR AND COVERAGE STATEMENT

Fiscal Year Ending	Projected Debt Service on Series Four–H(a)	Existing Long Term Debt Service	Combined Long Term Debt Service	Amount Available for Debt Service (b)	Debt Service Coverage Based on FY 1995 Net Revenue
(1)	(2)	(3)	(4)	(5)	(6)
05/31/96	$0	$854,866	$854,866	$2,274,494	2.66
05/31/97	343,012	745,566	1,088,578	2,274,494	2.09
05/31/98	806,044	110,115	916,159	2,274,494	2.48
05/31/99	850,304	107,104	957,408	2,274,494	2.38
05/31/2000	846,275	107,104	953,379	2,274,494	2.39
05/31/2001	854,850	53,552	908,402	2,274,494	2.50
05/31/2002	690,353	0	690,353	2,274,494	3.29
05/31/2003	688,195	0	688,195	2,274,494	3.31
05/31/2004	698,755	0	698,755	2,274,494	3.26
05/31/2005	410,095	0	410,095	2,274,494	5.55
05/31/2006	281,705	0	281,705	2,274,494	8.07
05/31/2007	281,065	0	281,065	2,274,494	8.09
05/31/2008	279,655	0	279,655	2,274,494	8.13
05/31/2009	277,455	0	277,455	2,274,494	8.20
05/31/2010	279,293	0	279,293	2,274,494	8.14
05/31/2011	788,715	0	788,715	2,274,494	2.88
Totals:	$8,375,771	$1,978,307	$10,354,078		

(a) Estimated debt service based on average annual rate of 5.726%.

(b) Fiscal Year Ended 5/31/95 Net Income Available for Debt Service, based on May 31, 1995 Audited Financial Statement of the College.

Unrestricted Current Fund ("UCF") Revenues:	$43,255,186
Less: UCF Expenditures & Mandatory Transfers	$41,834,395
Excess of UCF Revenues over UCF Expenditures and Mandatory Transfers:	$1,420,791
Plus: Mandatory Transfers for Debt Service:	$853,703
Amount Available for Debt Service:	$2,274,494

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PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON
PROFESSIONAL LIMITED LIABILITY PARTNERSHIP
2200 NORWEST CENTER, 90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
TELEPHONE 612-336-3000
FACSIMILE 612-336-3026

$__________
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Four-H
(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 (initially book-entry) Revenue Bonds, Series Four-H (Gustavus Adolphus College), in the aggregate principal amount of $_________ (the "Bonds"), dated August 1, 1996, in the denomination of $5,000 each and integral multiples thereof, maturing on October 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

October 1 of the Year	Amount	Basic Interest Rate	October 1 of the Year	Amount	Basic Interest Rate
1996			2003		
1997			2004		
1998			2005		
1999			20__		
2000			20__		
2001			20__		
2002					

The Bonds are subject to optional redemption prior to the stated maturities thereof as provided in the Bonds and the Indenture. Interest on the Bonds is payable on each April 1 and October 1, commencing October 1, 1996. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds are subject to additional interest and optional redemption. Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the principal corporate trust 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 finance equipment acquisition and to refund certain bonds issued by the Authority for the benefit of the College. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College and the Trust Indenture (the "Indenture") between the Authority and the Trustee each dated as of August 1, 1996, one or more opinions of MacKenzie & Gustafson, Ltd. as counsel to the College, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of MacKenzie & Gustafson, Ltd. as to the Loan Agreement having been duly authorized and executed and being binding upon the College and as to the corporate organization, tax-exempt status, good standing and powers of the College, and as to title to the Project Site (as defined in the Loan Agreement and 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 and the Indenture to secure the Bonds.

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

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

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of Federal income taxation or in taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") or

Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. 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 and the Loan Agreement 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, August ____, 1996.

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement"), by and between Gustavus Adolphus College, a Minnesota nonprofit corporation (the "College") and Norwest Bank Minnesota, National Association, as trustee under the Indenture described below (the "Trustee"), is dated as of August 1, 1996.

RECITALS

A. Pursuant to a Trust Indenture of even date herewith between the Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota (the "Issuer") and the Trustee (the "Indenture"), the Issuer is issuing $_________ Revenue Bonds, Series Four-H (the "Bonds"). The Series Four-H Bonds will be offered for sale pursuant to an Official Statement dated July __, 1996 (together with any amendments thereof or supplements thereto, the "Final Official Statement").

B. Proceeds of the Bonds will be loaned to the College pursuant to a Loan Agreement between the Issuer and the College (the "Loan Agreement") dated as of even date herewith, with all principal of and interest on the Bonds intended to be repaid from Loan Repayments as defined in the Loan Agreement.

C. This Agreement is being entered into in response to promulgation by the Securities and Exchange Commission (the "Commission") of certain amendments to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, restricting participating underwriters from purchasing municipal securities unless an agreement has been entered into to provide certain continuing disclosure concerning the municipal securities after their issuance.

NOW THEREFORE, in consideration of the Issuer's issuance of the Bonds, the purchase of the Bonds by the participating underwriters, and other good and valuable consideration, the parties hereto agree as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section or the foregoing Recitals, the following capitalized terms shall have the following meanings:

"Annual Report" means, with respect to the Reporting Party, a document or set of documents which contains (or includes by reference as provided in Section 2 hereof) financial and operating data with respect to the Reporting Party described in the Exhibit hereto.

"Annual Report Date" means, with respect to each Annual Report, the date so designated in the Exhibit hereto.

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

"Listed Events" shall mean any of the events listed in Section 3(a) of this Agreement.

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

Bloomberg Municipal Repository
P.O. Box 840
Princeton, N.J. 08542-0840
phone: (609) 279-3200

R.R. Donnelly Financial Municipal Securities
Disclosure Archive
559 Main Street
Hudson, Mass. 01749
phone: (800) 580-3670

Thomsons Municipal Services
Attn: Municipal Disclosure
395 Hudson Street - 3rd Floor
New York, NY 10014
phone: (800) 689-8466

Kenny Information Systems Inc.
Attn: Kenny Repository Service
65 Broadway - 16th Floor
New York, N.Y. 10006
phone: (212) 770-4595

Disclosure, Inc.
Attn: Document Acquisitions/Municipal
Securities
5161 River Road
Bethesda, Md. 20816
phone: (301) 215-6015

Moody's NRMSIR
Public Finance Information Center
99 Church Street
New York, N.Y. 10007
phone: (800) 339-6306

"Participating Underwriters" shall mean _____________ and associates purchasing the Bonds.

"Reporting Party" shall mean, subject to release as provided in Section 4 hereof, the College; together with any successors or assigns as provided in Section 4 hereof.

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

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934, as in effect on the date hereof.

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

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

SECTION 2. Provision of Annual Report.

(a) On or before the Annual Report Date, the Reporting Party shall cause the Annual Report of the Reporting Party to be delivered to the Issuer, the Trustee and each Repository; provided that if the Annual Report consists of a final Official Statement within the meaning of the Rule it shall also be delivered to the Municipal Securities Rulemaking Board (the "MSRB").

(b) To the extent included in an Annual Report, financial statements shall be audited and prepared in accordance with generally accepted accounting principles, as in effect from time to time.

(c) Each Annual Report may incorporate by reference any information on file with each Repository or the Commission, instead of setting forth such information in the Annual Report.

(d) Concurrent with delivery of an Annual Report to the Trustee there shall be also delivered to the Trustee a written certification from the Reporting Party stating whether or not the Annual Report has been provided and describing arrangements made by the Reporting Party to provide the Annual Report to each Repository.

(e) If the Trustee has not received an Annual Report by February 1 of each year, commencing February 1, 1997, together with the certification by the Reporting Party described in Section 2(d), the Trustee shall promptly notify the Disclosure Representative of the failure to receive the Annual Report and certification. If the Trustee is unable to verify by the Annual Report Date that an Annual Report was provided to each Repository and if the Trustee has received such Annual Report, the Trustee shall, at the expense of the Reporting Party, promptly provide the Annual Report to each Repository for whom verification was not obtained.

SECTION 3. Reporting of Listed Events.

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

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

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

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

(c) The Trustee shall promptly give notice to each Repository or MSRB of a failure of the Reporting Party to provide the Annual Report on or before the Annual Report Date.

SECTION 4. Termination of Reporting Obligation. The Reporting Party's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. The obligations hereunder of the Reporting Party shall also terminate upon the release of the obligation of such party to pay any amounts due or to become due under the Loan Agreement; provided that if such release occurs because of any transfer of assets or the merger of the Reporting Party and the transferee or resultant organization assumes such obligations of the Reporting Party, the Reporting Party shall first require such transferee or resultant organization to assume the obligations of the Reporting Party hereunder.

SECTION 5. Amendment. Notwithstanding any other provision of this Agreement, the Reporting Party and the Trustee may amend any provision of this Agreement (and the Trustee shall agree to any amendment so requested by the Reporting Party so long as, in the judgment of the Trustee, its burdens or liabilities are not increased thereby), subject to the following conditions:

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

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

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

In addition, any Annual Report containing amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information. If an amendment to this Agreement relates to a change in the accounting principles to be followed in preparing financial statements, the Annual Report in which the change appears should present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, with a qualitative discussion and (to the extent reasonably feasible) a quantitative comparison of the differences in principles and the impact of the change on the presentation of the financial information. A notice of any change in accounting principles should be sent to the Repository or the MSRB.

Subject to the foregoing, this Agreement may be amended or supplemented from time to time without notice to or consent of the Holders of any Bonds or the Participating Underwriters.

SECTION 6. Additional Information. Nothing in this Agreement shall be deemed to prevent the Reporting Party from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Reporting Party chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Reporting Party shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 7. Default. In the event of a failure of the Reporting Party to provide a timely Annual Report or to report the occurrence of a Listed Event, the Trustee or any Holder of Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Reporting Party to provide the reports. In the event of a failure of the Reporting Party to comply with provisions (other than Sections 2 and 3 of this Agreement) or a challenge to the adequacy of any report under Sections 2 and 3, the Trustee may (and, at the request the Holders of at least 51% of the aggregate principal amount of Bonds then outstanding, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Reporting Party to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Bonds, the Indenture or the Loan Agreement, and the sole remedy under this Agreement in the event of any failure of a Reporting Party to comply with this Agreement shall be an action to compel performance. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. The Trustee may condition the taking of any action under this Section on receiving indemnification satisfactory to it.

SECTION 8. Beneficiaries. This Agreement shall inure solely to the benefit of the parties hereto, the Participating Underwriters and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity. As used in this Agreement, the term "Holders" shall mean beneficial owners of Bonds so long as such Bonds are in book-entry form.

SECTION 9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 10. Notices. All notice, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made when delivered personally or by mail to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement and addressed as set forth below or telecopied to the telecopier number of the recipient, with confirmation of transmission, indicated below:

If to the Reporting Party, at:
Gustavus Adolphus College
800 West College Avenue
St. Peter, Minnesota 56082
Attention: Vice President for Finance and Treasurer

If to Trustee, at:
Norwest Bank Minnesota,
National Association
Norwest Center, Sixth and Marquette
Minneapolis, MN 55479-0069
Attention: Corporate Trust Services
Fax: 612-667-9825

SECTION 11. Changes with respect to Repositories. Promptly after actual knowledge by the Trustee or the Reporting Party of a change in the identity or address of any Repository, the Trustee or the Reporting Party shall notify in writing the other parties of such fact.

SECTION 12. Reserved Rights. The College reserves the right to discontinue providing any information required under this Agreement or the Rule, if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the undertaking under this Agreement, if a court of competent jurisdiction or the College determines that such modification is required by the Rule.

SECTION 13. Dissemination Agent. The College or the Trustee may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor agent, but the appointment of any agent shall in no way relieve the principal of its obligations hereunder.

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DEFINITION OF CERTAIN TERMS

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

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

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the College and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or other officer authorized to act on behalf of the foregoing officer. 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 certain officers of the College or its Board of Trustees. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under the Indenture as described in Section 5.04 thereof.

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

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

Bonds: Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-H (Gustavus Adolphus College).

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

Bond Resolution: The Series Resolution of the Authority adopted on August 21, 1996, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: (a) The period from the Issue Date to the close of business on October 1, 1996 and (b) each succeeding 12-month period ending at the close of business on October 1 of each year in which the outstanding Series Four-H Bonds, if paid at their stated maturity dates, shall be outstanding.

Building Equipment: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the College and located on the Project Site and acquired from funds other than the proceeds of the Prior Bonds or 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, or DTC or its successor as depository are not open for business.

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

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

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

Event of Default: An Event of Default described in the Indenture 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."

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

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

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 Minnesota, National Association, as Trustee, dated as of August 1, 1996, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: Gustavus Adolphus College, a Minnesota institution of higher education located in St. Peter, Minnesota and owned and operated by the College.

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

Issue: The Bonds.

Loan Agreement: The Loan Agreement between the Authority and the College dated as of August 1, 1996, as amended or supplemented from time to time.

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

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

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

Project: The acquisition of an administrative computer system and the refunding, in advance of maturity, of the outstanding Series Two-N, Series Two-V and Series Three-B Bonds.

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

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds, including investment earnings, and installed and located in or as part of the Project Building.

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

Project Site: The land on which the Project Building is located or otherwise to be improved as part of the Project.

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account, (ii) to create and maintain the required balance 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 or the Authority 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 the amount of the Reserve Requirement. Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient thereof and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College or the Authority fails to provide for payment of any rebate.

Reserve Requirement: (i) If no Additional Bonds are outstanding, the maximum amount of principal of and interest on the Bonds payable in any remaining Bond Year or (if less) 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Bonds or (if less) 125% of the average annual debt service of the Bonds or (ii) if Additional Bonds are outstanding, the sum of (A) the amount set forth in subsection (i) plus (B) the maximum amount of principal of and interest on Additional Bonds payable in any remaining Bond Year or (if less) 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Additional Bonds or (if less) 125% of the average annual debt service of the Additional Bonds.

Series Four-H Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-H (Gustavus Adolphus College).

Series Two-V Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-V (Gustavus Adolphus College), dated November 1, 1989, in the original principal amount of $1,440,000.

Series Two-N Bonds: The 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 Three-B Bonds: The Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-B (Gustavus Adolphus College), dated October 1, 1990, in the original aggregate principal amount of $3,000,000.

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.

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 IV, contained herein.

Construction of Project

The College represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than October 31, 1996 subject only to "force majeure," as provided in the Loan Agreement. The College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds and an opinion of counsel to such effects is furnished. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds, including investment earnings in the Construction Account.

Loan Repayments

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

(a) At least one (1) business day prior to each April 1 and October 1, commencing October 1, 1997, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest, or as principal and interest, on the Series Four-H Bonds on the next succeeding interest payment date, provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.02, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

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

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

(d) into the Reserve Account forthwith any amounts then required to be deposited therein by Section 5.02 of the Indenture; and

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

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

As additional payments the College agrees to pay the annual fee of the Authority, fees and expenses of the Trustee, rebate of certain excess investment earnings to the United States, and certain other expenses.

Use of Project Facilities

The College agrees to 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 not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501(c)(3) of the Code.

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs, modifications 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, so long as the tax-exempt status of the Bonds will not be affected thereby, such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, or the Act, and the College shall remain fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made.

Operating Expenses and Liens

Except for Permitted Encumbrances, the College will not permit any liens to be established or to remain against the Project Facilities 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 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 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 any improvements, equipment or related property installed or brought by the College therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

The College may, at its expense, in good faith contest any such taxes, assessments, license fees and other 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 any part thereof, or the revenue therefrom will be subject to loss or forfeiture, in which event such items shall be paid promptly.

Insurance

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

(a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Facilities, with a deductible amount of up to $50,000.

(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 $5,000,000, with a deductible amount of not more than $50,000 per occurrence, 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 comprehensive general public liability, upon such terms and conditions as the Trustee may require, and (ii) shall permit modifications to such insurance requirements and deductible amounts, including permission for self-insurance, in accordance with the recommendation of an independent insurance consultant employed by the College and satisfactory to the Trustee.

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 College and the Trustee at least thirty days before the cancellation or modification becomes effective.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $100,000, the College will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $100,000, the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

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

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to the Project Building, and site thereof, shall be taken in any proceeding involving the exercise of the right of eminent domain, the College shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

Removal of Project Equipment and Building Equipment

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

(a) the College may substitute furnishings, equipment and related property for any Project Equipment and Building Equipment, provided that such substitution shall not materially impair the character or revenue producing significance of the Project Facilities;

(b) the College may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the College pays a sum equal to the then value of such Project Equipment as determined by an independent engineer selected by the College, to the Trustee for deposit in the Redemption Account; provided that if the depreciated book value of the equipment so released was less than $25,000, such release and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent Engineer upon such showing by the College as may be satisfactory to the Trustee;

(c) the College may remove any Building Equipment without substitution therefor provided that such removal will not materially impair the character or revenue producing significance of the Project Facilities.

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

Indemnification

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

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

College to Maintain its Existence and Accreditation

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and maintain the Institution as an 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: (a) if the surviving, resulting or transferee institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement and the Security Agreement, and 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 unlawful discrimination and requiring that the institution be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

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

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

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.

Institution to be Nonsectarian

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

Determination of Taxability

In the event a Determination of Taxability is made that interest payable on the Bonds is includable in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the date on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, as a whole or in part on the next date for which due notice can be given and the redemption price shall be equal to par plus accrued interest plus additional interest from the Date of Taxability.

Financial Covenants

The College covenants and agrees, so long as the Bonds shall remain outstanding, to comply with the financial covenants described under the heading "Summary of Security for the Bonds" in this Official Statement. In addition, the Loan Agreement includes provisions governing the calculation of Maximum Annual Debt Service covering, among other things, variable rate indebtedness, guarantees, balloon indebtedness, put indebtedness, refunded debt and subordinated debt.

Other Covenants

The College further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of religion, race, color, creed or national origin in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Authority or Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Services Office, subject to the right of contest. The College agrees to indemnify the Authority from losses arising from certain representations made by the College regarding the absence of hazardous waste on the Project Facilities.

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

Events of Default

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

(a) If the College shall fail to make any Loan Repayment when due and either (i) 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 or redemption date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for 5 Business Days after notice from the Trustee or the Authority to the College that such payment has not been made; or

(b) If the College shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or

(c) If the College shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement, provided failure to comply with such requirement shall not become an Event of Default unless the College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or

(d) If the College shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under this Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the College by the Authority or the Trustee; provided that failure to maintain Quasi-endowment Fund Balance so described in the Loan Agreement shall not be an Event of Default unless the College fails to restore the deficiency within 180 days from the close of the Fiscal Year in which such deficiency is reported; or

(e) If the College files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the College; or

(f) If a court of competent jurisdiction shall enter an order, judgment or decree against the College in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the College or of the whole or any substantial part of the property of the College, and such order, judgment or decree shall not be vacated or set aside or stayed within ninety days from the date of the entry thereof; or

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

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

Remedies on Default

Whenever any Event of Default shall have happened, and be subsisting, 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.

(c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement or the Indenture in accordance with the provisions thereof.

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

Amendments

Except as otherwise provided in the Loan Agreement or in the Indenture, subsequent to issuance of the Bonds and so long as any Bonds are outstanding, the Loan Agreement may not be amended without the prior written consent of the Trustee.

THE INDENTURE

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

Granting Clauses

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

(1) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority's annual fee and rights to indemnity and reimbursement;

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

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

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

Additional Bonds

In addition to the Bonds, the Indenture permits the issuance of one or more series of Additional Bonds by the Authority, acting at the request of the College, equally and ratably secured on a parity with the Bonds to provide funds for the following purposes: (i) completion of the Project,

(ii) refunding of all or any series or portion of series of then outstanding Bonds or Additional Bonds, (iii) improvements or alterations, repairs or replacement of the Project Facilities, or (iv) other project or projects as authorized by the Act.

The issuance of Additional Bonds requires, among other things, evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds and comply with certain financial covenants set forth in the Loan Agreement. Furthermore, to the extent required by the Authority, the College shall make additional deposits to the Reserve Account and execute supplements to the Loan Agreement and the Indenture. Additional Bonds may not be issued unless in the opinion of bond counsel the interest on the outstanding Bonds remains excludable from gross income of the holders for federal income tax purposes.

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

Events of Default

The following are Events of Default under the Indenture:

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

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

(c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the College (giving the College the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

(d) If any "event of default" on the part of the College, as that term is defined in the Loan Agreement, shall occur and be continuing.

Remedies

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

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

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to its reference or prime rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment 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 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, if any, on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all 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 College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or

(d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided, and shall also pay 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 College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent (and, in the case of defeasance under paragraph (b) above, as to effect on tax exempt status), and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

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

Supplemental Indentures

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

(a) to correct the description of any property conveyed or pledged 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 or any successor;

(c) to evidence the succession of any other department, agency, body or corporation to the Authority;

(d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental indentures or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same;

(e) to create a series of and authorize Additional Bonds; and.

(f) to modify the Indenture as authorized by the Bondholders pursuant to Section 11.04 of the Indenture.

In addition and subject to the provisions set forth below, the Holders of not less than 51% 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 or to amendments to the Loan Agreement.

Amendments to the Loan Agreement

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission, or (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement 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 without the written approval or consent of the Holders of not less than 51% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the loan repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

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

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AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED MAY 31, 1995

Virchow, Krause & Company
Certified Public Accountants & Consultants

1100 TCF Tower • 121 S. Eighth Street
Minneapolis, MN 55402-2848

INDEPENDENT AUDITORS' REPORT

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, 1995 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, 1995 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.

VIRCHOW, KRAUSE & COMPANY

Virchow, Krause & Company

Minneapolis, Minnesota
July 21, 1995

GUSTAVUS ADOLPHUS COLLEGE

BALANCE SHEET
May 31, 1995
With Comparative Figures for 1994

ASSETS	Current Funds Unrestricted	Current Funds Restricted	Loan Funds	Endowment Funds	Deferred Gift Funds	Plant Funds	1995 Total	1994 Total
Cash and cash equivalents	$ 5,092,720		$ 248,355		$ 852,894	$ 20,805	$ 6,214,774	$ 3,493,553
Receivables								
Student notes, net of allowance for college portion of doubtful notes of $65,000 each year			3,174,128				3,174,128	2,969,494
Student accounts, net of allowance for doubtful accounts of $143,000 and $122,000	384,590						384,590	428,284
Due from U.S. Government		$ 110,868	16,152				127,020	91,823
Accrued interest		101,795	5,526		38,420	16,116	161,857	148,651
Other	454,190					63,347	517,537	483,875
Inventories	437,826						437,826	366,529
Prepaid expenses and other assets	49,380						49,380	153,197
Investments								
Marketable securities (Note 2)	6,053,206				5,762,165	390,616	12,205,987	12,323,416
Contracts for deed receivable					1,537,338		1,537,338	1,914,489
Interest in buildings (net of $467,492 and $358,339 accumulated depreciation)					4,062,508		4,062,508	4,171,661
Real estate held for sale					690,529		690,529	640,000
Other						216,123	216,123	64,013
Deposits held by trustee								
Cash and cash equivalents						462,835	462,835	449,945
U.S. Government securities						238,003	238,003	242,891
Pooled and endowment investments (Note 3)				$31,338,788	2,353,777		33,692,565	30,835,633
Construction in progress (Note 5)						715,060	715,060	418,918
Property, plant and equipment, net (Note 6)						34,186,541	34,186,541	34,657,047
Due from other funds	92,990	2,087,762	312,099	1,372,053	569,217	1,327,442	5,761,563	4,584,904
TOTAL ASSETS	$12,564,902	$2,300,425	$3,756,260	$32,710,841	$15,866,848	$37,636,888	$104,836,164	$98,438,323
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	$ 932,558					$ 12,249	$ 944,807	$ 1,449,595
Accrued liabilities	4,059,965				$ 72,482	88,272	4,220,719	3,465,609
Deferred revenue	456,465						456,465	372,463
Long-term debt (Note 7)						6,509,442	6,509,442	6,963,628
Annuities payable					3,380,616		3,380,616	3,154,577
Funds held for others	1,386,456				461,146		1,847,602	636,252
Due to other funds	5,522,780	$ 33,597	$ 126,093		79,093		5,761,563	4,584,904
Total Liabilities	12,358,224	33,597	126,093	—	3,993,337	6,609,963	23,121,214	20,627,028
Fund Balances								
Unrestricted								
Appropriated	206,678						206,678	206,678
Unappropriated			56,350	$ 5,406,344		1,559,825	7,022,519	6,392,797
Restricted		2,266,828	697,083	27,304,497	11,873,511	1,790,001	43,931,920	40,708,506
U.S. Government grants refundable			2,876,734				2,876,734	2,809,895
Net investment in plant						27,677,099	27,677,099	27,693,419
Total Fund Balances	206,678	2,266,828	3,630,167	32,710,841	11,873,511	31,026,925	81,714,950	77,811,295
TOTAL LIABILITIES AND FUND BALANCES	$12,564,902	$2,300,425	$3,756,260	$32,710,841	$15,866,848	$37,636,888	$104,836,164	$98,438,323

See accompanying notes to financial statements.

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended May 31, 1995

	Current Funds						Plant Funds		
	Unrestricted								
	Unappropriated	Appropriated	Restricted	Loan Funds	Endowment Funds	Deferred Gift Funds	Unexpended	Retirement of Indebtedness	Investment in Plant
REVENUES AND OTHER ADDITIONS									
Unrestricted current fund revenues	$43,255,186								
Private gifts and grants - restricted			$ 799,578		$ 1,589,593	$ 1,507,740	$ 634,208	$ 50,000	
Governmental grants - restricted			1,737,763						
Matured deferred gifts					35,387				
Investment income			1,042,943	$ 22,028	6,414		65,678	36,979	
Realized gains on sales of investments					36,586			7,109	
Interest on notes receivable				72,485					
U S Government advances				132,419					
Service cancellation recoveries				6,623					
Expended for plant facilities ($1,860,417 including $1,224,185 charged to current funds expenditures)									$ 1,860,417
Retirement of indebtedness									454,186
TOTAL REVENUES AND OTHER ADDITIONS	43,255,186		3,580,284	233,555	1,667,980	1,507,740	699,886	94,088	2,314,603
EXPENDITURES AND OTHER DEDUCTIONS									
Educational and general expenditures	33,358,718		3,722,588						
Auxiliary enterprises expenditures	7,074,884		64,643						
Indirect cost recoveries earned			97,763						
Administrative and collection costs				96,205					
Loan cancellations and write-offs				9,478					
Excess cash refunded to U.S Government				6,976					
Matured deferred gifts						92,280			
Adjustment of actuarial liability for annuities payable						767,309			
Expended for plant facilities							636,232		
Noncapitalized expenditures							222,329		
Retirement of indebtedness								454,186	
Interest on indebtedness								515,153	
Disposal of plant funds assets, net									3,264
Depreciation									2,327,659
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	40,433,602		3,884,994	112,659		859,589	858,561	969,339	2,330,923
EXCESS (DEFICIENCY) OF REVENUES AND OTHER ADDITIONS OVER EXPENDITURES AND OTHER DEDUCTIONS	2,821,584		(304,710)	120,896	1,667,980	648,151	(158,675)	(875,251)	(16,320)
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)									
Mandatory									
Loan fund matching grant	(44,140)			44,140					
Lease payments to Gustavus Adolphus College Pooled Life Income Fund	(502,950)					502,950			
Principal and interest	(853,703)						(32,600)	886,303	
Nonmandatory									
Transfers from unrestricted current fund to									
Endowment funds	(362,535)				362,535				
Deferred gift funds	(25,000)					25,000			
Unexpended plant funds	(1,033,256)						1,033,256		
Transfer from loan funds to Restricted current funds			33,105	(33,105)					
TOTAL TRANSFERS	(2,821,584)		33,105	11,035	362,535	527,950	1,000,656	886,303	
NET INCREASE (DECREASE) FOR THE YEAR			(271,605)	131,931	2,030,515	1,176,101	841,981	11,052	(16,320)
FUND BALANCE - BEGINNING OF YEAR		206,678	2,538,433	3,498,236	30,680,326	10,697,410	1,866,436	630,357	27,693,419
FUND BALANCE - END OF YEAR	$ -	$206,678	$2,266,828	$3,630,167	$32,710,841	$11,873,511	$2,708,417	$641,409	$27,677,099

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
For the Year Ended May 31, 1995
With Comparative Figures for 1994

	1995				1994	
	Unrestricted	Restricted	Total	Percentage	Total	Percentage
REVENUES						
Tuition and fees	$30,995,157		$30,995,157	82.3%	$28,818,390	80.7%
Governmental grants	133,889	$1,670,862	1,804,751	4.8	1,980,859	5.5
Private gifts and grants	1,204,197	783,989	1,988,186	5.3	2,703,719	7.6
Endowment income	376,994	1,332,380	1,709,374	4.5	1,255,640	3.5
Sales and services of educational activities	47,113		47,113	0.1	25,000	0.1
Other sources	1,052,584		1,052,584	2.8	772,540	2.2
Matured deferred gifts	56,893		56,893	0.2	127,976	0.4
Total revenues before auxiliary enterprises	33,866,827	3,787,231	37,654,058	100.0%	35,684,124	100.0%
Sales and services of auxiliary enterprises	9,388,359		9,388,359		9,022,798	
TOTAL REVENUES	43,255,186	3,787,231	47,042,417		44,706,922	
EXPENDITURES AND MANDATORY TRANSFERS						
Educational and general						
Instruction	13,632,309	793,021	14,425,330	37.6%	13,546,253	37.8%
Research	30,100	35,168	65,268	0.2	124,092	0.4
Public service	317,401	39,763	357,164	0.9	266,288	0.7
Academic support	1,400,095	400,643	1,800,738	4.7	2,052,296	5.7
Student services	3,404,176	171,636	3,575,812	9.3	3,548,415	9.9
Institutional support	4,727,027	122,404	4,849,431	12.6	4,105,433	11.4
Operation and maintenance of plant	3,142,457	55,290	3,197,747	8.3	3,278,966	9.1
Scholarships and grants	6,705,153	2,104,663	8,809,816	23.0	7,743,262	21.6
Educational and general expenditures	33,358,718	3,722,588	37,081,306	96.6	34,665,005	96.6
Mandatory transfers for						
Loan fund matching grant	44,140		44,140	0.1	17,627	0.1
Lease payments to Gustavus Adolphus College Pooled Life Income Fund	430,532		430,532	1.1	399,493	1.1
Principal and interest	853,703		853,703	2.2	787,978	2.2
Total educational and general	34,687,093	3,722,588	38,409,681	100.0%	35,870,103	100.0%
Auxiliary Enterprises						
Expenditures	7,074,884	64,643	7,139,527		7,373,329	
Mandatory transfers for						
Lease payments to Gustavus Adolphus College Pooled Life Income Fund	72,418		72,418		72,418	
Total auxiliary enterprises	7,147,302	64,643	7,211,945		7,445,747	
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	41,834,395	3,787,231	45,621,626		43,315,850	
EXCESS OF REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	1,420,791		1,420,791		1,391,072	
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)						
Unrestricted current fund to						
Endowment funds	(362,535)		(362,535)		(450,152)	
Deferred gift funds	(25,000)		(25,000)		(25,000)	
Unexpended plant funds	(1,033,256)		(1,033,256)		(915,920)	
Loan funds to						
Restricted current funds		33,105	33,105		33,296	
Endowment funds to						
Restricted current funds					7,242	
Excess (deficiency) of restricted receipts over transfers to revenue		(304,710)	(304,710)		23,885	
NET INCREASE (DECREASE) IN FUND BALANCES	$ -	($ 271,605)	($ 271,605)		$ 64,423	

See accompanying notes to financial statements.

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. 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 - In accordance with generally accepted accounting principles for educational institutions, the accounts of the College are segregated into five groups or funds - current, loan, endowment, deferred gift and plant. Each group is treated as a separate entity, having its own assets, liabilities and fund balances 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 donor or grantor of such funds and are in contrast with unrestricted funds over which the Board of Trustees retains full control to use for any institutional purpose.

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 owns such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets, except for income from investments 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.

Income from investments of pooled endowment funds (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 or transferred to the current funds, depending on the endowment fund income for the year and the distribution rate. The College records appropriated capital gains as endowment income.

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 less accumulated depreciation. The College depreciates its assets on the straight-line basis over estimated useful lives as follows: buildings 40 years, improvements 15 to 20 years and equipment 3 to 20 years. Library books are not depreciated, however, such costs are removed from the investment in plant fund at the time of disposition based on the average volume cost. Normal repair and maintenance expenses and equipment replacement costs are charged to current funds operations as incurred.

NOTE 1 - Significant Accounting Policies (Continued)

Inventories - Bookstore inventories are valued at a percentage of retail value, which approximates cost and is not in excess of market. Dining service inventories are valued at the lower of cost (first-in, first-out) or market.

Retirement Plans and Postretirement Health Benefits - The College has certain contributory defined contribution pension plans for academic and nonacademic personnel. Contributions for employees are determined on a percentage of annual salary. The cost of the retirement plans is paid currently and amounted to approximately $864,000 for the year. The College also provides health insurance coverage for retired employees. The cost of this coverage for the year was approximately $78,000.

Financial Accounting Standards Board Statement No. 106, *Accounting for Postretirement Benefits Other than Pensions*, requires recording the present value of such obligations. The College will adopt Statement 106 in its fiscal year ending May 31, 1996 and is evaluating various proposed changes in the plan. The College estimates the present value of postretirement health benefits as the plan currently exists to approximate $2.5 million.

Minnesota State Tuition Grants - During the year ended May 31, 1995, the State of Minnesota awarded scholarships to Gustavus students approximating $2.7 million. The College considers these awards to be agency accounts and accordingly, they are not included in the accompanying financial statements as revenue or expenditures.

Cash Equivalents - The College considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Income Tax Status - The College is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any unrelated business income may be subject to taxation. Currently, the College has no obligation for any unrelated business income tax.

Recent Statements Issued by the Financial Accounting Standards Board - In June 1993, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards Nos. 116 and 117, *Accounting for Contributions Received and Contributions Made* and *Financial Statements of Not-for-Profit Organizations*, respectively. Statement 116 requires, among other things, the recognition at fair value of unconditional promises to give in permanently or temporarily restricted net assets when the promise is made. Statement 117 establishes standards for general-purpose external financial statements. Focusing on the entity as a whole, this Statement requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows, and that net assets and the changes in net assets be classified as permanently restricted, temporarily restricted, or unrestricted.

Statements 116 and 117 will be adopted by the College during the fiscal year ending May 31, 1996. The effect of these new standards on the College's financial statement is unknown at this time.

Reclassifications - Certain amounts appearing in the 1994 financial statements have been reclassified to conform with the 1995 presentation.

NOTE 2 - Marketable Securities

The following summarizes the College's marketable securities in funds other than endowment funds and pooled gift annuity funds at May 31, 1995 and 1994:

	1995		1994	
	Cost	Market	Cost	Market
U.S. Government and agency securities	$ 4,989,531	$ 4,756,000	$ 4,841,741	$ 4,892,000
Other fixed income securities	2,867,530	2,877,000	1,709,581	1,551,000
Stocks	1,763,827	1,713,000	1,752,222	1,398,000
Mutual funds	2,364,500	2,235,000	3,789,044	3,615,000
Investments in limited partnerships	220,599	221,000	230,828	231,000
	$12,205,987	$11,802,000	$12,323,416	$11,687,000
Fund Allocation				
Unrestricted current fund	$ 6,053,206	$ 5,721,000	$ 4,529,403	$ 4,522,000
Deferred gift funds	5,762,165	5,715,000	7,323,176	6,809,000
Plant funds	390,616	366,000	470,837	356,000
	$12,205,987	$11,802,000	$12,323,416	$11,687,000

NOTE 3 - Pooled and Endowment Investments

On June 1, 1994, the College adopted the unit method of accounting for substantially all endowment funds with pooled investments, assigning an initial unit value of $1,000. During the year, substantially all investments in marketable securities of the gift annuity funds were added to the pool. Funds entering or exiting the pool subsequent to June 1, 1994, are assigned units on a value per unit basis which is derived from the market value of the units at the end of the calendar quarter within which the transaction takes place. The pooled funds, including interfund assets, had a market value per unit of approximately $1,057 at May 31, 1995, and of the 36,291 total units, 2,452 units were owned by unrestricted endowment, 25,977 by restricted endowment, 5,515 by quasi-endowment and 2,347 by gift annuity funds.

The College follows the total return concept for these funds. Under this concept, endowment income to be distributed is established as a percentage of the three-year moving average market value of the pooled assets. Based on this formula, and a 4.5% spending rate, the total distributable income for the year ended May 31, 1995 amounted to $1,452,550, which included capital gains totaling $572,783.

NOTE 3 - Pooled and Endowment Investments (Continued)

The following table summarizes the College's pooled investments and other endowment investments at May 31 1995 and 1994, other than interfund balances. Quoted market prices are used to determine market values of publicly traded securities, whereas market values for investments related to the College's limited partnership interests have been estimated by the partnerships. Market value has been assumed to approximate cost for real estate, contracts for deed and other investments.

	1995		1994	
	Cost	Market	Cost	Market
Cash and cash equivalents	$ 470,619	$ 471,000	$ 1,413,354	$ 1,413,000
Marketable securities				
Fixed income securities	20,000	20,000	5,997,279	5,679,000
Stocks	13,363,243	15,167,000	14,546,467	15,473,000
Mutual funds	10,898,588	11,564,000	163,892	156,000
Investments in limited partnerships	6,543,992	7,848,000	4,793,993	6,183,000
Real estate held for sale	147,610	148,000	147,610	148,000
Contracts for deed receivable	39,963	40,000	108,318	108,000
Investments in limited partnerships	1,361,610	1,296,000	1,264,920	1,457,000
Other	306,940	307,000	359,800	360,000
Total pooled investments	33,152,565	36,861,000	28,795,633	30,977,000
Funds held by the Greater Gustavus Fund (Note 4)			1,500,000	1,500,000
Arthur H. Anderson Charitable Trust	540,000	1,272,000	540,000	1,225,000
	$33,692,565	$38,133,000	$30,835,633	$33,702,000
Fund allocation				
Endowment funds	$31,338,788	$35,651,000	$30,835,633	$33,702,000
Deferred gift funds	2,353,777	2,482,000		
	$33,692,565	$38,133,000	$30,835,633	$33,702,000

In fiscal 1995, the total return on investments held above approximated 8.9%.

The College is the 40% beneficiary of the Arthur H. Anderson Charitable Trust which had a total market value of approximately $3,180,900 at May 31, 1995. 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 $48,000, which has been included in endowment income.

NOTE 4 - 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. Income from the fund is periodically remitted to the College and during fiscal 1995, the College received $104,194 in such gifts from the Fund. During the year ended May 31, 1994, the Board of Trustees for the Fund voted to transfer $1,500,000 of marketable securities from its portfolio to the College's endowment fund, and this gift was recorded by the College. During the year ended May 31, 1995, the membership of the Fund approved such transfer, and the assets were remitted to the College and added to the pooled investments. At May 31, 1995, the Fund's remaining net assets approximated $670,000 (unaudited) at cost.

NOTE 7 - Long-Term Debt

The College had the following long-term debt outstanding at May 31, 1995 and 1994:

	Original Amount	May 31, 1995	May 31, 1994
Contract for deed payable	$ 240,000	$ 160,000	$ 180,000
Note payable to Greater Gustavus Fund	250,000		50,000
Mortgage payable - TCF Banking and Savings, F.A.	60,000		16,376
Demand notes payable to individuals	2,500	2,500	2,500
Minnesota Higher Education Facilities Authority			
Note payable - Student Union remodeling (Series Two-N Bonds of 1987)	2,550,000	1,800,000	1,930,000
Note payable - Lund Center for Physical Education and Health (Series Two-V Bonds of 1989)	1,440,000	1,250,000	1,330,000
Note payable - Confer Hall, Olin Hall and Chiller Project (Series Three-B Bonds of 1990)	3,000,000	2,790,000	2,870,000
Lease payable - telecommunications equipment (Series Three-V Lease and Purchase Agreement)	622,189	506,942	584,752
	$8,164,689	$6,509,442	$6,963,628

The contract for deed is payable in annual principal installments of $20,000 with the last payment due December 1, 2002. Interest is payable annually at one percent over prime. The note payable to the Greater Gustavus Fund and the mortgage payable were paid off during the year ended May 31, 1995. Demand notes payable to individuals bear interest at 5 to 5.50%.

The College has loans outstanding with the Minnesota Higher Education Facilities Authority (the Authority) in connection with bonds issued by the Authority:

The Revenue Bonds, Series Two-N have interest rates varying from 6.4% to 7.5% and mature in semiannual installments of $70,000 to $115,000 on October 1 and April 1 through 2003 and $370,000 on 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 Revenue Bonds, Series Two-V have interest rates varying from 6.8% to 7.4% and mature in annual installments of $85,000 to $150,000 on October 1 through 2003 and $260,000 on October 1, 2004. The bonds are issued on a parity basis with the Series Two-N bonds as additional bonds under the indenture. The proceeds of this bond issue were used for defeasance of the Pooled Revenue Bonds, Series 1983-A bond issue which had previously been issued by the Authority to finance the Lund Center for Physical Education and Health.

NOTE 5 - Construction in Progress

At May 31, 1995 the following projects were in progress:

	Estimated Total Cost	Cost To Date	Funding Plan
Nobel Hall	$1,100,000	$495,745	Gifts, current operations
Energy projects	81,000	79,820	Current operations
Library mechanical project	200,000	33,936	Gifts, current operations
Lund Center mechanical project	300,000	22,190	Current operations
Campus ID-card project	25,000	17,564	Current operations
Residence hall network project	30,000	10,960	Current operations
Preliminary architectural costs		54,845	
		$715,060	

NOTE 6 - Property, Plant and Equipment

Property, plant and equipment consisted of the following as of May 31, 1995 and 1994:

	May 31, 1995	May 31, 1994
Land	$ 843.337	$ 842,287
Land improvements	4,169,212	4,154,916
Buildings	45,495,767	45,234,908
Equipment	13,195,316	11,922,623
Library books	4,379,725	4,078,411
	68,083,357	66,233,145
Less: accumulated depreciation	33,896,816	31,576,098
	$34,186,541	$34,657,047

NOTE 7 - Long-Term Debt (Continued)

The Revenue Bonds, Series Three-B have interest rates varying from 7.0% to 8.05% and mature in annual installments of $90,000 to $235,000 on October 1 through 2009 and $550,000 on October 1, 2010. The bonds are issued on a parity basis with the Series Two-N and Series Two-V as additional bonds under the indenture and are additionally secured by a first mortgage and equipment of Confer Hall and the Fine Arts Building.

In 1993, the College entered into sublease and purchase agreements, Series Three-V, with the Authority. The agreement was for $622,189 at an interest rate of 5.18%. The transaction is payable with semiannual payments of $53,552 including interest on February 4 and August 4 through August 4, 2000. The project funded acquisition of various telecommunications and related equipment. The College has granted a security interest in the project equipment to Norwest Investment Services, Inc., the lender in the transaction.

The College is required to maintain debt service reserve funds under the various bond issues in amounts aggregating $694,000.

Annual maturities of all long-term debt for each of the five years subsequent to May 31, 1995 approximate $419,000, $436,000, $466,000, $490,000 and $525,000, respectively. Total interest expense for the year ended May 31, 1995, including interest on interfund borrowing as well as on long-term debt, amounted to $537,357.

NOTE 8 - Line of Credit Agreement

The College has an unsecured line of credit totaling $1,500,000 with a local bank payable on demand and expiring November 1995 with interest payable at .75% over prime. At May 31, 1995, the College had no borrowings under this agreement.

NOTE 9 - Interfund Borrowings

Interfund borrowings at the College are primarily a result of commingling of cash. All interfund borrowings are considered to be temporary with interest charged in certain situations.

NOTE 10 - Pledges

At May 31, 1995, the College had outstanding pledges receivable approximating $6,384,000 designated for the following purposes:

Unrestricted	$ 412,000
Restricted	795,000
Endowment	3,717,000
Plant	1,460,000
	$6,384,000

The pledges are expected to be collected over the next five-year period. It was not practicable to estimate the net realizable value of these pledges.

GUSTAVUS ADOLPHUS COLLEGE

NOTES TO FINANCIAL STATEMENTS
May 31, 1995

NOTE 11 - 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).

As of May 31, 1995, the Fund owned three buildings with a cost basis totaling $4,530,000. Depreciation for financial statement purposes is recorded using the straight-line method over periods of 40 to 45 years. Depreciation totaling $109,153 was recorded in fiscal 1995. The Fund and the College have entered into a lease agreement whereby the land under the buildings is leased from the College over a term of 99 years. In addition, the College and the Fund have entered into land and building leases under which the Fund leases the buildings and subleases the underlying land to the College for a term of 20 years. The leases provide for the Fund to receive annual rental on the facilities, which for fiscal year 1995 totaled $518,625, with an annual payment to the College for the land of $15,675. Lease payments of the College are obligations of the unrestricted current fund and are reflected in the financial statements as a mandatory transfer. Net lease payments to the Fund totaled $502,950 for the year ended May 31, 1995. Terms of the lease arrangements 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 transfers 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. During fiscal 1995, $12,176, including related income, was transferred back to the College as the result of donor deaths.

NOTE 12 - Concentrations of Credit Risk

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash, short-term investments, marketable securities and other investments, accounts receivable and notes, mortgages and contracts for deed. The College places substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution; however, cash balances periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. Concentrations of credit risk with respect to the notes and mortgages and contracts for deed are limited to the College holding a secured position in agreements. Student notes and receivables and other receivables are due from a variety of sources concentrated primarily in the midwestern United States. As of May 31, 1995, management considers the College to have no significant concentration of credit risk.