OFFICIAL STATEMENT DATED AUGUST 4, 2010

NEW ISSUE **Moody's Rating: A3**

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. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code. (See "Tax Exemption" herein.)

GUSTAVUS
GUSTAVUS ADOLPHUS COLLEGE

$41,680,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Seven-B
(Gustavus Adolphus College)
(DTC Book Entry Only)

Dated Date: Date of Delivery **Interest Due: April 1 and October 1, commencing April 1, 2011**

The Bonds will mature annually on October 1 as follows:

Year	Amount	Interest Rate	Yield	CUSIP 60416H	Year	Amount	Interest Rate	Yield	CUSIP 60416H
2011	$ 430,000	3.00%	1.15%	SD 7	2019	$3,320,000	4.00%	3.51%	SM 7
2012	$ 445,000	3.00%	1.37%	SE 5	2020	$3,470,000	5.00%	3.70%*	SN 5
2013	$ 460,000	3.00%	1.69%	SF 2	2021	$3,645,000	5.00%	3.86%*	SP 0
2014	$ 475,000	3.00%	1.94%	SG 0	2022	$3,835,000	5.00%	3.99%*	SQ 8
2015	$ 490,000	3.00%	2.42%	SH 8	2023	$4,035,000	5.00%	4.10%*	SR 6
2016	$ 500,000	3.00%	2.83%	SJ 4	2024	$ 910,000	4.25%	4.26%	SS 4
2017	$3,020,000	5.00%	3.10%	SK 1	2025	$ 945,000	4.25%	4.37%	SU 9
2018	$3,175,000	5.00%	3.31%	SL 9					

$6,770,000 5.00% Term Bonds due October 1, 2031 Yield 4.67%* CUSIP 60416H SV7
$5,755,000 4.75% Term Bonds due October 1, 2035 Yield 4.84% CUSIP 60416H ST2

The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-B (Gustavus Adolphus College) (the "Bonds" or the "Issue") are subject to optional redemption prior to maturity, as described herein. See "THE BONDS – Prior Redemption – Optional Redemption." The Bonds will also be subject to extraordinary optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project described in the Loan Agreement and Indenture. The Bonds will be subject to extraordinary optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. See "THE BONDS – Prior Redemption – Extraordinary Optional Redemption" and "THE BONDS – Determination of Taxability."

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 "THE BONDS – Book Entry Only System" herein). Wells Fargo Bank, National Association, Minneapolis, Minnesota will act as Trustee.

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

THE BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA, NOR SHALL THEY 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 and accepted by the Underwriter named below subject to the approval as to validity and tax exemption of the Bonds by McGrann Shea Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Leonard Street and Deinard, Minneapolis, Minnesota and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter through the facilities of DTC on or about August 5, 2010.

* *Priced to the first optional call date of October 1, 2019.*

Wells Fargo Securities

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

No dealer, broker, sales representative or other person has been authorized by the Authority, the College or the Underwriter to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the College or the Underwriter. The information contained herein, except as it relates to the Authority, DTC, and the Trustee, has been obtained from the College and is not guaranteed as to accuracy or completeness. Information relating to the Authority, DTC and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL CREATE, UNDER ANY CIRCUMSTANCES, ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE COLLEGE SINCE THE DATE HEREOF.

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.

The Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The registration or qualification of these securities in accordance with applicable provisions of securities laws of the jurisdictions in which the Bonds may be registered or qualified and the exemption from registration or qualification in other jurisdictions shall not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Certain of the parties involved in this financing have agreed to indemnify certain other parties for any untrue statement of a material fact contained in this Official Statement or any omission to state a material fact necessary to be stated in this Official Statement in order to make the statements contained herein not misleading.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED “FORWARD-LOOKING STATEMENTS,” MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY WORDS SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “BUDGET” OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE COLLEGE NOR ANY OTHER PARTY EXPECTS OR INTENDS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers provided in this Official Statement are included for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds. Neither the Authority, the Underwriter, nor the College take any responsibility for the accuracy of such CUSIP numbers.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Mary F. Ives, Chair	Real Estate Business Owner, Resident of Grand Rapids, Minnesota
Raymond VinZant, Jr., Vice Chair	Plumbing Expert and Instructor at Anoka Technical College, Resident of Wyoming, Minnesota
Janet Withoff, Secretary	Consultant – Planning and Grant-Writing, Resident of Orono, Minnesota
Paul Cerkvenik (Ex Officio)	President, Minnesota Private College Council
Gary D. Benson	Project Director of ICS Consulting, Resident of New Brighton, Minnesota
Kathryn Balstad Brewer	Retired Banker and Educator, Resident of New Brighton, Minnesota
Tammy L. H. McGee	Vice President for Finance and Administration and Chief Financial Officer, Augsburg College, Resident of Maple Grove, Minnesota
Mark Misukanis (Ex Officio)	Director of Fiscal Policy and Research, Minnesota Office of Higher Education
Michael D. Ranum	Operations Manager, BWBR Architects, Inc., Resident of Circle Pines, Minnesota
David D. Rowland	Senior Vice President, The Travelers Companies, Inc., Resident of Eden Prairie, Minnesota

Marianne T. Remedios, Executive Director

Bond Counsel
McGrann Shea Carnival Straughn & Lamb, Chartered

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

$41,680,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES SEVEN-B
(Gustavus Adolphus College)

(DTC BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Gustavus Adolphus College, a Minnesota non-profit corporation and owner of an institution of higher education with its campus located in Saint Peter, Minnesota (the "College"), in connection with the issuance of the Authority's $41,680,000 Revenue Bonds, Series Seven-B (Gustavus Adolphus College) (the "Bonds").

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 and refinance certain projects.

The Bonds are also issued pursuant to the Trust Indenture (the "Indenture") to be dated as of August 1, 2010 between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") to be dated as of August 1, 2010 between the College and the Authority, the Authority is loaning the Bond proceeds to the College and 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, premium, if any, and interest on the Bonds as the same shall become due.

The College will use the proceeds of the Bonds to:

(i) finance the construction and furnishing of a new 3-story, 125,000 square-foot academic building;
(ii) finance the construction of a new west mall to further define the campus;
(iii) refund on a current refunding basis the October 1, 2011 through October 1, 2024 maturities (the "Refunded Bonds") of the Authority's Revenue Bonds, Series Four-X (Gustavus Adolphus College) (the "Series Four-X Bonds");
(iv) fund a debt service reserve;
(v) fund capitalized interest during the construction period; and
(vi) pay certain costs of issuance.

The Bonds are secured by a pledge of the Loan Repayments, which are a general obligation of the College. Under the Loan Agreement, the College agrees to provide the funds necessary to make timely payment of the Loan Repayments. See "SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS" herein.

The Bonds are also secured by the Reserve Account created under the Indenture and held by the Trustee. The Reserve Account will be funded in the amount of the Reserve Requirement from proceeds of the Bonds. See "ACCOUNTS – Reserve Account."

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.

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 a general obligation of the College secured solely by (a) a pledge of amounts payable under the Loan Agreement, and (b) amounts in the Reserve Account and other accounts and funds which will be held by the Trustee and applied to the payment of principal, premium, if any, and interest on the Bonds. See "Appendix IV – DEFINITIONS OF CERTAIN TERMS – Reserve Requirement." The Bonds are not secured by a mortgage on or security interest in any real property or personal property. If an Event of Default occurs, there can be no assurance that security for the Bonds will be sufficient to pay the principal of, premium, if any, or interest on the Bonds when due. The Bonds are not secured by a bond insurance policy, letter of credit or any other form of financial guarantee.

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, the Bonds or for other obligation of the College under such documents. 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 and other funds, if any, the Trustee holds under the Indenture.

Adequacy of Revenues

Payment of principal of and interest on the Bonds is intended to be made from the College's Loan Repayments. 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.

Competition

There is intense competition among institutions of higher education for students both nationally and within the upper Midwest region from which the College draws the majority of its students. Universities and colleges compete principally based on location, net tuition rates, degree offerings, and academic reputation. To the extent that competitors have or achieve an advantage with respect to any of these factors, the College could be adversely affected. In addition, competitive pressures could result in tuition reductions, the inability to raise tuition, or increases in financial aid in the form of discounted tuition, which could adversely affect the College's unrestricted net assets.

Changes in demographics, such as a decrease in the overall number of high school graduates or a decrease in the number of high school graduates who elect to go to college, could adversely affect the College's efforts to attract students.

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

In 2009, approximately 96% of the College's student body received some form of financial assistance through scholarships, grants, loans and work study, from federal, state, College or private sources covering at least a portion of tuition, fees and living expenses. See Appendix I, "THE COLLEGE – Financial Assistance" herein. No assurance can be given that federal and state financial aid and private third party financing 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.

No assurance can be given that student loans will continue to be available to students and their parents at historical levels. Reductions in availability of such loans 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.

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 "Maximum Annual Debt Service and Pro Forma 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.

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.

Variable Rate Demand Obligations

A portion of the College's long-term debt is in the form of variable rate demand obligations. See Appendix I, "THE COLLEGE – Long Term Debt and Other Obligations" herein. As of May 31, 2010, the College has $13,450,000 outstanding on their Variable Rate Demand Revenue Bonds, Series Five-X (Gustavus Adolphus College) (the "VRDOs"). The College's VRDOs are secured by a letter of credit provided by Wells Fargo Bank, National Association (the "Bank") and are subject to certain risks.

(1) Holders of the College's VRDOs have the right to tender their bonds to the College for purchase on any business day upon seven days notice. A remarketing agent is appointed for the VRDOs to remarket tendered bonds to other purchasers. If the remarketing agent cannot place any or all of the tendered bonds with other purchasers, the trustee for such issue is required to draw on the letter of credit to pay the purchase price for the tendered bonds (a "Liquidity Drawing"). Purchased bonds become "Pledged Bonds" (bonds purchased by the Bank). The current Letter of Credit Reimbursement Agreement between the College and the Bank requires the College to retire Pledged Bonds no later than two years and ninety days after the Liquidity Drawing. The College may be required to retire Pledged Bonds on a more accelerated schedule under the terms of an alternate letter of credit facility if the existing letter of credit is replaced in the future.

(2) The VRDO market is subject to market fluctuation due to a number of factors. Liquidity in the capital markets generally, and the VRDO market specifically, is subject to deterioration. In that event, the probability that the College's outstanding VRDOs will be tendered and become Pledged Bonds will likely rise.

(3) The quality of the bank providing the letter of credit has played a significant role in whether VRDOs that are in the market will be tendered and successfully remarketed. The ratings assigned to a bank on a VRDO issue may change over time and any downgrade of a bank's rating by the rating agencies, any bank insolvency or any bank default under the terms of the letter of credit related to a VRDO may cause the bonds to become Pledged Bonds. The number of banking institutions providing letters of credit has declined significantly in recent years and this trend may continue into the future, which may make it difficult for the College to replace an existing letter of credit provider, or secure an alternate letter of credit if an existing letter of credit is not renewed at the end of its stated term or is subject to early termination. Failure to find an alternate letter of credit when required will cause VRDOs to be subject to a mandatory tender for purchase.

The Bonds are not VRDOs. However, the failure to remarket the College's VRDOs following a mandatory or optional tender may adversely affect the ability of the College to make timely payments to the Trustee for the debt service on the Bonds.

Endowment Portfolio Risk

Market conditions that negatively affect the College's investments may adversely affect debt service coverage and endowment spending. The College's Board of Trustees has approved an investment policy which gives specific guidance about portfolio investments. The College's investment policy defines a diversified investment portfolio utilizing external money managers. The operating budget of the College includes an annual contribution from endowment funds currently equal to approximately 4.50% of the endowment's prior sixteen quarter moving average. See also Appendix I, "THE COLLEGE – Endowment."

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) 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.

(2) Adoption of federal, State or local legislation or regulations, such as limits on tuition increases, having an adverse effect on the future operating or financial performance of the College.

(3) International events, including any acts of war and terrorism, which may have adverse effects on enrollment and investments.

See also "TAX EXEMPTION – Minnesota Tax Considerations" herein.

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 the Municipal Securities Rulemaking Board annually, and to provide notices of the occurrence of any of the eleven events enumerated in the Rule to the Municipal Securities Rulemaking Board. 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 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. Appendix III, "Information to be Provided as Continuing Disclosure," contains a summary of the financial information and operating data to be provided annually, as well as the list of material events. 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 or permitted 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. 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 issued in book-entry form, will be dated as their date of delivery and will mature annually each October 1, commencing October 1, 2011, 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 April 1, 2011.

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) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

For further detail on DTC, see Appendix VI, "THE DEPOSITORY TRUST COMPANY."

Prior Redemption

Mandatory Redemption

Term Bonds shall be called for redemption on October 1 in the years set forth below in the principal amounts thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account, in the respective amounts set forth on the following page.

Term Bonds Maturing October 1, 2031

Year	Amount[a]
2026	$ 990,000
2027	$1,045,000
2028	$1,095,000
2029	$1,155,000
2030	$1,210,000
2031*	$1,275,000

Term Bonds Maturing October 1, 2035

Year	Amount[a]
2032	$1,340,000
2033	$1,405,000
2034	$1,470,000
2035*	$1,540,000

* *Final maturity.*

The Term Bonds or portions thereof to be so redeemed shall be selected by the Trustee by lot or in such other random manner as the Trustee shall determine.

The Term Bonds to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

(1) have been delivered to the Trustee for cancellation; or

(2) have been purchased or redeemed (other than through operation of the Bond and Interest Sinking Fund) and canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption obligations.

Optional Redemption

The Bonds maturing on or after October 1, 2020 are subject to optional redemption at the College's direction on October 1, 2019 and on any day thereafter at par plus accrued interest. Redemption may be in whole or in part and if in part in such order of maturity as the College directs and selected by random means within a maturity, in integral multiples of $5,000.

Extraordinary Optional Redemption

The Bonds will also be subject to optional redemption at par and accrued interest in integral multiples of $5,000, as a whole or in part, in certain cases of damage to or destruction or condemnation of the Project, and upon a Determination of Taxability as provided in the Loan Agreement (see “THE BONDS – Determination of Taxability” and Appendix V, “SUMMARY OF DOCUMENTS – The Loan Agreement”).

Partial Redemption

If fewer than all Bonds of a maturity are called for redemption, the Authority and the Trustee 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 fewer 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. 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 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 twenty (20) days, and if more than 60 days, then again not less than 20 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 affected 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 date on which the principal of the Bonds is paid. **If a Determination of Taxability should occur, any monetary damages or loss resulting from or incident thereto shall be limited to the additional interest on the Bonds.** See "TAX EXEMPTION" and Appendix IV, "DEFINITION OF CERTAIN TERMS."

The College will have the option to prepay the Loan on the next date for which due notice of redemption can be given, in full or in part and on any date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability and without a premium).

USE OF PROCEEDS

Proceeds of the Bonds, along with available College funds, will be used to (i) finance construction and furnishing a new 3-story, 125,000 square-foot academic building; (ii) finance the construction of a new west mall to further define the campus; and (iii) refund on a current refunding basis the October 1, 2011 through October 1, 2024 maturities of the Authority's Revenue Bonds, Series Four-X (Gustavus Adolphus College). Bond proceeds will also be used to fund a debt service reserve, fund capitalized interest during the construction period; and pay certain costs of issuance. (i) and (ii) above are collectively referred to herein as the "Project".

The academic building is expected to house the Departments of Communication Studies, Economics & Management, History, Psychology, Sociology & Anthropology, and provide approximately 26,000 square feet of classroom space.

On the Closing Date, Bond proceeds for the refunding of the Refunded Bonds, together with (a) balances in the Series Four-X Reserve Account and other accounts and moneys held by the Series Four-X Trustee and pledged to the payment of the Refunded Bonds and (b) other available funds of the College, will be deposited in the Series Four-X Redemption Account held by the Series Four-X Trustee. The funds so deposited to the Series Four-X Redemption Account will be used to redeem the Refunded Bonds and the $390,000 October 1, 2010 maturity of the Series Four-X Bonds on or about September 6, 2010. In accordance with the Series Four-X Indenture, the Series Four-X Bonds will no longer be considered outstanding under the Series Four-X Indenture upon such deposit for prepayment and will be payable solely from the Series Four-X Redemption Account.

The Refunded Bonds, to be prepaid and refunded, and the October 1, 2010 maturity of the Series Four-X Bonds to be defeased identified by CUSIP, are as follows:

Maturity Date October 1:	CUSIP: 604151	Maturity Date October 1:	CUSIP: 604151
2010	Z5 2	2015	2A 7
2011	Z6 0	2018	2D 1
2012	Z7 8	2021	2G 4
2013	Z8 6	2024	2K 5
2014	Z9 4		

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of the Bonds	$41,680,000
Funds held by Series Four-X Trustee	882,075
Reoffering Premium	2,263,698
College Funds	568,347
Total Sources	$45,394,120
Uses of Funds	
Deposit to Construction Account (including capitalized interest)	$32,758,979
Deposit to Refunding Account	8,853,347
Deposit to Reserve Account	3,397,289
Costs of Issuance, including Underwriter Discount	384,505
Total Uses	$45,394,120

SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS

Source of Payment

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 to the Reserve Requirement from proceeds of the Bonds on the date of issuance of the Bonds.

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the College, the Reserve Account and other funds the Trustee holds under the Indenture. 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 will covenant and agree 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; and to pay all other obligations of the College as they become due.

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 “GENERAL BOND RESERVE ACCOUNT”).

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

a. The College shall maintain a Debt Service Coverage Ratio equal to or greater than 1.25:1.00 for the Fiscal Year ending May 31, 2011 and for each Fiscal Year thereafter (compliance to be tested on a consolidated basis at the end of each Fiscal Year, and shall be calculated using the audited financial statements, as applicable to such Fiscal Year of the College).

   "Debt Service Coverage Ratio" means the ratio of (a) the sum of the College's net change in unrestricted assets before any change in accounting principle, *plus* (i) interest expense, (ii) depreciation and amortization expense, (iii) any loss on investments to the extent taken into account in determining such net change in unrestricted assets, (iv) any negative change in the value of interest rate swap or other derivative contracts to the extent taken into account in determining such change in unrestricted assets, and (v) any other non-cash loss or charge taken into account in determining such change in unrestricted assets (for example, adjustment of actuarial liability), *minus* (i) any gain on investments to the extent taken into account in determining such change in unrestricted assets, (ii) any positive change in the value of interest rate swap or other derivative contracts to the extent taken into account in determining such change in unrestricted assets, and (iii) any other non-cash gain taken into account in determining such change, *to* (b) the sum of the College's interest expense plus current maturities of Long-Term Indebtedness. The calculation of the Debt Service Coverage Ratio shall take into account and credit as paid the amount on deposit in any debt service reserve fund held by a trustee, lender, or loan servicer to be applied to payment of the final maturity of such Long-Term Indebtedness.

b. As of each October 1 and February 1, commencing February 1, 2011 (each a "Testing Date"), the College shall maintain a Liquidity Ratio equal to or greater than 1.25:1.00. The Liquidity Ratio shall be calculated using the most recent audited financial statements or unaudited financial statements, as applicable to such Testing Date. Subject to the other provisions of this Loan Agreement, the College may utilize, sell, assign, transfer, lease, or otherwise dispose of any of the College's unrestricted net assets at any time as long as the Liquidity Ratio is equal to or greater than 1.25:1.00 on each Testing Date.

   "Liquidity Ratio" means, as of any date of calculation, the ratio (stated as a percentage) consisting of (A) a numerator equal to the sum of (i) Cash and Investments of the College, (ii) Investments not including the endowment of the College, and (iii) the endowment of the College, and (B) a denominator equal to the Long-Term Indebtedness of the College. The College may use the methodology set forth in Exhibit F of the Loan Agreement to demonstrate compliance with this ratio.

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

"Capital Lease" means any lease of Property which in accordance with GAAP would be required to be capitalized on the balance sheet of the lessee.

"Capitalized Lease Obligation" means the amount of liability shown on the balance sheet of any Person in respect of a Capital Lease as determined in accordance with GAAP.

"Cash" means cash or cash equivalents of the College, but only to the extent that any of the foregoing (a) are not subject to any lien, obligation, covenant or other restriction as to use or disposition, whether in favor of the Authority, the Trustee or any other Person.

"Guarantees" means, for any Person, all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations of such Person to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor of another Person against loss.

“Indebtedness” means for any Person (without duplication) (i) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including by the issuance of debt securities), (ii) all obligations for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (iii) all obligations secured by any Lien upon Property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (iv) all Capitalized Lease Obligations of such Person, (v) all obligations of such Person on or with respect to any letter of credit, banker’s acceptances and other evidences of indebtedness representing extensions of credit whether or not representing obligations for borrowed money (but excluding any of such items relating to indebtedness previously include in this definition), (vi) all Guarantees, (vii) all obligations of such Person evidenced by this Loan Agreement, debentures, notes, or other similar instruments, and (viii) all obligations of such Person under any and all Interest Rate Agreements.

“Interest Rate Agreement” shall mean an interest rate exchange, hedge or similar agreement, entered into by the College, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (*e.g.* a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

“Investments” means investments of the College, but only to the extent that such investments are not subject to any lien, obligation, covenant or other restrictions as

“Lien” means any mortgage, lien, security interest, pledge, charge or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale, Capital Lease or other title retention arrangement.

“Long-Term Indebtedness” means Indebtedness with a final maturity date of more than 12 months (365 days) from the date that the College incurs such Indebtedness.

“Person” means an individual, a corporation, a partnership, an association, a trust, a limited liability company or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

For purposes of (a) and (b) 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, 2009.

Negative Pledge

The College covenants that, except for Permitted Encumbrances and except as otherwise permitted by the Loan Agreement, it will not mortgage, grant a lien upon, pledge, grant a security interest in, make an assignment of its interest in or permit the creation of any encumbrance on the Project Site or any Project Buildings.

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 Refunding Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of the original issue and sale of the Bonds are to be deposited into the Construction Account, the Refunding Account, the Bond and Interest Sinking Fund Account, and the Reserve Account, as described below. 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, and 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 when due.

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. The College will agree in the Loan Agreement to provide for payment of all costs of the Project in excess of the proceeds of the Bonds available therefor and to pay out of available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds (principal adjusted for net original issue discount or net original issue premium according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project. When work on the Project has been completed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Redemption Account or the Bond and Interest Sinking Fund Account under certain conditions.

Refunding Account

On the Issue Date, there shall be deposited into the Refunding Account Bond proceeds in an amount sufficient, together with funds in the Series Four-X Bonds Trustee's possession and available therefor and additional College funds, to fully redeem the outstanding principal of and accrued interest on the Series Four-X Bonds. Monies in the Refunding Account shall immediately be transferred to the Series Four-X Redemption Account established under the Series Four-X Indenture in amounts sufficient, together with such other funds, to fully redeem the Series Four X Bonds on or about September 6, 2010.

Bond and Interest Sinking Fund Account

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. Deposits into the Bond and Interest Sinking Fund Account shall be made at least one (1) Business Day prior to each Interest Payment Date in amounts equal to interest and, if applicable, principal due on such Interest Payment Date.

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 for that purpose only.

Reserve Account

A Reserve Account will be established and maintained with the Trustee so long as the Bonds are Outstanding in an account designated the "Series Seven-B (Gustavus Adolphus College) Reserve (the "Reserve Account"). There shall be initially deposited into the Series Seven-B Reserve Account from the Bond proceeds the amount of the Initial Reserve Requirement. Funds in the Reserve Account are 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 each Interest Payment Date, commencing with the April 1, 2011 Interest Payment Date. 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, 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 more 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. 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.

The Initial Reserve Requirement is equal to 125% of the average annual debt service on the Bonds as of the date of closing. The Reserve Requirement will be recalculated by the Trustee on each October 1 to be the lesser of (A) the Initial Reserve Requirement (as may be adjusted as described below) and (B) the least of (I) maximum annual debt service on Bonds then Outstanding at the time of calculation, (II) 10 percent of the principal amount of the Bonds, or (III) 125 percent of average annual debt service on Bonds then Outstanding at the time of calculation.

Based on scheduled debt service on the Bonds, the amount of the Initial Reserve Requirement will constitute the Reserve Requirement through October 1, 2016 (that is, will be less than the amounts annually recalculated pursuant to (B) above). Thereafter, based on scheduled debt service, the clause (B) calculation would cause a gradual annual reduction in the Reserve Requirement. If the Reserve Requirement is reduced as a result of such annual October 1 recalculation, excess amounts in the Reserve Account are to be transferred to the Bond and Interest Sinking Fund Account and used to pay principal on the Bonds on such date.

The amount of the Initial Reserve Requirement and the Reserve Requirement will also be adjusted by the Trustee in connection with defeasance or prepayment of Bonds by the College. Excess amounts in the Reserve Account are to be transferred to the Redemption Account and applied with other available amounts to Bond principal relating to such defeasance or prepayment.

Redemption Account

There shall be deposited into the Redemption Account all other amounts required to be deposited therein pursuant to any provision of the Loan Agreement or the Indenture.

Amounts on deposit to the credit of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account; second, to create and maintain the required balance in the Reserve Account; and, third, for the redemption of outstanding Bonds at the request or direction of the College and for the purchase of outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Notwithstanding the foregoing, the Trustee is authorized in its discretion 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.

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Construction Account, the Reserve Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by Minnesota law from time to time. Section 5.04 of the Indenture sets forth specific parameters as to type, credit quality, and maturity of investments. See Appendix V, "SUMMARY OF DOCUMENTS – The Indenture" herein.

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. **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.** The General Bond Reserve Account has not been used to secure Authority bonds since 1984.

FUTURE FINANCING

The College regularly improves, expands and changes its physical plant and incurs long-term financing as needed for these purposes. The College does not anticipate issuing debt for new construction projects in the next 12 months. The College also monitors its outstanding debt for refunding opportunities. Refunding existing debt and replacing it with new debt may alter the University's overall debt service payments.

THE AUTHORITY

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

Marianne T. Remedios has been the Executive Director of the Authority since 2000.

Elaine J. Yungerberg has been Assistant Executive Director of the Authority since 1993.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $1.3 billion. The Authority has had 177 issues (including refunded and retired issues) totaling over $1.75 billion, of which approximately $923 million is outstanding as of July 1, 2010. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

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

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

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority and to refinance other debt for capital improvements.

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

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

FINANCIAL ADVISOR

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

UNDERWRITING

The Bonds are being purchased by Wells Fargo Securities (the "Underwriter"). Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which is the Trustee for the Bonds. The Underwriter has agreed to purchase the Bonds at a purchase price of $43,702,299.98 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $241,397.77 and adjusted for net original issue premium of $2,263,697.75).

The Underwriter intends to offer the Bonds to the public initially at the offering prices that result in the yields set forth on the front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices.

The College has agreed in the Bond Purchase Agreement for the Bonds to indemnify the Underwriter and the Authority against certain civil liabilities, including certain potential liabilities under federal securities laws.

RATING

As noted on the cover page hereof, Moody's Investors Service ("Moody's") has assigned a long-term rating of "A3" to the Bonds. The rating reflects only the view of such rating agency. Any explanation of the significance of such rating may be obtained only from Moody's.

There is no assurance that the rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the College are unaware of any pending or threatened litigation which would affect the validity of the Bonds, the tax-exempt nature of the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either to perform as described herein, or materially affect the ability of the College to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by McGrann Shea Carnival Straughn & Lamb, Chartered, 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 Leonard Street and Deinard, of Minneapolis, Minnesota and for the Underwriter by Faegre & Benson LLP, of Minneapolis, Minnesota.

TAX EXEMPTION

Federal Tax Considerations

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 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, but not resulting from changes in law, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. (See "SUMMARY OF DOCUMENTS – 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.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings, interest on the Bonds is not includable in gross income for federal income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations.

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

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

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

Minnesota Tax Considerations

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings, interest on the Bonds is not includable in 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 the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision would apply to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

Original Issue Premium

Certain maturities of the Bonds may be sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

Original Issue Discount

The dollar amount of the initial offering price to the public of the Bonds maturing in 2024 and 2025 and the 2035 Term Bond (the "Discount Bonds") may be less than the principal amount of such maturities. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

It is possible under the applicable provisions governing state and local income taxation in states other than Minnesota that interest on Discount Bonds may be taxable in the year of accrual, and may be deemed to accrue earlier than under federal law. Bondholders who acquire the Bonds at a discount should consult their tax advisors with respect to the state and local tax consequences of owning the Discount Bonds.

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will <u>not</u> be designated "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.

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APPENDIX I

THE COLLEGE

Gustavus Adolphus College is a four-year, co-educational, liberal arts college located in Saint Peter, Minnesota. The College was founded originally in 1862 as the Minnesota Preparatory School in Red Wing, Minnesota. After one year, it was renamed St. Ansgar's Academy and moved to East Union, Minnesota. In 1876, the institution was moved to its current location in Saint Peter and took the name Gustavus Adolphus College in honor of 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. Additional information about the College may be found on the College's web site, www.gustavus.edu.

Governance

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

Board of Trustees

Management

President

Jack R. Ohle became the 16th president of Gustavus Adolphus College on July 8, 2008.

In his first two years at Gustavus, President Ohle has spearheaded several important initiatives, including the Commission Gustavus 150 strategic planning process, groundbreaking on a new academic building, and the launch of a new Center for Servant Leadership. Also during this time, the Gustavus Board of Trustees has reorganized its operations and restated the College's bylaws.

Prior to coming to Gustavus, President Ohle served for ten years as president of Wartburg College in Waverly, Iowa. At Wartburg, his tenure brought the completion of $104 million in capital improvements, and significant fund raising that achieved $90 million against an $88 million goal. Under his leadership, Wartburg added 21 full-time faculty members to support more individual attention to students.

Before accepting the presidency at Wartburg, President Ohle served Drake University in Des Moines, Iowa, for 12 years, first as vice president for institutional advancement and later as senior vice president for external affairs and secretary to the University. Prior to that, he was vice president for advancement at Nebraska Wesleyan University for ten years.

President Ohle is the third most senior president of the Evangelical Lutheran Church in America (ELCA) Colleges and Universities and has chaired the executive committee of the Council of Presidents of the ELCA Colleges and Universities. He has also chaired both the Lutheran Educational Conference of North America (LECNA) Presidents' Council and the board of trustees of the Council for Advancement and Support of Education (CASE).

President Ohle holds a B.A. in social work from Ohio Northern University and an M.A. in higher education administration from Bowling Green State University. He did graduate work toward a master of divinity degree at Hamma School of Theology in Springfield, Ohio. He also holds an honorary doctor of divinity degree from Wartburg Theological Seminary.

Provost and Dean of the College

David Fienen is provost and dean of the College. Previously dean of faculty and vice president for academic affairs at the College (2000-2001), Dr. Fienen also served as Associate Dean of the College from 1993 to 1996 and director of general education from 2002 to 2007. Dr. Fienen has also served the College as chair of the Faculty Senate as well as chair or member of several standing committees of the faculty. Dr. Fienen has announced his plans to retire at the end of fiscal year 2011. The College will conduct a national search for a new Provost and dean of the College, with an appointment announced in spring 2011. The new provost will be in place in early summer 2011.

Vice President for Finance and College Treasurer

Kenneth Westphal serves as vice president for finance and treasurer for the College (chief financial officer). Mr. Westphal's responsibilities extend to oversight of the physical plant of the College, budgeting, personnel, and auxiliary enterprise activities of the College. Mr. Westphal has served the College in his current position since 1988. Prior to joining the College, Mr. Westphal was partner with the firm of Virchow Krause (now Baker Tilly Virchow Kraus LLP), auditing higher educational institutions. He holds a bachelor of science degree from Virginia Tech.

Vice President for Institutional Advancement

Thomas W. Young has served as the College's vice president for institutional advancement since 2008. Prior to joining the advancement staff in 2005, he worked for two international fundraising firms – Community Counseling Service Company Inc. of Chicago and Brakely Europe, based in London, England. While abroad, Mr. Young exceeded goal as the resident consultant for a campaign at Chalmers University of Technology in Gothenburg, Sweden. He returned to Minnesota in 1998 to work as an independent consultant in the Twin Cities, during which time he led the American Swedish Institute to surpass an $18 million campaign target. He graduated from Gustavus in 1988 with majors in speech communications and Scandinavian studies.

Dean of Students and Vice President of Student Affairs

Jeffrey Stocco was appointed dean of students and vice president of student affairs for the College in June 2009. In this role, he oversees a number of programs that promote student life including community service, health services, multicultural programs, alcohol and drug education, career services, campus safety, and residential life. Mr. Stocco has served most of his Gustavus career as director of the Career Center and associate dean of students. He studied psychology, mathematics, and statistics at Hamline University, and received his master's degree in counseling psychology from the University of Minnesota. Before coming to Gustavus in 1987, Mr. Stocco was the director of testing services at the University of Wisconsin, Milwaukee, where he also did career counseling.

Vice President for Enrollment Management

Thomas M. Crady, Ph.D., began his tenure at the College on July 15, 2010, as vice president for enrollment management, overseeing admission and student financial assistance. From 2007 to 2009, Dr. Crady was dean of the college at Dartmouth College in Hanover, New Hampshire, responsible for the offices of admission, financial aid, enrollment, and student affairs. Prior to Dartmouth, Dr. Crady held positions of increasing responsibility at Grinnell College in Iowa from 1982 to 2007 as dean of students and later as a vice president for 12 years. He was recently a lecturer at Iowa State University, where he taught "Financing Higher Education." He earned his Ph.D. in education from Iowa State in 2007.

Vice President for Marketing and Communication

Gwendolyn Freed has been vice president for marketing and communication at Gustavus since 2006. A journalist for 17 years prior, she wrote articles for such publications as the *Wall Street Journal, Newsday,* and the Minneapolis *Star Tribune.* Also a veteran of the nonprofit world, she served as executive director of the Greater Twin Cities Youth Symphonies, major gifts officer at the Minnesota Orchestra, and senior community relations specialist for the Best Buy Children's Foundation. Ms. Freed holds a bachelor of music from Oberlin College, a master of music from The Juilliard School, and a master of public affairs from the University of Minnesota, where she is completing a Ph.D. in organizational leadership, policy, and development.

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 Admission Committee on the basis of course selection and achievement in secondary school, aptitude test scores, letters of reference, and, whenever possible, personal interviews by admission counselors. Consideration is given to personal objectives, character, and maturity; but, the primary factor influencing the admission 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 27, and the average SAT combined score is 1180.

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 340 acres overlooking Saint Peter and the Minnesota River Valley. College facilities consist of 30 main campus buildings, including thirteen residence halls. The total insured value of the College buildings is approximately $260,000,000.

The capacity of the College's residence halls' is approximately 2,060 students with 1,985 students in residence halls in the fall of 2009, representing approximately 80% of the student body. In 2005, the College constructed a new residence hall with 200 beds, comprised of apartments and suites. In 2004 through 2006, the College installed sprinkler systems in all residence halls that were not previously equipped. All students are required to live in campus housing unless granted permission to live off-campus.

The oldest building on campus is Old Main, which was built in 1876 as the original College building. Old Main was extensively remodeled in 2005. During the 1990s, additions to the campus facilities included 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 the 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 added 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 included the building expansion, and the 1997 phase renovated more classroom and laboratory space. The building houses the biology, chemistry, geology, and geography departments.

In 1998, the College constructed the 96-bed College View Apartments and purchased two apartment buildings with approximately 64 beds (the Arbor View Apartments) for student housing.

In the fall of 2000, the International Center Residence Hall was completed. This facility has 78 beds and contains 32,430 square feet of space. This building also houses the Office of International Education.

In 2001, the Campus Center project was completed. This facility contains in excess of 106,000 square feet of space for student dining, student affairs offices, student activities, bookstore, post office and other auxiliary operations.

The College has begun construction of a new 125,000 square-foot academic building, expected to be completed by the end of 2011. In addition to the new academic building, Bond proceeds will finance a new West Mall on campus.

Student Body

The College's actual head count enrollment and full-time equivalent (FTE) enrollment for the past five years are:

	2005-06	2006-07	2007-08	2008-09	2009-10
Head Count	2,603	2,618	2,614	2,574	2,478
FTE	2,587	2,595	2,590	2,547	2,456

Approximately 79% of the students in the 2008-09 first year class at the College are from Minnesota. A total of 39 states are represented.

Applications, Acceptances and Enrollments

Applications, acceptances, and enrollments for first-year students for the past five academic years as of September 1 are as follows:

	2005-06	2006-07	2007-08	2008-09	2009-10
Applications	2,689	2,663	3,286	3,133	2,871
Acceptances	2,135	2,076	2,336	2,347	2,188
Percent Accepted	79.4%	78.0%	71.1%	74.9%	76.2%
Enrolled	705	682	675	636	626
Percent Enrolled to Accepted	33.0%	32.9%	28.9%	27.0%	28.7%

As of July 15, 2010 the College expects 598 first-year students and 28 transfer students for a total of 626 expected new students to begin classes in Fall 2010. The College’s Fiscal Year 2011 budget was based on 620 new students.

Many colleges have eliminated application fees and have begun to accept electronic applications, resulting in an increase in the number of applications received. This is the primary reason for the change in the Percent Enrolled to Accepted ratio shown above.

Graduation Rate for First Year Students Graduating in Four Years

Entering Year – Fall	4-year Graduation rate
2001	79.3%
2002	80.1%
2003	80.5%
2004	80.7%
2005	81.2%

Student Retention

For the past five academic years, retention from the first year to the second year has been as follows:

Fall 2004 to Fall 2005:	87.8%
Fall 2005 to Fall 2006:	89.3%
Fall 2006 to Fall 2007:	91.5%
Fall 2007 to Fall 2008:	91.0%
Fall 2008 to Fall 2009:	90.3%

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 2010-11 academic year.

	2006-07	2007-08	2008-09	2009-10	2010-11
Tuition for First Year Student	$26,310	$28,125	$29,990	$31,460	$33,100
Room and Board*	6,400	6,775	7,460	7,900	8,400
Fees	365	375	390	500	758
Total	$33,075	$35,275	$37,840	$39,860	$42,258

* *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.

COMPREHENSIVE CHARGES FOR 2010-2011
AT MINNESOTA'S PRIVATE COLLEGES

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges*
Carleton College	$41,304	$10,806	$52,110
Macalester College	$40,046	$ 9,087	$49,124
St. Olaf College	$36,800	$ 8,500	$45,300
Gustavus Adolphus College	**$33,858**	**$ 8,400**	**$42,258**
College of Saint Benedict	$32,246	$ 8,652	$40,898
Saint John's University	$31,576	$ 8,044	$39,620
Hamline University	$30,763	$ 8,396	$39,159
University of St. Thomas	$30,493	$ 8,320	$38,813
St. Catherine University	$30,168	$ 7,658	$37,826
Augsburg College	$28,864	$ 7,760	$36,624
Bethel University	$28,080	$ 8,220	$36,300
Minneapolis College of Art & Design	$29,700	$ 6,530	$36,230
College of St. Scholastica	$28,374	$ 7,498	$35,872
Concordia University (St. Paul)	$27,400	$ 7,500	$34,900
Concordia College (Moorhead)	$27,160	$ 6,510	$33,670
Saint Mary's University of Minnesota	$26,090	$ 6,940	$33,030
Bethany Lutheran College	$20,950	$ 6,500	$27,450
Average	$30,816	$ 7,960	$38,776

* *These are standard charges for first-time, full time, full academic year undergraduate students, including fees assessed on all undergraduates. Several colleges have differential tuition for upper-level students or other policies that result in some variation across class levels and students.*

NOTE: *Comprehensive charges are reduced for many students through financial assistance. 94% of private college students apply for and receive financial assistance, with the amounts and types of aid determined in relation to family resources, calculated need, government formulas and financial aid funding and other factors. Typical assistance provided to students includes federal and state grants (if applicant qualifies), institutional grants, loans and work-study determined in relation to the student's needs and other factors.*

Source: The Minnesota Private College Council, website at: http://www.mnprivatecolleges.org/paying/tuition.php as of July 28, 2010.

Financial Assistance

Approximately 96% of the student body annually receives some form of financial assistance. The following table is a five-year summary of financial assistance received from both College and non-College sources.

	2004-05	2005-06	2006-07	2007-08	2008-09
Grants/Scholarships					
Federal	$ 1,461,395	$ 1,504,093	$ 1,282,441	$ 1,834,805	$ 1,993,270
State	2,229,131	2,092,212	2,553,503	2,358,493	2,414,973
College	19,478,382	22,446,040	23,597,448	27,265,198	30,636,626
Private	1,275,608	1,375,393	1,424,961	1,247,292	1,282,460
Total	$24,444,516	$27,417,738	$28,858,353	$32,705,788	$36,327,329
Loans	14,736,590	16,686,374	16,714,547	17,100,900	18,629,591
Work-Study	1,720,457	1,845,924	1,869,358	2,443,852	2,619,545
Grand Total	$40,901,563	$45,950,036	$47,442,258	$52,250,540	$57,576,465
Number of Students Receiving Assistance	2,422	2,481	2,544	2,511	2,457

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

Faculty

The College employs 195 full-time and 78 part-time faculty. Average salaries by full-time faculty rank are:

Rank	Number	Average Salary	Percent Tenured
Professor	60	$79,798	98%
Associate Professor	55	63,986	96%
Assistant Professor	60	54,844	0%
Instructor	20	47,102	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 $2,041,000 for the year ended May 31, 2009. The College also provides health insurance coverage for retired employees. The cost of this coverage for Fiscal Year 2009 was approximately $345,000.

Financial Accounting Standards Board Statement No. 106, *Accounting for post-retirement Benefits Other than Pensions*, requires recording the present value of such obligations. The College estimates the present value of post-retirement health benefits as the plan currently exists to approximate $2,652,000 as of May 31, 2009.

Capital Campaign

On May 31, 2004, the College successfully completed a comprehensive fund-raising campaign which began on June 1, 1997. The campaign's goal was $100 million, and the College received in excess of $105,205,000.

The College is in the quiet phase of a capital campaign relating to the Project being financed with the proceeds of the Bonds. The College anticipates significant Board participation in this campaign.

Endowment

Following is a five-year history of the College's Endowment Investments at market value.

Year Ended May 31	Endowment Investments
2005	$ 86,937,690
2006	95,619,496
2007	114,678,112
2008	114,581,287
2009	85,907,969

At the end of Fiscal Year 2010, the market value of the College's endowment investments is $94,119,000 (unaudited).

Independent Accountants

The financial statements as of May 31, 2009 and 2008 and for the years then ended, included in Appendix VII, have been audited by Baker Tilly Virchow Krause, LLP, independent accountants, as stated in their report appearing therein. The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

Statement of Financial Activity for Fiscal Years 2005 through 2009

The following table summarizes the College's statements of unrestricted activities for the Fiscal Years ended May 31, 2005 through 2009. For more complete information of the College for the Fiscal Years ended May 31, 2009 and 2008, see Appendix VII of this Official Statement containing the College's audited financial statements for that period.

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF UNRESTRICTED ACTIVITIES
Years Ended May 31,

	2005	2006	2007	2008	2009
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and fees	$ 56,659,727	$ 62,202,957	$ 65,949,853	$ 71,690,557	$ 74,631,033
Less: Scholarships and grants	19,739,288	22,853,896	25,803,155	28,091,268	30,721,422
Net tuition and fees	36,920,439	39,349,061	40,146,698	43,599,289	43,909,611
Government grants	1,702,449	1,549,370	1,340,843	1,157,664	1,072,579
Private gifts and grants	2,544,432	1,947,794	1,907,366	2,247,946	1,872,761
Endowment income	814,223	890,590	959,695	1,131,740	1,043,566
Investment income	410,442	686,647	1,087,180	864,842	626,988
Gains (losses) on investments	1,194,311	1,579,699	2,883,020	(4,391,739)	(15,416,179)
Other sources	1,575,288	1,893,861	2,246,024	2,052,168	2,018,942
Sales and services of auxiliary enterprises	15,712,742	16,908,705	17,476,263	18,372,764	19,749,417
Adjustment of actuarial liability	137,856	(81,981)	98,046	(7,341)	(11,022)
	61,012,182	64,723,746	68,145,135	65,027,333	54,866,663
Net assets released from restrictions	8,835,620	11,062,639	13,008,698	7,426,693	7,667,627
Total Revenues, Gains and Other Support	69,847,802	75,786,385	81,153,833	72,454,026	62,534,290
EXPENSES AND LOSSES					
Program expenses					
Instruction	25,812,474	27,773,833	28,227,428	29,751,781	30,007,796
Academic support	3,951,002	4,181,742	4,476,207	4,529,246	4,727,429
	29,763,476	31,955,575	32,703,635	34,281,027	34,735,225
Research	68,805	79,807	62,610	57,452	81,122
Public service	1,004,567	1,019,247	789,895	898,435	884,108
Student services	11,463,917	12,130,691	12,529,985	12,998,977	14,234,185
Auxiliary enterprises	12,994,599	14,185,983	14,831,194	15,222,352	15,793,981
Support expenses					
Institutional support	7,019,052	7,701,799	8,047,931	8,821,178	9,760,475
Demolition and loss on disposal of property, plant and equipment	-	832,855	-	175,254	-
Total Expenses and Losses	62,314,416	67,905,957	68,965,250	72,454,675	75,489,096
Change in Net Assets before cumulative effect of change in accounting principle and net asset reclassifications	7,533,386	7,880,428	12,188,583	(649)	(12,954,806)
Reclassification of prior year net assets					(85,636)
Net asset reclassification based on change in Minnesota law					(18,754,802)
Cumulative effect of change in accounting principle	-	(1,699,705)	-	(377,000)	-
Change in Net Assets	7,533,386	6,180,723	12,188,583	(377,649)	(31,795,244)
Net Assets -- Beginning of Year	48,023,281	55,556,667	61,737,390	73,925,973	73,548,324
NET ASSETS -- END OF YEAR	$ 55,556,667	$ 61,737,390	$ 73,925,973	$ 73,548,324	$ 41,753,080

Source: Audited financial statements of the College

Long-Term Debt and Other Obligations

The College has the following long-term debt outstanding as of June 30, 2010:

1. $6,135,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-H, dated August 1, 1996. The bonds are secured by the full faith and credit of the College and a debt service reserve account. The Series Four-H Bonds are fixed rate with an interest rate of 5.25% on the final maturity due October 1, 2010. The outstanding balance on the Series Four-H Bonds is $765,000. On July 30, 2010 the College deposited funds with the Series Four-H Trustee to fully defease the final October 1, 2010 maturity on the Series Four-H Bonds.

2. $11,695,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-X, dated November 1, 1998. The bonds are secured by the full faith and credit of the College and a debt service reserve account. The Series Four-X Bonds are fixed rate have interest rates ranging from 4.75% to 4.80%. They have a final maturity of October 1, 2024. The outstanding balance on the Series Four-X Bonds is $8,675,000. The October 1, 2011 through October 1, 2024 maturities will be refunded on a current refunding basis by the Bonds. See "USE OF PROCEEDS" herein. Furthermore, concurrently with the issuance of the Bonds, the College will deposit funds with the Series Four-X Trustee to fully defease the October 1, 2010 maturity of the Series Four-X Bonds.

3. $16,550,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-X, dated October 7, 2004. The bonds are secured by the full faith and credit of the College and a letter of credit provided by Wells Fargo Bank, National Association. The Series Five-X Bonds are variable rate and averaged 1.76% during Fiscal Year 2009. They have a final maturity of October 1, 2034, subject to a required optional redemption schedule pursuant to a Letter of Credit and Reimbursement Agreement between the College and Wells Fargo Bank, National Association. The outstanding balance of the Series Five-X Bonds is $13,450,000.

As of June 30, 2010 the total of long-term debt outstanding is $22,890,000. The total long-term debt upon the issuance of the Bonds will be $55,130,000.

Annual Debt Service for Fiscal Years 2008 and 2009 and Pro Forma Coverage Statement

The following table displays information related to the pro forma debt service coverage for the outstanding Series Five-X Bonds and this Issue. Coverage is based on net income available for debt service for Fiscal Years 2008 and 2009 and maximum annual debt service (MADS). Amounts available for debt service are detailed in footnote (a) to the table.

Any additional College indebtedness will increase the College's debt service requirements in the future and may reduce the pro forma debt service coverage ratio shown in the table.

The table is intended merely to show the relationship of amounts available for the College's debt service for Fiscal Years 2008 and 2009 to MADS based on of the outstanding Series Five-X Bonds and this Issue. It is not intended and should not be considered a projection of future revenues, expenses, and debt service or debt service coverage of the College. There is no assurance that the future amounts available for debt service, debt service and debt service coverage of the College or the respective relationships thereof will correspond to the pro forma amount available for debt service, pro forma debt service coverage, combined estimated long-term debt service or the respective relationships thereof shown by or reflected in the following table.

Maximum Annual Debt Service and Pro Forma Coverage Statement

Fiscal Year Ending May 31	Amount Available for Debt Service[a]	MADS[b]	Estimated Coverage (times)
2009	$ 8,677,641	$5,660,000	1.53
2008	$10,765,600	$5,660,000	1.90

[a] *The net income available for debt service, based on the College's audited financial statements for Fiscal Years 2008 and 2009 is calculated as shown below.*

	Fiscal Year 2009	*Fiscal Year 2008*
Changes in net assets before cumulative effect of change in accounting principle and net asset reclassification	*$(12,954,806)*	*$ (649)*
Plus: Depreciation and amortization	*5,460,857*	*5,375,557*
Plus: Interest expense	*744,389*	*991,612*
Plus: Losses on investments	*15,416,179*	*4,391,739*
Adjustment for Actuarial Liability	*11,022*	*7,341*
Net income available for debt service	*$ 8,677,641*	*$10,765,600*

[b] *Debt service on the College's outstanding Series Five-X Bonds is calculated at an assumed interest rate of 3.0%.*

PROPOSED FORM OF LEGAL OPINION

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$41,680,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Seven-B
(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 Seven-B (Gustavus Adolphus College), in the aggregate principal amount of $41,680,000 (the "Bonds"), dated as of their date of delivery, more fully described in and issued pursuant to the Indenture (defined below).

The Bonds are issued for the purpose of funding a loan from the Authority to Gustavus Adolphus College, a Minnesota nonprofit corporation, as owner and operator of Gustavus Adolphus College, an institution of higher education with its campus in the city of Saint Peter, Minnesota (the "College"), in order to finance construction of educational facilities and refinance existing educational facilities, all owned or to be owned and operated by the College and located on its campus in Saint Peter, Minnesota. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College and the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"), each dated as of August 1, 2010, one or more opinions of Leonard, Street and Deinard, Professional Association, 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 Leonard, Street and Deinard, Professional Association, as to the Loan Agreement having been duly authorized and executed and being binding upon the College and as to the corporate organization, tax-exempt status and unrelated trade or business activities, good standing, and powers of the College. As to title to the Project Site (as defined in the Loan Agreement and Indenture), we have relied on information contained in owner and encumbrances reports, title insurance policies or commitments or title opinions, provided to us by the College or by counsel engaged by it, and have not undertaken any examination of the records of the College or original title records or abstracts of title.

We have 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 duly organized and existing under the laws of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, to issue the Bonds, to loan the proceeds thereof to the College and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.

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

3. The Bonds are valid and binding limited obligations of the Authority payable from the loan repayments payable by the College under the Loan Agreement which have been assigned 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 are further secured by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payments held by the Trustee, as assignee, under the Loan Agreement. The Bonds are not a general obligation or indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority or charge against its general credit, but are payable solely from amounts pledged thereto in accordance with the provisions of the Indenture.

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

the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. The opinion set forth in this paragraph is subject to the conditions that the Authority, the Trustee and the College comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in federal gross income or Minnesota taxable net income retroactive to the date of issuance of the Bonds. The Authority, the Trustee and the College have covenanted to comply with such requirements.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership or disposition of the Bonds.

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

Dated at Minneapolis, Minnesota, August 5, 2010.

McGrann Shea Carnival
Straughn & Lamb, Chartered

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INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE

Annual Reporting

The Annual Report Date will be the date that is 270 days after the fiscal year end, commencing with the fiscal year ended May 31, 2010. The Annual Report will contain:

1. Audited financial statements for the most recent complete fiscal year.

2. The following financial and operating data contained in Appendix I to the Final Official Statement:

a. Information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:

- Student Body
- Applications, Admission and Enrollments
- Graduation Rate for First year Students Graduating in Four Years
- Student Retention
- Tuition and Fees
- Financial Assistance
- Faculty
- Pension Plans
- Endowment
- Maximum Annual Debt Service and Pro Forma Coverage Statement

b. Information as to gifts, bequests and grant support for the most recent complete fiscal year, identifying sources by category of donor.

c. Information as to any publicly announced capital campaign, including stated goals and progress toward the goals.

Material Events to be Disclosed

The events enumerated in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, which are to be disclosed, if material, are as follows:

(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.

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DEFINITIONS OF CERTAIN TERMS

"Account" or "Accounts" means one or more of the Accounts created under Article IV or V of the Indenture.

"Act" means Sections 136A.25 through and including 136A.42, Minnesota Statutes, as amended.

"Arbitrage Regulations" means all regulations and proposed regulations from time to time issued and in effect under Section 148 of the Internal Revenue Code (and former Section 103(c) of the Internal Revenue Code of 1954), including without limitation Treasury Regulations Sections 1.148-1 to 1.150-1.

"Authority" means the Minnesota Higher Education Facilities Authority.

"Authorized Authority Representative" means the person at the time designated to act on behalf of the Authority by written certificate furnished to the Corporation 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 any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates.

"Authorized Denominations" means $5,000 and any integral multiples thereof.

"Authorized Institution Representative" means the President, the Vice President for Finance and Treasurer or any other person at the time designated to act on behalf of the Corporation by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the Corporation by the Chairperson, Vice-Chairperson, or Secretary of its Board of Trustees or the President or the Vice President for Finance and Treasurer of the Corporation. Such certificate may designate an alternate or alternates.

"Authorized Investments" means investments authorized for moneys in the Accounts created under Articles IV and V of the Indenture and described in Section 5.04 thereof.

"Board of Trustees" means the Board of Trustees of the Corporation, and includes any Executive Committee or other committee authorized to act for such board.

"Bond and Interest Sinking Fund Account" means the Bond and Interest Sinking Fund Account established under Section 5.01 of the Indenture.

"Bond Closing" means the original issuance, sale and delivery of the Bonds.

"Bond Purchase Agreement" means the Bond Purchase Agreement dated July 28, 2010, among the Authority, the Underwriter and the Corporation, relating to the Bonds.

"Bond Resolution" means the Series Resolution of the Authority adopted on July 21, 2010, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

"Bond Year" means, with respect to the Bonds, (a) the period from the Issue Date to the close of business on October 1, 2010, and (b) each succeeding 12-month period ending at the close of business on October 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

"Bonds" means the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-B (Gustavus Adolphus College), described in Section 2.01 of the Indenture.

“Building Equipment” means those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the Corporation and located on the Project Site acquired from funds other than the proceeds of the Bonds or the Series Four-X Bonds.

“Business Day” means any day other than Saturday, Sunday, a legal holiday in the State of Minnesota or any other day that the Depository (as defined in the Indenture) or banks in Minnesota are not open for business.

“Construction Account” means the Construction Account established under Section 4.02 of the Indenture.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement between the Trustee and the Corporation, dated as of August 1, 2010.

“Corporation” means Gustavus Adolphus College, a Minnesota nonprofit corporation, as owner and operator of the Institution, its successors and assigns.

“Date of Taxability” means that date as of which the interest on the Bonds shall be so determined to be includable in the gross income of the Owners thereof; provided, that no Bond shall bear additional interest for any period for which the statute of limitations shall be a bar to the assertion or collection of a deficiency of federal income taxes from the Owner of such Bond.

“Default” means a default on the part of the Corporation in performance of any covenant or condition of this Loan Agreement which, with notice or passage of time or both, would or has become an Event of Default.

“Depository” means DTC or any other person who shall be a Holder of all the Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, Corporation and Trustee to act as the Depository; provided any Depository shall be registered or qualified as a “clearing agency” within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

“Determination of Taxability” shall have the meaning provided in the Loan Agreement.

“DTC” means The Depository Trust Company in New York, New York, its successors or assigns.

“Event of Default” means an Event of Default described in Section 7.01 of the Loan Agreement which has not been cured.

“Financial Journal” means *The Bond Buyer*, *Finance & Commerce*, *The Wall Street Journal* or any other newspaper or journal devoted to financial news published in the English language in Minneapolis or Saint Paul, Minnesota, or in the City of New York, New York.

“Fiscal Year” means the Corporation’s fiscal year, and shall initially mean the 12-month period commencing on June 1 in each year.

“General Bond Reserve Account” means the General Bond Reserve Account created pursuant to the General Bond Resolution.

“General Bond Resolution” means the General Bond Resolution adopted by the Authority on October 31, 1972, and any amendments thereto.

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

"Indenture" means the Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, dated as of August 1, 2010, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

"Independent," when used with reference to an attorney, engineer, architect, certified public accountant, consultant, insurance consultant or other professional person, means a person who (i) is in fact independent, (ii) does not have any material financial interest in the Corporation or the Institution or the transaction to which such Certificate or opinion relates (other than the payment to be received for professional services rendered), and (iii) is not connected with the Authority or the Corporation or the Institution as an officer, employee or member of the Authority, the Corporation or the Institution or the Board of Trustees of the Corporation.

"Independent Counsel" means an Independent attorney duly admitted to practice law before the highest court of any state.

"Independent Management Consultant" means an Independent certified public accountant, Independent financial consultant or Independent management consultant having a favorable reputation for skill and experience in studying and reporting on operations of private nonprofit institutions of higher education satisfactory to the Authority.

"Initial Reserve Requirement" means as of the Issue Date, an amount equal to 125 percent of the average annual debt service of the Bonds.

"Institution" means Gustavus Adolphus College, a Minnesota institution of higher education with its main campus located in the City of Saint Peter, Minnesota, owned and operated by the Corporation.

"Interest Payment Date" means April 1 and October 1 of each year, commencing April 1, 2011 and any other date on which the principal of and interest on the Bonds shall be due and payable.

"Interest Rate" shall mean, with respect to the Bonds, the interest rate per annum specified in the column entitled "Interest Rate" for the Bonds of the respective year of maturity in Section 2.01 of the Indenture.

"Internal Revenue Code" means the Internal Revenue Code of 1986 and amendments thereto.

"Issue Date" means the date on which the Bonds are delivered to the original purchaser thereof upon original issuance.

"Loan Agreement" means the Loan Agreement between the Authority and the Corporation, dated as of August 1, 2010, as from time to time amended or supplemented.

"Loan Repayments" means the payments described in clauses (a), (b) and (c) of Section 4.02 of the Loan Agreement.

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

"Permitted Encumbrances" means, 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 Corporation, (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement and (v) liens granted by the Corporation to secure Long-Term Indebtedness allowed under Section 6.14(b) of the Loan Agreement.

"Predecessor Bonds" means Predecessor Bonds as defined in Section 2.01 of the Indenture.

"Project" means the Project described in Section 1.04 of the Loan Agreement and Section 1.05 of the Indenture as from time to time amended in accordance with Section 3.01 of the Loan Agreement.

"Project Buildings" means the facilities constituting the Project and any other building constructed or improved with the proceeds of the Series Four-X Bonds, including investment earnings.

"Project Equipment" means all fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds or the Series Four-X Bonds, including investment earnings and, with respect to such personal property acquired with proceeds of the Series Four-X Bonds, generally described in the Series Four-X Bond Documents and described in the Certificate of the Project Supervisor furnished pursuant to the Series Four-X Bond Documents.

"Project Facilities" means the Project Site, the Project Buildings and the Project Equipment, as the same may at any time exist.

"Project Site" means those portions of land, or interests in land which are owned by the Corporation, and on which any Project Buildings are located or otherwise improved as part of the Project or the Series Four-X Project, described on Exhibit A to the Loan Agreement, subject to any minor adjustments or modifications to the legal description in Exhibit A to the Loan Agreement provided in writing to the Authority and the Trustee, provided such minor adjustments or modifications will not have an adverse material effect on the operation of the Project Facilities.

"Project Supervisor" means the Project Supervisor appointed as provided in the Series Four-X Bond Documents and in Section 3.07 of the Loan Agreement and Section 4.09 of the Indenture.

"Redemption Account" means the Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys and investments 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 to the extent permitted or required by Section 3.01 of the Indenture and to purchase outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Moneys in the Redemption Account may be used in the Trustee's discretion to pay rebate due the United States under Section 148 of the Internal Revenue Code if the Corporation or the Authority fails to pay or provide for the payment of any rebate.

"Reference Rate" means the interest rate per annum announced from time to time by Wells Fargo Bank, National Association, as its prime or reference rate, regardless of whether that interest rate is actually charged to any customer of said bank.

"Refunding Account" means the Refunding Account established under Section 5.07 of the Indenture.

"Reserve Account" means the Reserve Account established under the Indenture into which on the Issue Date will be placed Bond proceeds in the amount of the Initial 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 therefore and may be used in the Trustee's discretion to pay rebate due to the United States if the Corporation or the Authority fails to provide for payment of any rebate.

"Reserve Requirement" means the lesser of (A) the Initial Reserve Requirement (as adjusted in case of defeasance or prepayment as provided in the Indenture), and (B) the least of (I) the maximum amount of principal of and interest on then Outstanding Bonds that accrues and is payable in any remaining Bond Year at the time of calculation or (II) 10 percent of the principal amount of the Bonds or (III) 125 percent of the average annual debt service of then Outstanding Bonds in the Bond Years remaining at the time of calculation.

"Series Four-X Bond Account" means the Series Four-X (Gustavus Adolphus College) Bond and Interest Sinking Fund Account created under the Series Four-X Indenture.

"Series Four-X Bond Documents" means the Series Four-X Loan Agreement and the Series Four-X Indenture.

"Series Four-X Bonds" means the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-X (Gustavus Adolphus College), dated November 1, 1998, issued in the original principal amount of $11,695,000, the proceeds of which were loaned by the Authority to the Corporation to finance the Series Four-X Project.

"Series Four-X Indenture" means the Trust Indenture between the Authority and the Series Four-X Trustee, dated as of November 1, 1998.

"Series Four-X Loan Agreement" means the Loan Agreement between the Authority and the Corporation dated as of November 1, 1998.

"Series Four-X Project" means the expansion and remodeling of the Institution's Campus Center for dining and other student services and the construction, furnishing, and equipping of the College View Apartments for student housing and related demolition and site improvements on the "Project Site" as defined in the Series Four-X Indenture.

"Series Four-X Redemption Account" means the Series Four-X (Gustavus Adolphus College) Redemption Account created under the Series Four-X Indenture.

"Series Four-X Reserve Account" means the Series Four-X (Gustavus Adolphus College) Reserve Account created under the Series Four-X Indenture.

"Series Four-X Trustee" means Wells Fargo Bank, National Association, successor by consolidation to Norwest Bank Minnesota, National Association.

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

"Trust Estate" means the interest of the Authority in the Loan Agreement assigned under Granting Clause I of the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause II of the Indenture; and additional property held by the Trustee pursuant to Granting Clause III of the Indenture.

"Trustee" means the trustee at the time serving as such under the Indenture.

"Underwriter" means Wells Fargo Bank, N.A., d/b/a Wells Fargo Securities, as original purchaser of the Bonds.

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Financial Covenants

See "SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS - Source of Payment" herein.

Redemption of Series Four-X Bonds

The Corporation represents that it will cause the Series Four-X Bonds to be redeemed on or about September 6, 2010.

Construction of Project

The Corporation represents that construction, acquisition and installation of the Project will be substantially completed by no later than December 31, 2011 subject only to "force majeure," as provided in the Loan Agreement. The Corporation 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 Corporation, 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 effect is furnished. The Corporation has agreed 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 Corporation agrees to make Loan Repayments in amounts and at times sufficient to provide for payment in full of all principal of and interest and premium, if any, on the Bonds when due. To provide for such payments the Corporation covenants to pay for the account of the Authority the following amounts:

(a) at least one Business Day prior to each April 1 and October 1, commencing April 1, 2011, the Corporation shall deposit into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least one Business Day prior to each October 1, commencing on October 1, 2011, a sum equal to the amount payable as principal (whether at maturity or mandatory sinking fund redemption) of the Bonds on such principal payment date;

provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.01, 5.02, 5.03 or 5.04 of the Indenture (relating to purchase and cancellation of term bonds and the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

(b) on or prior to a date established for the optional redemption or mandatory redemption and prepayment of the Bonds, the Corporation shall deposit into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account; and

(c) the Corporation shall deposit 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 of, premium, if any, and interest on the Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

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

(e) the Corporation shall deposit into any fund or account designated by the Trustee such amount as may be 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).

Each payment under this Section shall be made directly to the Trustee at its principal corporate trust office for the account of the Authority for deposit as provided in the Indenture. The Corporation shall furnish to the Authority, if the Authority so requests, advice of the transmittal of such payments at the time of transmittal of payment.

There is reserved to the Corporation 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 Corporation 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 Corporation 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 any part of a program of a school or department of divinity for any religious denomination. The Corporation agrees not to use or 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 Corporation agrees that, so long as there are Bonds outstanding, and subject to certain exceptions, the Corporation will keep the Project Facilities in good repair and good operating condition at its own cost. The Corporation will make such repairs, modifications and replacements as are necessary so that the Project Facilities will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation, and may make such repairs, modifications and replacements as in the Corporation's judgment are desirable, subject to the same conditions. The Corporation may sell, transfer, lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities so long as (i) the tax-exempt status of the Bonds will not be affected thereby, (ii) no such transaction or agreement shall be inconsistent with the Loan Agreement, the Indenture, or the Act, (iii) the Corporation shall remain fully obligated under the Loan Agreement, as if such transaction or agreement had not been made, and (iv) in the case of any lease to or occupancy by persons who are not students, employees or faculty of the Corporation, an opinion of Bond Counsel is provided to the Trustee to the effect that tax exemption of the interest on the Bonds is not adversely affected. The Corporation may demolish any Project Facilities which in the Corporation's Board of Trustees' judgment are worn out, obsolete or require replacement.

Operating Expenses and Liens

The Corporation will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities; provided that the Corporation may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or Trustee shall notify the Corporation that, in the opinion of Independent counsel, by nonpayment of any such items the Project Facilities or any part thereof will be subject to loss or forfeiture, in which event the Corporation shall promptly pay and cause to be satisfied and discharged all such unpaid items.

Taxes and Other Governmental Charges

The Corporation will pay, as the same respectively come due, any 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 Corporation, or the Project Facilities or any improvements, equipment or related property installed or brought by the Corporation therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

The Corporation may, at its expense, in good faith contest any such taxes, assessments, license fees and other governmental charges and, in the event of any such contest, may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the Corporation 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 Corporation 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 the lesser of (i) full insurable value of the Project Facilities and contents, or (ii) the principal amount of the Bonds or (if greater) 80 percent of the full insurable replacement value of the Project Facilities and contents, with a deductible amount of not more than $250,000.

(b) Comprehensive general public liability insurance, including blanket contractual liability and personal injury liability and automobile insurance, in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $5,000,000, with a deductible amount of not more than $250,000 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 Corporation,

Upon the written request of the Corporation, the Trustee (i) may permit modifications to such insurance requirements and deductible amounts, including permission for the Corporation 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 Corporation and satisfactory to the Trustee.

Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the Corporation and the Trustee at least thirty days before the cancellation or modification of the policy limits below the insurance requirements set forth above becomes effective. The Corporation shall, on or before October 1 of each year, provide the Trustee with a certificate of insurance compliance.

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 $1,000,000, the Corporation will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $1,000,000, the Corporation 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.

The Bonds may be redeemed in whole if all or substantially all of the Project Facilities are damaged or destroyed and (i) they cannot be reasonably restored within six months, or (ii) normal use and operation of such Project Facilities are interrupted for a six month period, or (iii) the cost of restoration exceeds the available Net Proceeds by more than $100,000 (plus the amount of any deductible). The Bonds may be redeemed in part if (i) all or a portion of the Project Facilities have been damaged or destroyed, (ii) the Corporation determines that the Project Facilities so damaged or destroyed are not needed in its operations, (iii) the Corporation has elected not to repair, rebuild, restore or replace such Project Facilities and (iv) the Corporation elects that the available Net Proceeds (and not more than the amount of such available Net Proceeds) are deposited in the Redemption Account and used to redeem or purchase Bonds.

Condemnation

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

If the Bonds are to be redeemed in whole or in part, such redemption shall be as described in the second paragraph under the caption "Damage or Destruction" above.

Removal of Project Equipment and Building Equipment

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

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

(b) the Corporation may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the Corporation pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the Corporation, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of the equipment so released was less than $100,000, 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 Corporation as may be satisfactory to the Trustee; and

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

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or in connection with (c) above, the depreciated value of Building Equipment to be substituted, removed or released equals or exceeds $100,000 the Corporation 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 or value of the Project Facilities.

Indemnification

The Corporation 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 Corporation 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 Corporation in connection with the sale of the Bonds.

Corporation to Maintain its Existence and Accreditation

The Corporation 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, accredited as such by recognized accrediting agencies and that it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee institution, as the case may be, is other than the Corporation, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the Corporation in the Loan Agreement, and be either a state university or college or a nonprofit corporation operating or authorized to operate an Institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the institution be nonsectarian; and (b) the Corporation 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 Corporation has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt nonhospital bonds issued on behalf of or for the benefit of the Corporation and all organizations under common management or control with the Corporation (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000, excluding nonhospital bonds issued on or after August 5, 1997 to finance capital expenditures incurred after August 5, 1997. Under the Loan Agreement, in no event will the Corporation affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the Corporation or such other resulting entity, and all organizations under common management or control with the Corporation or such resulting entity, within the meaning of Section 145 of the Internal Revenue Code.

Federal Income Tax Status

The Corporation 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 Corporation agrees that it will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect. All courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest on the Bonds is includable in gross income of the recipient 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 per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, as a whole or in part on the next date for which due notice can be given and any date thereafter at a redemption price equal to par plus accrued interest plus additional interest from the Date of Taxability.

Other Covenants

The Corporation further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate by reason of religion, race, creed, color or national origin in the use or operation 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, the Department of Education and the Minnesota Office of Higher Education, subject to the right of contest. The Corporation agrees to indemnify the Authority from losses arising from certain representations made by the Corporation 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 Corporation 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 Corporation shall fail to make any Loan Repayment when due and either (i) on a Bond principal or interest payment date or redemption date the available moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account, and Redemption Account 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 Corporation that such payment has not been made; or

(b) If the Corporation 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 Corporation shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement as defined in Section 5.02 of the Indenture, provided failure to comply with such requirement shall not become an Event of Default unless the Corporation 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 Corporation by the Authority or the Trustee; or

(d) If the Corporation shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied is given to the Corporation by the Authority or the Trustee; or

(e) If the Corporation 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 Corporation; or

(f) If a court of competent jurisdiction shall enter an order, judgment or decree against the Corporation in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the Corporation or of the whole or any substantial part of the property of the Corporation, and such order, judgment or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof; or

(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 Corporation 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 Corporation. 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 Corporation 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 Corporation shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The Corporation agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the Corporation 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.

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 Corporation.

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 "DEFINITION 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:

I 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 rights of the Authority relating to fees and expenses, indemnity and advances;

II a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture (but excluding all moneys and investments in the Refunding Account); (ii) money 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

III 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 Corporation or by anyone in behalf of them or with their written consent, to the Trustee.

Accounts

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

Moneys on deposit to the credit of the Accounts 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 rated at least in the rating category of "AA" or "Aa" or political subdivisions of states rated at least in the rating category of "AAA" or "Aaa," revenue bond obligations of states and their political subdivisions 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, states and their political subdivisions or in certain repurchase agreements; constant dollar value money market funds that invest solely in the types of obligations or repurchase agreements in which the foregoing mutual funds may invest and which are rated in the highest rating category by a national credit rating agency; time deposits of insured state or national banks fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

Trustee's Right to Payment

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

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary or advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable rebate requirements under Section 148(f) of the Code and 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 Corporation (giving the Corporation 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 Corporation, as that term is defined in the Loan Agreement, shall occur and be continuing.

Remedies

If an Event of Default shall exist, 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 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 the Loan Agreement and 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 the Reference Rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment on account 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 under the Indenture 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 Corporation 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 combined capital, surplus and undivided profits of $10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the Corporation, provided that the Authority may, but is not required to remove the Trustee with or without the request of the Corporation if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

No Bondholder shall have any right to institute any suit, action or 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 Corporation 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 of, premium, if any, and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all 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 Corporation 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 Corporation all the Trust Estate shall revert to the Authority and the Corporation 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 Corporation 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 could have been contained in the Indenture or any supplemental indenture and which shall not impair the security of the same; and

(e) 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 percent 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 Bonds outstanding (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, 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 shall, 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 shall consent to or execute any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 51 percent 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 principal corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. If the Bonds are no longer in book entry form, Bonds may be exchanged 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, subject to applicable procedures while in book entry form.

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC") is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

Redemption notices shall be sent to DTC. If fewer than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority or 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).

Payment of principal, interest, and redemption premium, if any, on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Bond Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar, Authority, or the Trustee. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will 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 Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. The Authority, the College and the Underwriter take no responsibility for the accuracy thereof.

AUDITED FINANCIAL STATEMENTS

FISCAL YEARS ENDED MAY 31, 2009 AND 2008

BAKER TILLY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Gustavus Adolphus College as of May 31, 2009 and 2008 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gustavus Adolphus College at May 31, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6 to the financial statements, Gustavus Adolphus College adopted the provisions of FASB Statement No. 157, *Fair Value Measurements and* FASB Statement No. 159, *The Fair Value Option for Financial Assets and Liabilities – Including an Amendment of FASB Statement No. 115* as of June 1, 2008. As described in Note 7 to the financial statements, the College adopted the provisions of FASB Staff Position FSP 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure for all Endowment Funds* for the year ended May 31, 2009; and for the year ended May 31, 2008, adopted FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans.*

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
September 11, 2009

GUSTAVUS ADOLPHUS COLLEGE

STATEMENTS OF FINANCIAL POSITION
May 31, 2009 and 2008

ASSETS

	2009	2008
Cash and cash equivalents	$ 12,151,376	$ 14,184,395
Receivables		
Students accounts, net of allowance for doubtful accounts of $420,000 and $320,000	525,636	401,782
Government grants	191,642	151,061
Accrued interest	84,039	96,997
Contributions	3,578,000	3,327,000
Other	263,664	308,905
Inventories	510,982	461,203
Prepaid expenses and other assets	747,498	782,878
Students notes receivable, net of allowance for doubtful accounts of $220,000 each year	3,310,071	3,029,655
Investments		
Cash and short-term investments	1,961,821	2,754,433
Investments other than endowment	19,631,873	24,453,152
Interest in buildings, net of accumulated depreciation of $1,397,264 and $1,338,615	1,774,210	1,875,498
Real estate held for resale	1,428,500	1,428,500
Beneficial interest in funds held in trust	639,767	1,166,240
Other	4,531,398	3,531,020
Deposits held by trustees		
Cash and short-term investments	636,089	634,406
Fixed income securities	849,487	847,113
Endowment investments	85,907,969	114,581,287
Deferred debt acquisition costs	311,590	331,083
Construction in progress	1,300,546	85,196
Property, plant and equipment, net	93,869,443	96,496,056
TOTAL ASSETS	$ 234,205,601	$ 270,927,860

LIABILITIES AND NET ASSETS

	2009	2008
LIABILITIES		
Accounts payable	$ 2,293,872	$ 1,935,267
Accrued liabilities	12,998,150	12,649,277
Deferred revenue	1,950,016	2,088,293
Future interest discount on pooled life income funds	1,075,193	1,143,389
Annuities payable	7,940,120	8,985,812
Funds held for others	1,597,875	1,690,106
Long-term debt	23,985,000	25,055,000
U.S. government grants refundable	2,952,304	2,981,272
Total Liabilities	54,792,530	56,528,416
NET ASSETS		
Unrestricted	41,753,080	73,548,324
Temporarily restricted	61,645,244	62,243,448
Permanently restricted	76,014,747	78,607,672
Total Net Assets	179,413,071	214,399,444
TOTAL LIABILITIES AND NET ASSETS	$ 234,205,601	$ 270,927,860

See accompanying notes to financial statements.

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2009
With Comparative Figures for 2008

	2009 Unrestricted	2009 Temporarily Restricted	2009 Permanently Restricted	2009 Total	2008 Total
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and fees	$ 74,631,033			$ 74,631,033	$ 71,690,557
Less: Scholarships and grants	30,721,422			30,721,422	28,091,268
Net tuition and fees	43,909,611			43,909,611	43,599,289
Government grants	1,072,579			1,072,579	1,157,664
Private gifts and grants	1,872,761	$ 2,625,000	$ 1,630,186	6,127,947	11,940,744
Endowment income	1,043,566	3,270,703	82,496	4,396,765	4,303,420
Investment income	626,988		751	627,739	870,163
Losses on investments	(15,416,179)	(17,536,325)	(274,272)	(33,226,776)	(5,652,232)
Other sources	2,018,942		3,247	2,022,189	2,052,750
Sales and services of auxiliary enterprises	19,749,417			19,749,417	18,372,764
Adjustment of actuarial liability	(11,022)	(192,057)	(3,973,669)	(4,176,748)	(909,962)
	54,866,663	(11,832,679)	(2,531,261)	40,502,723	75,734,600
Net assets released from restrictions	7,667,627	(7,667,627)			
Total Revenues, Gains and Other Support	62,534,290	(19,500,306)	(2,531,261)	40,502,723	75,734,600
EXPENSES AND LOSSES					
Program expenses					
Instruction	30,007,796			30,007,796	29,751,781
Academic support	4,727,429			4,727,429	4,529,246
	34,735,225			34,735,225	34,281,027
Research	81,122			81,122	57,452
Public service	884,108			884,108	898,435
Student services	14,234,185			14,234,185	12,998,977
Auxiliary enterprises	15,793,981			15,793,981	15,222,352
Support expenses					
Institutional support	9,760,475			9,760,475	8,821,178
Demolition and loss on disposal of property, plant and equipment					175,254
Total Expenses and Losses	75,489,096			75,489,096	72,454,675
Change in net assets before cumulative effect of change in accounting principle and net asset reclassifications	(12,954,806)	(19,500,306)	(2,531,261)	(34,986,373)	3,279,925
Reclassification of prior year net assets	(85,636)	147,300	(61,664)		
Net asset reclassification based on change in Minnesota law	(18,754,802)	18,754,802			
Cumulative effect of change in accounting principle					(377,000)
Total Change in Net Assets	(31,795,244)	(598,204)	(2,592,925)	(34,986,373)	2,902,925
Net Assets - Beginning of Year	73,548,324	62,243,448	78,607,672	214,399,444	211,496,519
NET ASSETS - END OF YEAR	$ 41,753,080	$ 61,645,244	$ 76,014,747	$ 179,413,071	$ 214,399,444

See accompanying notes to financial statements.

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and fees	$ 71,690,557			$ 71,690,557
Less: Scholarships and grants	28,091,268			28,091,268
Net tuition and fees	43,599,289			43,599,289
Government grants	1,157,664			1,157,664
Private gifts and grants	2,247,946	$ 4,523,689	$ 5,169,109	11,940,744
Endowment income	1,131,740	3,075,433	96,247	4,303,420
Investment income	864,842		5,321	870,163
Losses on investments	(4,391,739)	(1,028,242)	(232,251)	(5,652,232)
Other sources	2,052,168		582	2,052,750
Sales and services of auxiliary enterprises	18,372,764			18,372,764
Adjustment of actuarial liability	(7,341)	(21,588)	(881,033)	(909,962)
	65,027,333	6,549,292	4,157,975	75,734,600
Net assets released from restrictions	7,426,693	(7,426,693)		
Total Revenues, Gains and Other Support	72,454,026	(877,401)	4,157,975	75,734,600
EXPENSES AND LOSSES				
Program expenses				
Instruction	29,751,781			29,751,781
Academic support	4,529,246			4,529,246
	34,281,027			34,281,027
Research	57,452			57,452
Public service	898,435			898,435
Student services	12,998,977			12,998,977
Auxiliary enterprises	15,222,352			15,222,352
Support expenses				
Institutional support	8,821,178			8,821,178
Demolition and loss on disposal of property, plant and equipment	175,254			175,254
Total Expenses and Losses	72,454,675			72,454,675
Change in net assets before cumulative effect of change in accounting principle	(649)	(877,401)	4,157,975	3,279,925
Cumulative effect of change in accounting principle	(377,000)			(377,000)
Total Change in Net Assets	(377,649)	(877,401)	4,157,975	2,902,925
Net Assets - Beginning of Year	73,925,973	63,120,849	74,449,697	211,496,519
NET ASSETS - END OF YEAR	$ 73,548,324	$ 62,243,448	$ 78,607,672	$ 214,399,444

See accompanying notes to financial statements.

GUSTAVUS ADOLPHUS COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended May 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (34,986,373)	$ 2,902,925
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Cumulative effect of change in accounting principle		377,000
Depreciation and amortization	5,460,857	5,375,557
Loss on disposal of property, plant and equipment	8,927	55,855
Losses on endowment investments	29,553,665	2,723,110
Losses (gains) on other investments	436,646	(40,830)
Actuarial adjustment of annuities payable	(375,850)	364,227
Pooled life income deferral adjustments	393,091	389,286
Loan cancellations and reinstatements	48,436	51,268
Change in assets and liabilities		
Student receivables	(123,854)	(17,569)
Government grants receivable	(40,581)	50,238
Accrued interest receivable	12,958	(20,057)
Contributions receivable - operations	(587,689)	(1,125,528)
Other receivables	45,241	(99,798)
Inventories	(49,779)	6,419
Prepaid expenses and other assets	35,380	43,530
Accounts payable	(74,762)	267,368
Accrued liabilities	348,873	396,525
Deferred revenue	(138,277)	(59,686)
Funds held for others	(92,231)	(22,462)
Contributions restricted for plant and long-term investment	(2,316,820)	(7,193,170)
Investment income restricted for plant, loans, and long-term investment	(83,247)	(101,568)
Net Cash Flows from Operating Activities	(2,525,389)	4,322,640
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of endowment and pooled investments, net	(880,347)	(2,626,285)
Drawdowns (purchases) of other investments, net	4,727,735	(1,936,688)
Purchases of property, plant and equipment	(3,528,768)	(6,208,075)
Purchases of deposits held by construction and bond trustees, net	(4,057)	(14,200)
Disbursements of loans to students	(722,291)	(430,129)
Repayments of loans from students	393,439	357,953
Net Cash Flows from Investing Activities	(14,289)	(10,857,424)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of principal on indebtedness	(1,070,000)	(1,195,000)
Receipts of investment income restricted for plant, loans and long-term investment	83,247	101,568
Contributions received restricted for plant and long-term investment	2,653,509	7,080,698
Decrease in refundable U.S. government grants	(28,968)	(39,629)
Increase in liability for new split interest agreements	360,953	676,697
Payments to annuitants and pooled life income beneficiaries	(1,492,082)	(1,520,113)
Net Cash Flows from Financing Activities	506,659	5,104,221
Net Change in Cash and Cash Equivalents	(2,033,019)	(1,430,563)
CASH AND CASH EQUIVALENTS - Beginning of Year	14,184,395	15,614,958
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 12,151,376	$ 14,184,395
Supplemental disclosures of cash flow information		
Interest paid	$ 759,061	$ 1,020,198
Noncash investing and financing activities		
Property, plant and equipment acquired through accounts payable	837,441	404,074

See accompanying notes to financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Gustavus Adolphus College (the "College") is an institution of higher education affiliated with the Evangelical Lutheran Church in America. The accounting policies of the College reflect practices common to universities and colleges and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

General - The College maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets—permanently restricted, temporarily restricted or unrestricted, as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by action of the College and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenue Recognition - Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Tuition revenue is recognized in the period the classes are provided. Revenue from auxiliary enterprises is recognized when goods or services are provided. Contributions are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Income and net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift or state law impose restrictions on the use of the income;
- as increases in unrestricted net assets in all other cases.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Losses from investments of endowment and similar funds are reported as decreases in temporarily restricted assets to the extent of prior accumulated earnings reported as such, if any, with the remainder reflected as reductions to unrestricted endowment funds.

Temporarily Restricted Net Assets - With respect to temporarily restricted net assets, the College has adopted the following accounting policies:

Reporting as Temporarily Restricted Revenues - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Release of Restrictions on Net Assets for Acquisition of Land, Buildings and Equipment - Contributions of exhaustible long-lived assets, or of cash and other assets to be used to acquire them, without donor stipulations concerning the use of such long-lived assets are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released over the estimated useful lives of the long-lived assets using the College's depreciation policies.

Cash Equivalents - The College considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

Receivables - Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student notes receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts and loans receivable are written off when deemed uncollectible. Recoveries of student accounts and loans receivable previously written off are recorded when received. Receivables are generally unsecured.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on Perkins student loans receivable and is recognized as it is charged. Perkins student loans receivable are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late fees are charged and recognized. The Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

Grants to Specified Students - Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the College. The amounts of such grants were $2,384,000 and $1,565,000, respectively, for the year ended May 31, 2009. The amounts of such grants were $2,376,000 and $1,396,000, respectively, for the year ended May 31, 2008.

Inventories - Bookstore inventories are valued at cost using the first-in, first-out method. All other inventories are valued at the lower of cost (first-in, first-out) or market.

Deposits Held by Trustees - Cash, short-term investments and fixed income securities held by the trustees include amounts restricted for debt service as required by the trust indentures.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Debt Acquisition Costs - Costs of bond issuance are deferred and amortized on a straight-line basis over the term of the related indebtedness. Amortization of approximately $19,500 was recorded for each of the years ended May 31, 2009 and 2008.

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 5 to 20 years, equipment 5 to 20 years, and library books 15 years. Normal repair and maintenance expenses are charged to operations as incurred. The College capitalizes physical plant additions in excess of $5,000.

Pension Plan - Retirement benefits are provided for the College's staff through Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), a national organization used to fund pension benefits for educational institutions. Under this arrangement, the College and plan participants make annual contributions to TIAA-CREF to purchase individual annuities equivalent to retirement benefits earned. The College's share of the cost of these benefits was approximately $2,041,000 and $1,920,000 in 2009 and 2008, respectively.

Asset Retirement Obligations - Asset retirement obligations of $2,134,000 and $2,032,000, respectively, included in accrued liabilities represent estimated costs and obligations associated with the retirement of long-lived assets. These liabilities were initially recorded at fair value and the related retirement costs were recorded as decreases in unrestricted net assets. Asset retirement costs are subsequently accreted over the useful lives of the related assets. Accretions of approximately $102,000 and $113,000 were recorded for each of the years ended May 31, 2009 and 2008, respectively.

Deferred Revenue - Certain revenue related to summer education programs, fall student deposits and the guaranteed cost plan are deferred and recognized as revenue in the same period expenses are recognized. Students are generally billed for courses prior to start of the semester.

Government Grants Refundable - Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as a liability in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are recorded as receivables.

Fund Raising and Advertising Expenses - Fund raising expenses totaled $2,477,000 and $2,499,000 for the years ended May 31, 2009 and 2008, respectively. Advertising expenses totaled $251,000 and $223,000 for the years ended May 31, 2009 and 2008, respectively. The College expenses advertising costs at the time incurred.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Income Tax Status - The Internal Revenue Service has determined that the College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The College is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. The most significant areas that subject the College to unrelated business income tax include conferences and events, athletic space and various services provided by the dining service, post office and central duplicating services to the public. At May 31, 2009 and 2008, the College has no current obligation for unrelated business income tax.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Value of Financial Instruments Not Carried at Fair Value - The carrying amounts of cash and cash equivalents, accounts receivable and other receivables, amounts held for others, accounts payable and accrued expenses, deposits and deferred revenue are reasonable estimates of fair value due to the short-term maturity of these financial instruments. The carrying amounts of beneficial interest in funds held in trust are recorded using appropriate discount rates. The beneficial interest in perpetual trusts is reported at fair value of the trust assets.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to the government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. Government or its designee. The fair value of receivables under institutional loan programs approximates carrying value.

The carrying amounts of the actuarial liability for trusts and annuities payable are based on life expectancies, quoted market prices, and the present value discount included in the carrying amount. The carrying amounts of long-term debt approximate fair value because these financial instruments bear interest at rates which approximate current market rates for notes with similar maturities and credit quality.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from the actual results.

Other investments are carried at cost.

The fair values for investments and other financial instruments recorded on a recurring basis are included in Note 6.

Reclassifications – Certain amounts appearing in the 2008 financial statements have been reclassified to conform with 2009 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

Cumulative Effect of Change in Accounting Principle - In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS No. 158). SFAS No. 158 amends SFAS No. 87, 88, 106 and 132(R). This Statement requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur in unrestricted net assets. Accordingly, the College recorded an additional liability of $377,000, for the year ended May 31, 2008, for the unfunded status of its postretirement plan.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements - In March 2008, the FASB issued Statement on Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* (SFAS 161). This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedge items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2008. As of May 31, 2009, the College does not believe the adoption of SFAS 161 will materially impact the financial statement amounts. However, additional footnote disclosures may be required regarding the use of derivative instruments and hedging items.

NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

At May 31, 2009 and 2008, the College's unrestricted net assets were allocated as follows:

	2009	2008
Operations	$ 4,418,218	$ 4,178,678
Endowment funds	8,154,727	41,684,129
Gift annuity agreements	2,185,922	2,207,845
Loans to students	499,016	503,915
Plant	26,495,197	24,973,757
	$ 41,753,080	$ 73,548,324

Temporarily restricted net assets consist of the following at May 31, 2009 and 2008:

	2009	2008
Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other departmental support	$ 4,435,293	$ 4,698,165
Acquisition of buildings and equipment	556,958	669,256
Contributions receivable	2,709,000	2,428,000
	7,701,251	7,795,421
Endowment funds	7,094,947	6,150,474
Life income and trust agreements	1,072,428	1,038,652
Net investment in plant	45,776,618	47,258,901
	$ 61,645,244	$ 62,243,448

Permanently restricted net assets consist of the following at May 31, 2009 and 2008:

	2009	2008
Endowment funds	$ 68,371,636	$ 66,361,445
Contributions receivable for endowment funds	869,000	899,000
Student loan funds	532,197	520,175
Gift annuity agreements and similar funds	6,241,914	10,827,052
	$ 76,014,747	$ 78,607,672

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors during the years ended May 31, 2009 and 2008 were as follows:

	2009	2008
Amortization of contributions expended for long-lived assets	$ 2,113,578	$ 2,204,130
Maturity of deferred gifts	12,528	
Early release of contributions for disposal of property		42,810
Scholarships, instruction and other departmental support	5,541,521	5,179,753
	$ 7,667,627	$ 7,426,693

These assets were reclassified to unrestricted net assets.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at May 31, 2009 and 2008:

	2009	2008
Temporarily restricted - operations	$ 2,182,000	$ 1,594,000
Temporarily restricted - plant projects	862,000	1,276,000
Permanently restricted - endowment	953,000	1,001,000
Gross unconditional promises to give	3,997,000	3,871,000
Less: Unamortized discount	(219,000)	(350,000)
Allowance for uncollectible promises	(200,000)	(194,000)
Net unconditional promises to give	$ 3,578,000	$ 3,327,000

At May 31, 2009, contributions receivable of $1,905,000 are due in less than one year and $1,892,000 are due in one to five years. Promises due in one to five years were discounted at historical rates between 2.17% and 6.9% at May 31, 2009 and 6.9% at May 31, 2008. Promises due in less than one year were not discounted.

NOTE 5 - INVESTMENTS

The following summarizes the College's investments in funds other than endowment at May 31, 2009 and 2008:

	2009	2008
U.S. government and agency securities	$ 3,991,077	$ 3,625,347
Other fixed income securities	86,282	101,427
Stocks		13,172
Mutual funds	15,554,514	20,713,206
	$ 19,631,873	$ 24,453,152

NOTE 5 - INVESTMENTS (Continued)

The following summarizes the College's endowment investments at May 31, 2009 and 2008:

	2009	2008
Cash and short-term investments	$ 281,983	$ 149,100
Marketable securities		
Stocks	62,080	76,661
Mutual funds	54,035,962	68,193,336
Alternative investments		
Real estate	6,562,323	7,818,192
Commodity funds	2,433,107	2,438,447
Fund of funds	19,351,635	31,105,416
Venture capital		11,650
Beneficial interest in funds held by others	3,180,879	4,788,485
	$ 85,907,969	$ 114,581,287

Through the College's alternative investments, the College is indirectly involved in investment activities such as securities lending, trading in futures and forward contracts and other derivative products. Derivatives are used to adjust portfolio risk exposure or enhance returns. While these instruments may contain varying degrees of risk, the College's risk with respect to such transactions is limited to its capital balance in each investment.

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

NOTE 6 - FAIR VALUE MEASUREMENTS

Effective June 1, 2008, the College adopted the provisions of FASB Statement No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. SFAS 157 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date. SFAS 157 expands disclosures about instruments measured at fair value. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, SFAS 157 does not require any new fair value measurements.

Subsequent to the issuance of SFAS 157, the FASB issued additional Financial Staff Positions (FSP) which provide implementation guidance related to fair value measurements. The College has adopted the applicable FSPs as appropriate during fiscal year 2009.

Effective June 1, 2008, the College adopted FASB Statement No. 159, *The Fair Value Option for Financial Assets and Liabilities, including an amendment of FASB Statement No. 115*, which among other things, provides an option to elect fair value as an alternative measurement for selected financial assets and liabilities not previously recorded at fair value. The College did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

As noted above, SFAS 157 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents financial instruments that are measured at fair value on a recurring basis by the SFAS 157 hierarchy as of May 31, 2009:

	Total	Level 1	Level 2	Level 3
ASSETS				
Short-term investments	$ 2,879,893	$ 2,879,893		
Equity securities	62,080	62,080		
Certificates of deposit	4,500,000		$ 4,500,000	
Bonds	86,282		86,282	
Government obligations	4,840,564		4,840,564	
Mutual funds	69,590,476	69,590,476		
Real estate funds	7,990,823			$ 7,990,823
Commodity funds	2,433,107			2,433,107
Fund of funds	19,351,635			19,351,635
Beneficial interest in funds held by others	3,852,044			3,852,044
Total	$ 115,586,904	$ 72,532,449	$ 9,426,846	$ 33,627,609

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Short-term investments - The fair value of short-term investments, consisting primarily of money market funds, is classified as Level 1 as these funds are traded on a regular basis.

Equity securities - Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

Certificates of deposit - Investments in certificates of deposit are classified as Level 2 as these are not traded on a regular basis.

Fixed income securities - Investments in fixed income securities are comprised of asset backed securities, government securities, municipal bonds and corporate bonds. These investments are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Mutual funds - Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Alternative investments - Investments in real estate funds, commodity funds and funds of funds for which there is no readily determinable fair value are classified as level 3 as the valuation is based on significant unobservable inputs. In cases where the investee has provided its investors with a net asset value per share that has been calculated in accordance with the AICPA Audit and Accounting Guide, *Investment Companies*, the College has estimated its fair value by using the net asset value provided by the investee as of December 31, adjusted for cash receipts, cash disbursements, significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through May 31. As of May 31, 2009, the College has commitments to make further investments in various alternative investments of $15,351,000.

Beneficial interest in funds held by others - The College's beneficial interest in perpetual trusts administered by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the College has an irrevocable right to receive the income earned from the trust's assets, the fair value the College's beneficial interest is estimated to approximate the fair value of the trusts' assets.

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended May 31, 2009:

	Balances May 31, 2008	Net realized and unrealized gains (losses) included in change in net assets	Purchases, sales, issuances and settlement, net	Net transfers in (out) of Level 3	Balances May 31, 2009
ASSETS					
Real estate funds	$ 9,246,692	$ (993,133)	$ (262,736)		$ 7,990,823
Commodity funds	2,438,447	25,049	(30,389)		2,433,107
Fund of funds	19,754,189	(3,306,608)	2,904,054		19,351,635
Beneficial interest in funds held by others	5,985,745	(1,135,515)	(23,541)	$ (974,645)	3,852,044
Total	$ 37,425,073	$ (5,410,207)	$ 2,587,388	$ (974,645)	$ 33,627,609

The amount of total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at May 31, 2009	$ (5,407,182)

NOTE 7 - ENDOWMENT

Effective June 1, 2008, the College adopted the provisions of FASB Staff Position FSP 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds.* The FSP provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component of the FSP is a requirement for expanded disclosures about all endowment funds. The State of Minnesota adopted a version of UPMIFA effective for fiscal years ending after December 15, 2008. As a result of adopting the FSP, the College reclassified approximately $18,755,000 out of unrestricted net assets and into temporarily restricted net assets.

The College's endowment consists of approximately 500 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 7 - ENDOWMENT (Continued)

Interpretation of Relevant Law - The College's governing board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Minnesota as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

Endowment net asset composition by type of fund consists of the following as of May 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (6,281,639)	$ 7,094,947	$ 68,371,636	$ 69,184,944
Board-designated endowment funds	14,436,366			14,436,366
Total endowment net assets	$ 8,154,727	$ 7,094,947	$ 68,371,636	$ 83,621,310

Endowment net asset composition by type of fund consists of the following as of May 31, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 6,150,474	$ 66,361,445	$ 72,511,919
Board-designated endowment funds	$ 41,684,129			41,684,129
Total endowment net assets	$ 41,684,129	$ 6,150,474	$ 66,361,445	$ 114,196,048

NOTE 7 - ENDOWMENT (Continued)

Changes in endowment net assets for the year ended May 31, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2008	$ 41,684,129	$ 6,150,474	$ 66,361,445	$ 114,196,048
Net asset reclassification based on change in Minnesota law	(18,754,802)	18,754,802		
Endowment net assets after reclassification	22,929,327	24,905,276	66,361,445	114,196,048
Investment return:				
Investment income, net of fees $154,792	305,657	835,348	19,293	1,160,298
Net depreciation - realized and unrealized	(14,880,602)	(14,453,969)	(219,094)	(29,553,665)
Total investment return	(14,574,945)	(13,618,621)	(199,801)	(28,393,367)
Contributions			1,593,794	1,593,794
Matured deferred gifts			677,862	677,862
Appropriation of endowment assets for expenditure	(1,043,566)	(3,278,727)		(4,322,293)
Other changes:				
Transfers to (from) board designated endowment funds and reclassifications	843,911	(912,981)	(61,664)	(130,734)
Endowment net assets, May 31, 2009	$ 8,154,727	$ 7,094,947	$ 68,371,636	$ 83,621,310

Changes in endowment net assets for the year ended May 31, 2008 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2007	$ 45,521,691	$ 7,184,547	$ 62,269,997	$ 114,976,235
Investment return:				
Investment income, net of fees $166,596	439,639	857,517	36,311	1,333,467
Net appreciation (depreciation) - realized and unrealized	(3,734,637)	1,191,713	(180,186)	(2,723,110)
Total investment return	(3,294,998)	2,049,230	(143,875)	(1,389,643)
Contributions			4,099,645	4,099,645
Matured deferred gifts			135,678	135,678
Appropriation of endowment assets for expenditure	(1,131,740)	(3,083,303)		(4,215,043)
Other changes:				
Transfers to board designated endowment funds	589,176			589,176
Endowment net assets, May 31, 2008	$ 41,684,129	$ 6,150,474	$ 66,361,445	$ 114,196,048

NOTE 7 - ENDOWMENT (Continued)

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $6,281,639 and $259,472 as of May 31, 2009 and 2008, respectively. These deficiencies generally resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters - The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed inflation plus 5% while assuming a moderate level of investment risk. The College expects its endowment funds, over time, to provide an average annual rate of approximately 8.5% annually. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The College has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value using the prior sixteen quarters as of November 30. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 8 - POOLED LIFE INCOME FUND

As of May 31, 2009, the Gustavus Adolphus College Pooled Life Income Fund (the Fund) owned substantially all of three buildings which were purchased from and leased back to the College in prior years. At May 31, 2009 and 2008, leaseback interest in the building recorded in the financial statements was $1,774,210 and $1,875,498, respectively. Depreciation for financial statement purposes is recorded using the straight-line method over periods of 40 to 45 years. Depreciation totaling $76,893 and $77,706 was recorded in fiscal 2009 and 2008, respectively. The Fund and the College also entered into a lease agreement whereby the land under the buildings is leased from the College over a term of 99 years. The land and building leases under which the Fund leases the buildings and subleases the underlying land to the College are for a term of 20 years. The leases provide for the Fund to receive annual rental on the facilities, which for fiscal years 2009 and 2008 totaled $505,058 and $510,517, respectively, with payment to the College for the land, which was $10,866 and $10,984 in 2009 and 2008, respectively. Terms of the lease arrangements provide for adjustments to the rental amount every five years based on changes in the Consumer Price Index.

NOTE 8 - POOLED LIFE INCOME FUND (Continued)

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 2009, $44,208, including related income, was transferred back to the College as the result of donor deaths or assignments. This included $42,640, net of $18,244 accumulated depreciation, related to buildings. During 2008, $86,868, including related income, was transferred back to the College as the result of donor deaths or assignments. This included $84,227, net of $32,825 accumulated depreciation, related to buildings.

NOTE 9 - CONSTRUCTION IN PROGRESS

At May 31, 2009 the following projects were in progress:

	Estimated Total Cost	Cost To Date	Funding Plan
Dormitory restroom remodeling projects	$ 810,000	$ 27,354	Current operations
Elevator projects	600,000	96,246	Current operations
New academic building (architectural costs)	1,400,000	899,699	Current operations
Window replacement projects	600,000	277,247	Current operations
		$ 1,300,546	

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as of May 31, 2009 and 2008:

	2009	2008
Land	$ 955,993	$ 955,993
Land improvements	8,004,212	7,860,260
Buildings	127,478,736	126,311,639
Equipment	20,791,168	20,701,080
Library books	7,887,809	7,732,254
	165,117,918	163,561,226
Less: Accumulated depreciation	(71,248,475)	(67,065,170)
	$ 93,869,443	$ 96,496,056

NOTE 11 - POSTRETIREMENT BENEFIT PLAN

The College sponsors a postretirement medical plan (the "plan") that covers eligible employees who retire after age 60 with at least 20 years of service. The plan is contributory for those employees and their spouses who retired after 1992. Eligible employees who retired after May 31, 2005 pay 100% of the cost of medical insurance (100% of group premiums). The College accrues the cost of postretirement benefits during the service lives of employees.

In 2006, the College began the process for obtaining the Medicare Part D 28% Federal subsidy to offset prescription drug charges for Medicare eligible participants in the plan. The subsidy would have been retroactive back to 2006. For this reason, the June 1, 2006 and June 1, 2007 actuarial valuations and fiscal year ending disclosure information reflected the 28% Federal subsidy as a reduction in liability and annual costs. In 2008, the College decided to no longer pursue obtaining the 28% Federal subsidy causing a substantial loss or increase in liability to the plan.

The plan was amended May 31, 2009 to require coverage for all current and future Medicare eligible retirees to be in the Senior Gold Medicare Supplemental plan effective January 1, 2010. The effect of this plan amendment is included in the May 31, 2009 accrued postretirement benefit obligation.

The College accounts for its postretirement benefits other than pensions in accordance with Statement of Financial Accounting Standards (SFAS) No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* as amended by SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans.*

Accrued postretirement benefit obligation components are as follows for the years ended May 31, 2009 and 2008:

	2009	2008
Active employees	$ (432,925)	$ (280,428)
Current retirees	(2,219,343)	(2,288,382)
Accrued postretirement benefit obligation	$ (2,652,268)	$ (2,568,810)

The above accrued postretirement benefit obligation is included in accrued liabilities in the statements of financial position.

NOTE 11 - POSTRETIREMENT BENEFIT PLAN (Continued)

The following is a reconciliation of the benefit obligation and the value of plan assets at May 31, 2009 and May 31, 2008:

	2009	2008
Change in projected benefit obligation		
Benefit obligation at June 1	$ 2,568,810	$ 2,666,004
Interest cost	207,801	151,659
Service cost	24,945	17,853
Actuarial loss	991,820	405,694
Plan amendment	(665,876)	
Benefits paid	(475,232)	(672,400)
Projected benefit obligation at May 31	$ 2,652,268	$ 2,568,810
Change in plan assets		
Fair value of plan assets at June 1	$ 0	$ 0
Employer contribution	475,232	672,400
Participant contribution	228,083	203,618
Benefits paid	(703,315)	(876,018)
Fair value of plan assets at May 31	$ 0	$ 0

Net periodic postretirement benefit expense for the years ended May 31, 2009 and May 31, 2008 is comprised of the following:

Service cost	$ 24,945	$ 17,853
Interest cost	207,801	151,415
Amortization of prior service cost	56,900	56,900
Amortization of loss	55,522	
Net periodic benefit cost	$ 345,168	$ 226,168

Benefits expected to be paid for each of the five years subsequent to May 31, 2009 are estimated to be $257,000, $268,000, $279,000, $275,000 and $275,000, respectively. Benefits expected to be paid 2015 through 2019 are $1,242,000. Contributions from the College and retirees expected to be paid to the plan for the year ended May 31, 2010 are estimated to be $505,000.

NOTE 11 - POSTRETIREMENT BENEFIT PLAN (Continued)

The estimated interest cost, service cost, net loss and expected benefits paid for the years ended May 31, 2009 and 2008 and the estimated benefit obligation at May 31, 2010 are as follows:

	2009	2008
Change in projected benefit obligation		
Benefit obligation at June 1	$ 2,652,268	$ 2,568,810
Interest cost	160,519	155,656
Service cost	24,796	18,990
Expected benefits to be paid	(256,771)	(250,457)
Projected benefit obligation at May 31	$ 2,580,812	$ 2,492,999

The above assumptions and calculations are based on census data as of June 1, 2008 and other information as of the measurement date for the plan. The accrued benefit cost represents the full obligation for the retirees and the current service cost for eligible employees at May 31, 2009. A 9.5% rate of increase in the per capita costs of covered health care benefits was assumed at May 31, 2009, decreasing .5% per year to an ultimate level of 4.5% in fiscal years ending May 31, 2020 and later. A discount rate of 6.36% and 6.37% was used to determine the accrued postretirement benefit obligation for fiscal 2009 and 2008, respectively.

The effect of a 1.0% increase in each future health care trend rate would increase the combined service cost and interest cost by approximately $17,980 or 7.7%. Increasing the assumed health care cost trend rate by 1% would increase the accumulated postretirement benefit obligation as of May 31, 2009 by approximately $197,000. The effect of a 1.0% decrease in each future health care trend rate would decrease the combined service cost and interest cost by approximately $16,000 or 6.9%.

NOTE 12 - LONG-TERM DEBT

The College had the following long-term debt outstanding at May 31, 2009 and 2008:

	Original Amount	2009	2008
Minnesota Higher Education Facilities Authority Revenue Bonds - Gustavus Adolphus College (Series Four-H Bonds of 1996)	$ 6,135,000	$ 990,000	$ 1,210,000
Minnesota Higher Education Facilities Authority Revenue Bonds - Gustavus Adolphus College (Series Four-X Bonds of 1998)	11,695,000	9,045,000	9,395,000
Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds - Gustavus Adolphus College (Series Five-X Bonds of 2004)	16,550,000	13,950,000	14,450,000
		$ 23,985,000	$ 25,055,000

NOTE 12 - LONG-TERM DEBT (Continued)

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

During July 1996, the Minnesota Higher Education Facilities Authority issued Revenue Bonds Series Four-H (Gustavus Adolphus College) on behalf of the College totaling $6,135,000. The bond proceeds were used to finance the acquisition and installation of an administrative computer system. Net proceeds were also used to finance the refunding of the Authority's outstanding Mortgage Revenue Bonds, Series Three-B (Gustavus Adolphus College), Mortgage Revenue Bonds, Series Two-V (Gustavus Adolphus College) and Mortgage Revenue Bonds, Series Two-N (Gustavus Adolphus College). The outstanding balances on these bonds were paid in full pursuant to early redemption clauses. The Series Four-H Revenue Bonds have interest rates of 5.25% and mature in annual installments of $225,000 on October 1, 2009 and $765,000 on October 1, 2010. The bonds are secured by a pledge of the Loan Repayments and a Reserve Account.

During November 1998, the Minnesota Higher Education Facilities Authority issued Revenue Bonds Series Four-X (Gustavus Adolphus College) on behalf of the College totaling $11,695,000. The bond proceeds were used to finance the construction, furnishing and equipping of the expansion and remodeling of the College's Campus Center and the construction of the College View Apartments for student housing. The revenue bonds have interest rates varying from 4.75% to 4.80% and mature in annual installments of $370,000 to $505,000 on October 1 through 2015 with payments of $1,680,000, $1,985,000 and $2,340,000 due October 1, 2018, 2021 and 2024, respectively. The term bonds maturing in the years 2018, 2021 and 2024 are subject to annual sinking fund payments on October 1 in the years 2016 through 2024 in amounts varying from $530,000 to $825,000. The bonds are secured by a pledge of the Loan Repayments and a Reserve Account.

During October 2004, the Minnesota Higher Education Facilities Authority issued Variable Rate Demand Revenue Bonds Series Five-X (Gustavus Adolphus College) on behalf of the College totaling $16,550,000. The bond proceeds were used to finance the construction and furnishing of a new apartment complex, complete the installation of fire sprinkler systems in existing residence halls and renovate Old Main. Interest on the bonds is payable monthly and no principal payments are required until maturity on October 1, 2034. The bonds bear interest at a variable (weekly reset) rate, which at May 31, 2009 was 1.25%, with an average rate of 1.76% for the 2009 fiscal year. In addition to the variable rate interest, the bonds incur a letter of credit fee of 55 basis points on the letter of credit amount outstanding and a remarketing fee equal to .09 basis points. The bonds are secured by the irrevocable direct-pay letter of credit to the trustee. The letter of credit expires October 7, 2009 and must be extended by the College 45 days prior to its expiration to prevent the outstanding debt and accrued interest from becoming immediately due and payable. The letter of credit shall be extended for twelve months, unless the bank denies the requested extension. The letter of credit is unsecured. The College is currently under negotiations to place the letter of credit with a new financial institution.

The College is required to maintain debt service reserve funds under the Series Four-H and Series Four-X bond issues in amounts aggregating $1,478,000. The bonds issued under the Authority also include certain financial covenants which include meeting a Revenue/Expenditure Test, as defined, for at least two of each preceding three fiscal year period and which limit the College's ability to incur additional long-term debt. In addition, the agreement with the letter of credit provider for the Series Five-X bond issue provides for various financial covenants.

Annual maturities of all long-term debt for each of the five years subsequent to May 31, 2009 approximate $595,000, $1,155,000, $410,000, $430,000 and $455,000, respectively. Total interest charges for the years ended May 31, 2009 and 2008 amounted to approximately $744,000 and $991,000, respectively.

NOTE 13 - LINE-OF-CREDIT AGREEMENT

The College has an unsecured line of credit totaling $6,650,000 with a local bank which is payable on demand. The agreement expires in March 2010 and is payable at an interest rate equal to the Wall Street Journal prime rate. The interest rate will never be greater than 8.00% or less than 4.50%. In addition, the line of credit is subject to a non-use fee of .10% of any unused portion to be accrued and charged monthly. At May 31, 2009 and 2008, the College had no borrowings outstanding under this agreement.

NOTE 14 - DEFERRED GIFT AGREEMENTS

The College has arrangements with donors classified as charitable lead trusts, charitable remainder trusts, charitable gift annuities and pooled life income funds. In general, under these arrangements the College receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. The College invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the College as unrestricted, temporarily restricted or permanently restricted net assets, or in some instances, distributed to third-party beneficiaries.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the College or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age(s) of the donor(s). The College used the historical interest rates ranging from 2.6% to 11.2%, in making the calculations for the years ended May 31, 2009 and 2008.

During the year ended May 31, 2009, the College received gift income of approximately $305,000 relating to deferred gift agreements. Total assets held by the College under deferred gift agreements and liabilities related to these agreements totaled approximately $18,851,000 and $9,351,000, respectively, at May 31, 2009.

During the year ended May 31, 2008, the College received gift income of approximately $491,000 relating to deferred gift agreements. Total assets held by the College under deferred gift agreements and liabilities related to these agreements totaled approximately $24,597,000 and $10,524,000, respectively, at May 31, 2008.

NOTE 15 - ALLOCATION OF EXPENSES

The College allocated interest expense of $744,389 and $990,612; depreciation and amortization of $5,460,857 and $5,375,557; operation and maintenance of plant expense of $11,287,261 and $10,481,991; and lease payments of $461,287 and $474,370 to program and support functions for the years ended May 31, 2009 and 2008, respectively.

NOTE 16 - OPERATING LEASE

The College made its final payment on an operating lease for an energy conservation system in February 2009. Rental expense associated with this lease totaled $458,000 and $591,000 for each of the years ended May 31, 2009 and 2008, respectively.

NOTE 17 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, marketable securities and other investments, accounts receivable and notes and mortgages. 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. Investments, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. Concentrations of credit risk with respect to the notes and mortgages are limited due to the College holding a secured position in these agreements.

Student notes and receivables and other receivables are due from a variety of sources concentrated primarily in the midwestern United States. In addition, the College's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities.

NOTE 18 - RELATED PARTY TRANSACTIONS

As of May 31, 2009 and 2008, contributions receivable included approximately $98,000 and $174,000, respectively from members of the Board of Trustees and employees of the College. No compensation is paid to members of the Board of Trustees.

As of May 31, 2009 and 2008, other receivables included approximately $25,000 and $22,000, respectively from employees of the College.

The College has a short-term and an intermediate term cash management account in which a member of the Board of Trustees has an affiliation. The individual has disclosed their interest in the financial institution and did not receive a commission or referral fee. As of May 31, 2009 and 2008, the value of these funds was approximately $4,920,000 and $3,500,000, respectively.

The College has invested in two private equity investments in which a member of the Investment Committee and Board of Trustees has an affiliation. The individual fully disclosed their interest in these investments when they were discussed, did not receive a commission or referral fee and did not participate in the voting regarding these investments. Capital contributions as of May 31, 2009, total approximately $3,935,000 and $2,065,000 is outstanding on future commitments. The value of these funds approximates $3,234,000 and $3,478,000 as of May 31, 2009 and 2008, respectively.

The Greater Gustavus Fund (Fund) is a corporation which exists for the benefit of the College. In January 2009, the board members of the Fund approved the discontinuation of the Fund and made a pledge to distribute its remaining net assets of approximately $1,000,000. Once the pledge has been fulfilled, it is anticipated that the Fund will no longer exist and any future bequests or gifts to the Fund will be directed to the College.

The College conducts various treasury functions with a local bank in which an officer of the College serves on the Board of Directors. A report is filed on an annual basis with the President of the College and the Audit Committee of the Board of Trustees disclosing the scope of these treasury activities.

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