OFFICIAL STATEMENT DATED JULY 24, 2013

REFUNDING 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.)

$11,410,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Seven-W
(Gustavus Adolphus College)
(DTC Book Entry Only)

Dated Date: Date of Delivery **Interest Due: April 1 and October 1, commencing April 1, 2014**

The Bonds will mature annually on October 1 as follows:

Year	Amount	Interest Rate	Yield	CUSIP 60416H	Year	Amount	Interest Rate	Yield	CUSIP 60416H
2014	$370,000	2.00%	0.60%	B8 6	2019	$425,000	3.00%	2.49%	C5 1
2015	$380,000	2.00%	0.90%	B9 4	2020	$435,000	3.00%	2.83%	C6 9
2016	$385,000	2.00%	1.36%	C2 8	2021	$450,000	4.00%	3.15%	C7 7
2017	$395,000	4.00%	1.76%	C3 6	2022	$475,000	5.00%	3.40%	C8 5
2018	$410,000	3.00%	2.18%	C4 4	2023	$500,000	5.00%	3.56%	D3 5

$2,840,000 4.25% Term Bonds due October 1, 2028 Yield 4.24%* CUSIP 60416H C9 3
$4,345,000 4.50% Term Bonds due October 1, 2034 Yield 4.57% CUSIP 60416H D2 7

* *Priced to the first optional redemption date of October 1, 2023.*

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

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 The 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 System" herein. Wells Fargo Bank, National Association 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 Kutak Rock LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter through the facilities of DTC on or about July 30, 2013.

The Underwriter intends to engage in secondary market trading in the Bonds, subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of any holder thereof. For information with respect to the Underwriter, see "UNDERWRITING" herein.

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.

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 those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by 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. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the College since the date hereof.

References 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, they will be furnished on request.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

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.

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 takes any responsibility for the accuracy of such CUSIP numbers.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Raymond VinZant, Jr., Chair	President, Ray VinZant Plumbing LLC, Resident of Wyoming, Minnesota
Kathryn Balstad Brewer, Vice Chair	Retired Banker and Educator, Resident of New Brighton, Minnesota
Mark Misukanis, Secretary	Senior Consultant, New Pharos Consulting, Resident of Mendota Heights, Minnesota
Gary D. Benson	Project Director, ICS Consulting, Resident of New Brighton, Minnesota
Mary F. Ives	Real Estate Business Owner, Resident of Grand Rapids, Minnesota
Michael D. Ranum	Chief Financial Officer, BWBR Architects, Inc., Resident of Circle Pines, Minnesota
David D. Rowland	Executive Vice President, The Travelers Companies, Inc., Resident of Edina, Minnesota
Janet Withoff	Consultant – Planning and Grant-Writing, Resident of Orono, Minnesota
Paul Cerkvenik (Ex Officio)	President, Minnesota Private College Council
Tim Geraghty (Ex Officio)	Chief Financial Officer, Minnesota Office of Higher Education

Marianne T. Remedios, Executive Director

Bond Counsel
McGrann Shea Carnival Straughn & Lamb, Chartered

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

$11,410,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES SEVEN-W
(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 501(c)(3) organization 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 $11,410,000 Revenue Bonds, Series Seven-W (Gustavus Adolphus College) (the “Bonds).

The Bonds are being issued pursuant to the provisions of Sections 136A.25 through and including 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 (the “State”) to finance and refinance certain projects.

The Bonds are also being issued pursuant to the Trust Indenture (the “Indenture”) to be dated as of July 1, 2013 between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the “Trustee”). The Trustee will also serve as the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the “Loan Agreement”) to be dated as of July 1, 2013 between the College and the Authority relating to the Bonds, 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 in amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same shall become due. The Bond proceeds will be used to:

1. Refund, on a current basis, the remaining outstanding principal of the Authority’s Series Five-X Variable Rate Demand Revenue Bonds plus interest to the September 1, 2013 redemption date for such bonds; and
2. Pay issuance costs.

The Bonds are secured by a pledge of the Loan Repayments, the payment of which is a general obligation of the College. Under the Loan Agreement, the College will agree to make timely payment of the Loan Repayments.

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 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, premium, if any, and interest on the Bonds.

Risk of Insufficient Collateral

The Bonds are secured solely by (a) a pledge by the Authority to the Trustee of amounts payable by the College under the Loan Agreement, and (b) amounts, if any, in accounts and funds which will be held by the Trustee and applied to the payment of principal of, premium, if any, and interest on the Bonds. The Bonds are not secured by a mortgage on or security interest in any real property or personal property. There is no reserve fund for payment of the Bonds. If an Event of Default occurs, there can be no assurance that such sources will be sufficient to pay the principal of, premium, if any, or interest on the Bonds when due.

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 Indenture, or the Bonds or the performance of other College obligations under such documents. Accordingly, for payment of principal, interest, and premium, if any, 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 other funds, if any, the Trustee holds under the Indenture.

Adequacy of Revenues

Payment of principal of, premium, if any, 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 the College's revenues will be largely dependent on the amount of future tuition revenue the College receives. Such tuition revenue, in turn, will depend primarily on the College's ability 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 and universities, a change in the number of college age students and changing general economic conditions will influence the number of applicants to the College.

Financial Assistance

Approximately 98% of the College's students currently receive some form of financial assistance through scholarships, grants, loans, student employment, etc., from federal, state, College or private sources covering at least a portion of tuition and fees or living expenses. See Appendix I, "THE COLLEGE – Financial Assistance" herein. No assurance can be given that federal and state financial aid will continue to be funded at current levels or that the College will continue to fund student aid at current levels. Curtailment of such aid could cause a decline in enrollment, which could 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 net operating income and other financial information for the College and computed pro forma debt service coverage are provided in Appendix I under the caption "Estimated 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 debt of the College or the 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.

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 4.9% of the endowment's prior twenty 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 – Federal Tax Considerations," "TAX EXEMPTION – Minnesota Tax Considerations," and "TAX EXEMPTION – Changes in Federal and State Tax Law" 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, as amended (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 fourteen events enumerated in the Rule not later than ten business days after the occurrence of the event. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of listed events is set forth in the Continuing Disclosure Agreement to be executed by the College (the "Continuing Disclosure Agreement") 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. 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.

Although the College filed its annual reports for the years 2010, 2011 and 2012 as required by its continuing disclosure undertaking with respect to the Authority's Series Seven-B Bonds issued on behalf of the College, such reports did not include certain required operating data. The College has updated such reports and has instituted additional procedures to ensure that future annual reports are complete.

Other than as described above, the College has never failed to comply with any previous undertakings under the Rule to provide annual reports or notices of listed events. A failure by the College to comply with the Undertaking will not constitute an event of default on the Bonds (although holders may have other remedies in the event of noncompliance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the College pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

The Bonds will be dated as of the date of delivery. The Bonds will mature annually each October 1, commencing October 1, 2014, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2014. The regular record date for the payment of interest on the Bonds which are payable, and are punctually paid or duly provided for, on any interest payment date shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date.

Book Entry Only System

The Depository Trust Company

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 information on DTC, see Appendix VI "THE DEPOSITORY TRUST COMPANY" herein.

Prior Redemption

Mandatory Redemption

The Bonds maturing on October 1 in the years 2028 and 2034 (the “Term Bonds”) shall be called for redemption on October 1 in the years and in the principal amounts set forth immediately below, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account.

Term Bonds Maturing October 1, 2028		Term Bonds Maturing October 1, 2034	
Year	Amount	Year	Amount
2024	$520,000	2029	$645,000
2025	$545,000	2030	$675,000
2026	$565,000	2031	$705,000
2027	$590,000	2032	$740,000
2028*	$620,000	2033	$770,000
		2034*	$810,000

* *Stated 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 may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least forty-five 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 Account) 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, 2024 are subject to optional redemption at the College's direction on October 1, 2023 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 in integral multiples of $5,000, as a whole or in part, plus accrued interest in certain cases of damage to or destruction or condemnation of certain Project Facilities and upon a Determination of Taxability as provided in the Loan Agreement (see “THE BONDS – Determination of Taxability” herein 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 will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed.

In the case of Bonds of denominations greater than $5,000, if less than the full principal amount of such Bonds then outstanding is 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 were 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 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 Bonds shall bear additional interest equal to two percent 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 increased interest rate on the Bonds.** See “TAX EXEMPTION” herein and Appendix IV, “DEFINITIONS OF CERTAIN TERMS.”

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

USE OF PROCEEDS

Bond proceeds will be used to:

1. Refund, on a current basis, the remaining outstanding principal of the Authority's Series Five-X Variable Rate Demand Revenue Bonds plus interest to the September 1, 2013 redemption date; and
2. Pay issuance costs.

Prior to closing, the College will deposit $500,000 to effect the redemption of $500,000 of the Series Five-X Bonds on August 1, 2013. At closing, a portion of the Bond proceeds will be deposited into the Refunding Account created under the Indenture and immediately transferred to the Redemption Account created by the Series Five-X Indenture.

On September 1, 2013, the Trustee will draw on the Series Five-X Letter of Credit and redeem the remaining balance of $11,450,000 for the Series Five-X Bonds at a price of par plus accrued and unpaid interest. Proceeds of the Bonds previously deposited in the Series Five-X Redemption Account will be used to repay the Letter of Credit draw.

SOURCES AND USES OF FUNDS

Sources	
Par amount of the Bonds	$11,410,000
Net Reoffering Premium	200,060
Total Sources:	$11,610,060
Uses	
Deposit to refund the Series Five-X Bonds	$11,450,000
Costs of issuance, including Underwriter's Discount	160,060
Total Uses:	$11,610,060

In the event Bond issuance costs, including Underwriter's discount, exceed 2% of the Bond proceeds, defined as par less original issue discount, such excess shall be paid by the College from sources other than Bond proceeds.

SOURCE OF PAYMENT FOR THE BONDS

General

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. **There is no reserve fund established for the Bonds.**

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the College, and other funds, if any, the Trustee holds under the Indenture. The College will agree pursuant to the terms of the Loan Agreement 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, premium, if any, and interest on the Bonds. The Loan Repayments are a general obligation of the College. The College will further agree to make such payments out of its operating funds or any other moneys legally available.

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

The 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.

Financial Covenants

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, 2013 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, 2014 (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 the 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 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 to use or disposition, whether in favor of the Authority, the Trustee or any other Person.

"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, initially, as applied by the College's auditors in the report of the College's financial statements for the fiscal year ended May 31, 2012, subject to the following paragraph:

In the event of a change in generally accepted accounting principles or financial statement presentation, the College may request modifications to the financial compliance or reporting requirements of the Loan Agreement, provided the request is accompanied by a proposed amendment to the Loan Agreement, and by a certificate of an Independent certified public accountant to the effect that: (i) generally accepted accounting principles or financial statement presentation standards relevant to the College’s financial covenants or reporting requirements under the Loan Agreement have changed; (ii) modifications to the financial covenants or reporting requirements contained in the proposed amendment to the Loan Agreement proffered with the certificate are reasonably required to allow the College to comply with the financial compliance and reporting requirements of the Loan Agreement following such changes; and (iii) the modifications reflected by the proposed amendment to the Loan Agreement will not materially prejudice the Holders of the Bonds, then the Authority will enter into the proposed amendment to the Loan Agreement, as authorized by the Indenture, and such amendment will be deemed to be a part of the Loan Agreement.

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 Refunding Account, a Bond and Interest Sinking Fund Account, a Costs of Issuance Account and a Redemption Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account and the Redemption Account as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of, premium, if any, and interest on the Bonds.

Refunding Account

There shall be deposited into the Refunding Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account or the Costs of Issuance Account. The monies deposited to this account shall immediately be transferred to the Series Five-X Bonds Trustee for deposit into the Redemption Account for the Series Five-X Bonds. Proceeds of the Bonds deposited in the Refunding Account shall be in an amount sufficient, along with other available moneys held by the Series Five-X Bonds Trustee, to effect the redemption of the Series Five-X Bonds as of September 1, 2013.

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 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, premium, if any, and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Costs of Issuance Account

There shall be deposited into the Costs of Issuance Account the amount specified in the Indenture to be applied to the costs, fees and expenses incurred in connection with the issuance of the Bonds. The Trustee shall disburse funds from this account upon presentation to the Trustee of an invoice approved by the Authorized Institution Representative or the Authorized Authority Representative. Any funds remaining in the Costs of Issuance Account after a period of six months shall be transferred to the Bond and Interest Sinking Fund Account.

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, and second, 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 Costs of Issuance 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.

Moneys deposited in the Refunding Account will not be invested in that account, but will be transferred to the Series Five-X Bonds Trustee for deposit into the Redemption Account for the Series Five-X Bonds. See "USE OF PROCEEDS" herein.

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 College'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 196 issues (including refunded and retired issues) totaling over $2 billion, of which approximately $927 million is outstanding as of July 1, 2013. 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 securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. The Underwriter has agreed to purchase the Bonds at a purchase price of $11,562,047.55 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $48,012.70 plus net original issue premium of $200,060.25).

The Underwriter intends to offer the Bonds to the public initially at the offering prices which result in the yields set forth on the inside 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 to indemnify the Underwriter and the Authority against certain civil liabilities, including certain potential liabilities under federal securities laws.

Wells Fargo Bank, National Association ("WFBNA"), the sole underwriter of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

CERTAIN RELATIONSHIPS

Wells Fargo Bank, National Association is serving as both Underwriter and Trustee for the Bonds.

RATING

As noted on the cover page hereof, Moody's Investors Service has assigned a long-term rating of "A3" to the Bonds. This rating reflects only the view of such rating agency. Further information concerning such rating is available from Moody's.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that such 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 not aware of any pending or overtly threatened in writing litigation which would affect the validity of or the tax-exempt nature of the interest on the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either party to perform as described herein, or materially affect the ability of the College to make Loan Repayments in an amount sufficient to pay the principal of, premium, if any, 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, 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 Kutak Rock LLP, Minneapolis, Minnesota.

TAX EXEMPTION

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 net taxable income of individuals, estates and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations.

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, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. (See “DEFINITIONS OF CERTAIN TERMS – *Determination of Taxability*” in Appendix IV; 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.

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.

<u>Minnesota Tax Considerations</u>

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 applies 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.

Changes in Federal and State Tax Law

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest or other income on the Bonds or the market value of the Bonds. Such adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction of the benefit) of the exclusion of interest on the Bonds from gross income for federal or State income tax purposes. A Notice of Deficiency issued by the Internal Revenue Service or a final court decision to the effect that interest payable on the Bonds is includable in gross income shall not be deemed a Determination of Taxability if resulting solely from a change in any applicable statute (or regulation thereunder) in effect as of the date of issuance of the Bonds. See "DEFINITIONS OF CERTAIN TERMS – *Determination of Taxability*" in Appendix IV.

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.

Original Issue Premium

The Bonds maturing October 1, 2014 through 2023 and the term bond maturing on October 1, 2028 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 term bond maturing on October 1, 2034 (the "Discount Bonds") may be less than the principal amount of such maturity. 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.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 (the “Code”) 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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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 Higher Learning Commission as well as by appropriate professional organizations. The College is also registered with Minnesota Office of Higher Education.

Governance

The College is governed by a Board of Trustees who serve three-year terms. The current Board has 30 members.

Board of Trustees

Management

President

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

Prior to coming to Gustavus, President Ohle served a decade as president of Wartburg College in Waverly, Iowa and at Drake University in Des Moines, Iowa for twelve 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 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 holds an honorary doctor of divinity degree from Wartburg Theological Seminary.

President Ohle has announced that he will retire on June 30, 2014. The Board of Trustees of the College has commenced a selection process to select a new President of the College. The College plans to use a nationally recognized search firm specializing in higher education executive searches to assist with the Presidential search process.

Provost and Dean of the College

Dr. Mark J. Braun is provost and dean of the College. As the College's Chief Academic Officer, Dr. Braun serves on the President's Cabinet and has general responsibility for the entire academic program, including the direction of both academic deans, academic strategic planning and facilities planning.

Prior to his appointment as provost and dean of the College, Dr. Braun served as Senior Vice President for Academic Affairs and Dean of the College at Augustana College in Sioux Falls, South Dakota from 2007 to 2011. Prior to that, he served the College for 17 years, first as professor and chair of the Department of Communication Studies, where he taught courses in media and society, media process and criticism, broadcasting, organizational communication, communication theory, and persuasion. Dr. Braun served as Associate Dean at the College from 1999 to 2007. Dr. Braun holds a doctorate in speech-communication from the University of Minnesota and a master's degree in speech-communication from Minnesota State University, Mankato.

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 Adrian Helgeson & Co. (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 the 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 Life

Dr. JoNes R. VanHecke was appointed dean of students and vice president of student life for the College in June 2011. In this role, Dr. VanHecke 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. Prior to her appointment, Dr. VanHecke served as the Vice President for Student Development and Dean of Student Life at Central College, a liberal arts institution of higher education located in Pella, Iowa, since 2006.

Dr. VanHecke received her bachelor's degree from the College, where she majored in biology and communications; earned a master's degree from Indiana University's Higher Education Student Affairs program; and received her Ph.D. from the University of Michigan's Center for the Study of Higher and Postsecondary Education.

Vice President for Enrollment Management

Thomas M. Crady, Ph.D., began his tenure at the College in July 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 initially held positions of increasing responsibility at Grinnell College in Iowa from 1982 to 2007, as dean of students and later as a vice president. 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

Tim Kennedy has served as vice president for marketing and communication at the College since 2012. Mr. Kennedy served as Interim Vice President for Marketing and Communication during the 2011-12 academic year. Previously, Mr. Kennedy served as the College's Sports Information Director since 1990. Mr. Kennedy received his bachelor's degree in management from the College, and did graduate work in athletic administration at Western Illinois University.

Academic Information

The College offers the Bachelor of Arts degree through 26 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 81.5% percentile. The average ACT composite score is 27, and the average SAT combined score is 1,242.

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 $323,000,000.

The capacity of the College's residence halls' is approximately 2,060 students with 2,000 students in residence halls in the fall of 2013, 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.

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.

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 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.

In 2011, the Warren & Donna Beck Academic Hall was completed. The 125,000 square-foot building houses the academic departments of Communication Studies, Economics and Management, History, Psychology, and Sociology and Anthropology. The academic hall also features psychology labs designed to help foster student-faculty collaboration and interdisciplinary research, a digital arts lab, studio space for GAC-TV and KGSM Radio, a large team room for the College's nationally ranked Forensics Program, and dedicated space for the College's Neuroscience Program.

In 2012, the West Mall was completed, which encompasses two plazas, two forests, five outdoor rooms, and an amphitheater. The theme of the mall is the transition of native Minnesota landscapes beginning at the plaza and continuing into the Linneaus Arboretum at the far west end of the mall. The mall begins with a prairie setting and moves into an oak savannah, both of which have crushed limestone paths running through them. These areas are surrounded by an ellipse-shaped sidewalk and a line of trees that provide an enclosed area feeling. Beyond the prairie and savannah areas, the mall continues to stretch out between Southwest Hall and Hollingsworth field. The parking lots that previously occupied this space have been shifted to the north and south of the mall, and the mall ends at Campus Drive, creating a transition to the Linneaus Arboretum.

Student Body

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

	2008-09	2009-10	2010-11	2011-12	2012-13
Head Count	2,574	2,478	2,424	2,471	2,524
FTE	2,547	2,456	2,397	2,450	2,503

Approximately 77% of the students in the 2012-13 first year class at the College are from Minnesota. A total of 27 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:

	2008-09	2009-10	2010-11	2011-12	2012-13
Applications	3,133	2,871	3,217	4,933	4,990
Acceptances	2,347	2,188	2,258	3,047	3,148
Percent Accepted	74.9%	76.2%	70.2%	61.8%	63.1%
Enrolled	636	626	613	733	716
Percent Enrolled to Accepted	27.0%	28.7%	27.1%	24.1%	22.7%

As many colleges have done, the College has eliminated application fees and accepts 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.

For the 2013/2014 academic year, the College has received 4,874 applications and accepted 3,077 students as of June 18, 2013. The College has received 636 deposits for the fall 2013 semester.

Graduation Rate for First Year Students Graduating in Four Years

Entering Year – Fall	4-year Graduation rate
2005	79.7%
2006	79.0%
2007	81.4%
2008	81.2%
2009	79.6%

Student Retention

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

Fall 2007 to Fall 2008:	89.7%
Fall 2008 to Fall 2009:	91.5%
Fall 2009 to Fall 2010:	92.9%
Fall 2010 to Fall 2011:	92.7%
Fall 2011 to Fall 2012:	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 2013-14 academic year.

	2009-10	2010-11	2011-12	2012-13	2013-14
Tuition for First Year Student	$31,460	$33,100	$35,100	$37,210	$38,660
Room and Board*	7,900	8,400	8,700	8,880	9,050
Fees	500	758	797	836	873
Total	$39,860	$42,258	$44,597	$46,926	$48,583

* *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.

2013/2014 Undergraduate Rate Comparison of Selected Minnesota Private Colleges (Ranked by Comprehensive Charges)

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges*
Carleton College	$46,167	$11,982	$58,149
Macalester College	$45,388	$ 10,068	$55,456
St. Olaf College	$40,700	$ 9,260	$49,960
Gustavus Adolphus College	**$39,533**	**$ 9,050**	**$48,583**
College of Saint Benedict	$37,926	$ 9,644	$47,570
Saint John's University	$37,162	$ 8,984	$46,146
Hamline University	$35,498	$ 9,090	$44,588
University of St. Thomas	$35,308	$ 8,986	$44,294
St. Catherine University**	$34,744	$ 8,568	$43,312
Augsburg College**	$33,154	$ 8,782	$41,936
Bethel University**	$31,760	$ 9,200	$40,960
Concordia College (Moorhead)	$32,814	$ 7,160	$39,974
The College of St. Scholastica**	$31,612	$ 8,348	$39,960
Minneapolis College of Art and Design	$32,750	$ 6,810	$39,560
Saint Mary's University of Minnesota**	$29,315	$ 7,700	$37,015
Bethany Lutheran College	$23,950	$ 7,270	$31,220
Concordia University, St. Paul**+	$19,700	$ 7,750	$27,450
Average	**$34,558**	**$ 8,744**	**$43,302**

* *These are standard charges for first-time, full time, full-year undergraduate students, including fees assessed on all undergraduates. Some charges may vary depending on room, board and program choices.*

** *Six colleges have non-traditional programs for which a separate tuition policy applies.*

\+ *Concordia University, St. Paul's tuition reflects a tuition reset implemented for the fall of 2014.*

Source: The Minnesota Private College Research Foundation, reviewable at www.mnprivatecolleges.org; information as of May, 2013.

Financial Assistance

Approximately 98% 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.

	2008-09	2009-10	2010-11	2011-12	2012-13
Grants/Scholarships					
Federal	$ 1,993,270	$ 3,080,209	$ 3,207,174	$ 2,721,347	$ 2,690,619
State	2,414,973	1,991,788	2,074,697	2,818,863	2,857,623
College	30,636,626	36,237,320	36,270,980	42,328,077	46,478,044
Private	1,282,460	1,488,886	1,299,676	1,551,522	1,688,288
Total	$36,327,329	$42,798,203	$42,852,527	$49,419,809	$53,714,574
Loans	$18,629,591	$16,851,500	$18,989,150	$20,160,241	$20,475,860
Student Employment	2,619,545	2,682,061	2,085,595	2,041,048	2,299,150
Grand Total	$57,576,465	62,331,764	$63,927,272	$71,621,098	$76,489,584
Number of Students Receiving Assistance	2,457	2,336	2,347	2,447	2,467

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

Faculty

The College employs 203 full-time and 51 part-time faculty. Average salaries by full-time faculty rank for 2012/2013 are:

Rank	Number	Average Salary	Percent Tenured
Professor	61	$75,917	100%
Associate Professor	62	63,866	95%
Assistant Professor	68	54,204	0%
Instructor	12	44,160	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 $2,360,000 and $3,256,000 for the years ended May 31, 2013 and May 31, 2012, respectively.

Postretirement Benefit Plan

The College also provides health insurance coverage for eligible retired employees. The cost of this coverage was approximately ($344,000) and $213,000 for years ended May 31, 2013 and 2012, respectively.

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 $1,862,929 and $2,351,329 as of May 31, 2013 and 2012, respectively.

Capital Campaign

Campaign Gustavus (the "Campaign") is the comprehensive fundraising campaign that will help fund many of the strategic initiatives of Commission Gustavus 150, the College's strategic planning process. The Campaign is built on three pillars - Opportunity, Teaching and Learning, and Community. The Campaign is about people and active engagement in the future of the College, people who believe in creating opportunities for engaged teaching and learning in a nurturing community, and people who are passionate about the College and its students.

The Campaign has a goal of raising $150 million by the fall of 2015. As of May 31, 2013, the College has received $107,326,617 for the Campaign, which includes $56,613,081 in cash and pledges and $50,713,536 in deferred gifts. Participation in the Campaign is broad based, with 100% of the College Board of Trustees participating.

Endowment

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

Year Ended May 31	Endowment Investments
2009	$ 85,907,969
2010	94,119,271
2011	108,942,183
2012	108,252,323
2013 (unaudited)	121,520,751

Presentation of Financial Statements

Appendix VII sets forth the financial statements for the fiscal year ended May 31, 2012 and 2011. The financial statements were prepared in accordance with generally accepted accounting principles (GAAP) and were 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.

The financial statements for the fiscal year ended May 31, 2013 are not complete as of the date of this Official Statement. See instead Appendix VIII, "UNAUDITED UNRESTRICTED FISCAL YEAR 2013 OPERATING BUDGET" for information regarding the College's finances for the fiscal year ended May 31, 2013. The unaudited budget to actual presentation is not necessarily dispositive of the College's final Fiscal Year 2013 audited figures.

Statement of Financial Activity for Fiscal Years 2008 through 2012

The following table summarizes the College's statements of unrestricted activities for the Fiscal Years ended May 31, 2008 through 2012. For more complete information of the College for the Fiscal Years ended May 31, 2012 and 2011, 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,

	2008	2009	2010	2011	2012
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and Fees	$ 71,690,557	$ 74,631,033	$ 77,096,325	$ 79,318,694	$ 87,347,715
Less: Scholarships and Grants	(28,091,268)	(30,721,422)	(32,724,906)	(36,386,885)	(42,240,318)
Net tuition and fees	$ 43,599,289	$ 43,909,611	$ 44,371,419	$ 42,931,809	$ 45,107,397
Government grants	1,157,664	1,072,579	1,658,299	1,286,800	1,364,648
Private gifts and grants	2,247,946	1,872,761	2,301,059	1,635,058	1,629,321
Endowment income	1,131,740	1,043,566	1,080,904	1,003,311	1,473,529
Investment income	864,842	626,988	338,424	253,074	226,972
Gains (losses) on investments	(4,391,739)	(15,416,179)	3,325,541	6,376,489	(2,895,323)
Other sources	2,052,168	2,018,942	1,960,877	2,084,814	3,401,092
Sales and services of auxiliary enterprises	18,372,764	19,749,417	20,248,395	21,028,309	22,528,666
Adjustment of actuarial liability	(7,341)	(11,022)	(109,226)	(190,091)	564
	$ 65,027,333	$ 54,866,663	$ 75,175,692	$ 76,409,573	$ 72,836,866
Net assets released from restrictions	7,426,693	7,667,627	7,452,628	7,700,561	8,716,481
Total Revenues, Gains and Other Support	$ 72,454,026	$ 62,534,290	$ 82,628,320	$ 84,110,134	$ 81,553,347
EXPENSES AND LOSSES					
Program expenses					
Instruction	$ 29,751,781	$ 30,007,796	$ 30,689,786	$ 31,873,095	$ 35,478,814
Academic support	4,529,246	4,727,429	4,728,702	4,826,379	4,880,398
	$ 34,281,027	$ 34,735,225	$ 35,418,488	$ 36,699,474	$ 40,359,212
Research	57,452	81,122	74,891	78,675	81,824
Public service	898,435	884,108	834,609	2,498,735	2,672,761
Student services	12,998,977	14,234,185	14,331,787	13,761,972	14,603,417
Auxiliary enterprises	15,222,352	15,793,981	15,017,818	15,310,628	15,400,147
Support expenses					
Institutional Support	8,821,178	9,760,475	10,345,932	9,816,443	10,487,550
Demolition and loss on disposal of property, plant and equipment	175,254	-	-	-	-
Total Expenses and Losses	$ 72,454,675	$ 75,489,096	$ 76,023,525	$ 78,165,927	$ 83,604,911
Change in net assets before cumulative effect of change in accounting principle	$ (649)	$ (12,954,806)	$ -	$ -	$ -
Reclassification of prior year net assets	-	(85,636)	-	-	-
Net asset reclassificatin based on change in Minnesota law	-	(18,754,802)	-	-	-
Cumulative effect of change in accounting principal	(377,000)	-	-	-	-
Total Change in Net Assets	$ (377,649)	$ (31,795,244)	$ 6,604,795	$ 5,944,207	$ (2,051,564)
Net Assets - Beginning of Year	73,925,973	73,548,324	41,753,080	48,357,875	54,302,082
NET ASSETS - END OF YEAR	$ 73,548,324	$ 41,753,080	$ 48,357,875	$ 54,302,082	$ 52,250,518

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, 2013:

1. $16,550,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-X, dated October 7, 2004. The outstanding balance of the Series Five-X Bonds is $11,950,000. **$500,000 of the outstanding balance will be redeemed on August 1, 2013, with the remaining $11,450,000 to be refunded with proceeds from the Bonds.**

2. $41,680,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-B, dated August 5, 2010. The bonds are secured by the full faith and credit of the College and a debt service reserve fund. The Series Seven-B Bonds are fixed rate and have interest rates ranging from 3.00% to 5.00%. They have a final maturity of October 1, 2035. The outstanding balance on the Series Seven-B Bonds is $40,805,000.

As of June 30, 2013, the total of long-term debt outstanding is $52,755,000. The College's long-term debt will decrease by the principal amount of the Series Five-X Bonds retired and refunded and will increase by the principal amount of the Bonds upon issuance.

Annual Debt Service for Fiscal Year 2012 and Pro Forma Coverage Statement

The following table displays information related to the pro forma debt service coverage for the outstanding Series Seven-B Bonds and this Issue. Coverage is based on net income available for debt service for Fiscal Year 2012 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 Year 2012 to MADS based on of the outstanding Series Seven-B 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)]	Estimated MADS[(b)]	Estimated Coverage (times)
2012	$9,355,483	$5,655,300	1.65

[(a)] *The net income available for debt service, based on the College's audited financial statements for Fiscal Year 2012 is calculated as shown below.*

	Fiscal Year 2012
Changes in unrestricted net assets	*$(2,051,564)*
Plus: Depreciation and amortization	*6,537,288*
Plus: Interest expense on funded debt	*1,975,000*
Plus: Losses (gains) on investments	*2,895,323*
Adjustment for Actuarial Liability	*(564)*
Net income available for debt service	*$ 9,355,483*

[(b)] *Includes debt service on the Series Seven-B Bonds and this Issue. Debt service on the Bonds is calculated at an average coupon of 4.32%.*

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PROPOSED FORM OF LEGAL OPINION

MCGRANN SHEA CARNIVAL STRAUGHN & LAMB, CHARTERED

ATTORNEYS AT LAW

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Of Counsel
ANDREW J. SHEA

$11,410,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Seven-W
(Gustavus Adolphus College)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered Revenue Bonds, Series Seven-W (Gustavus Adolphus College), in the aggregate principal amount of $11,410,000 (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 and institution of higher education with its campus in the City of Saint Peter, Minnesota (the "College"), in order to refinance existing educational facilities, all 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 July 1, 2013, 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.
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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 Authority has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 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, July 30, 2013.

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, 2013. 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
- Capital Campaign
- 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.

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, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;

(vii) modifications to rights of the security holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Borrower;

(xiii) consummation of a merger, consolidation, or acquisition involving the Borrower or sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

APPENDIX IV

DEFINITIONS OF CERTAIN TERMS

Account or *Accounts*: One or more of the Accounts created under Article V of the Indenture.

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

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

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the 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 and in that case, specimen signatures for the alternates shall be provided as well.

Authorized Denominations: $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: Investments authorized for moneys in the Accounts created under Article V of the Indenture and described in Section 5.04 of the Indenture.

Beneficial Owner: With respect to any authorized denomination of a Bond in Book-Entry Form, each person who beneficially owns such Bond in such authorized denomination and on whose behalf, directly or indirectly, such authorized denomination of Bond is held by the Depository pursuant to the Book-Entry System.

Board of Trustees: 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: The Bond and Interest Sinking Fund Account established pursuant to Section 5.01 of the Indenture.

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

Bond Purchase Agreement: The Bond Purchase Agreement among the Authority, the Underwriter and the Corporation, dated July 18, 2013, related to the Series Seven-W Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on June 19, 2013, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Bonds, (a) the period from the Issue Date to the close of business on October 1, 2013, 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.

Book-Entry Form: All the Bonds, if such Bonds are all held (i) in the name of the Depository (or its nominee) with each Stated Maturity evidenced by a single Bond certificate or (ii) with the approval of the Corporation, Authority and Trustee, in any similar manner for which Beneficial Owners do not receive Bond certificates evidencing their beneficial ownership in any of the Bonds.

Book-Entry System: A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and Participants (or Indirect Participants).

Building Equipment: 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 Five-X Bonds.

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

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

Continuing Disclosure Agreement: The Continuing Disclosure Agreement between the Trustee and the Corporation, dated as of July 1, 2013.

Date of Taxability: 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: A default on the part of the Corporation in performance of any covenant or condition of the Loan Agreement which, with notice or passage of time or both, would or has become an Event of Default.

Depository: DTC or any other person who shall be a Holder of all 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: A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that the interest payable on the Bonds is includable in gross income for purposes of federal income taxation by reason of the application of the provisions of Section 103 of the Internal Revenue Code, related sections and regulations thereunder, in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement, provided that such Notice of Deficiency or decision shall not be deemed a Determination of Taxability if resulting solely from a change in any applicable statute (or regulation thereunder) in effect as of the date of issuance of the Bonds. A determination that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

DTC: The Depository Trust Company in New York, New York, its successors or assigns.

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

Financial Journal: *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: The Corporation's fiscal year, and shall initially mean the 12-month period commencing on June 1 in each year.

Holder, Bondholder or Owner: 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, the terms shall mean the Beneficial Owner.

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, dated as of July 1, 2013, under which the Bonds are authorized to be issued, and including any indenture supplemental hereto.

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: An Independent attorney duly admitted to practice law before the highest court of any state.

Independent Management Consultant: 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.

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

Interest Payment Date: April 1 and October 1 of each year, commencing April 1, 2014, and any other date on which the principal of and interest on the Bonds shall be due and payable.

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

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

Loan Agreement: The Loan Agreement between the Authority and the Corporation relating to the Bonds, dated as of July 1, 2013, as amended or supplemented from time to time.

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

Moody's: Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Authority.

Net Proceeds: 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.

Notice of Deficiency: The statutory notice of deficiency issued by the Internal Revenue Service to a taxpayer identifying a tax deficiency and providing a specified period of time to appeal such deficiency.

Outstanding or outstanding: When used as of any particular time with reference to Bonds, without regard to capitalization of such term, means (subject to the provisions of the Indenture pertaining to Bonds held by the Authority and the Corporation) all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which funds or direct obligations of or obligations fully guaranteed by the United States of America in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Article III of the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.07 of the Indenture pertaining to replacement of Bonds.

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

Project: The refunding, on a current refunding basis, of the Refunded Bonds and paying the issuance costs of the Bonds.

Project Buildings: The buildings financed with the proceeds of the Series Five-X Bonds.

Project Equipment: All fixtures, equipment and other personal property of a capital nature acquired with proceeds of the Series Five-X Bonds, including investment earnings, and generally described in the Series Five-X Bond Documents.

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

Project Site: Those portions of land or interests in land described on Exhibit A to the Loan Agreement as the Project Site, which are owned or leased by the Corporation and on which any Project Buildings are located or otherwise improved by improvements financed or refinanced by the Series Five-X Bonds.

Redemption Date: September 1, 2013.

Reference Rate: 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.

Refunded Bonds: The Series Five-X Refunded Bonds.

Series Five-X Bond Documents: The Series Five-X Indenture and the Series Five-X Loan Agreement.

Series Five-X Bonds: The Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-X (Gustavus Adolphus College), dated October 7, 2004, issued in the original principal amount of $16,550,000 for the Series Five-X Bonds Project.

Series Five-X Bonds Project: The financing of (a) the acquisition, construction, furnishing and equipping of an approximately 75,000 square foot 200-bed apartment-style student housing facility, and (b) the installation of fire sprinkling systems in all of the Institution's residential halls, aggregating approximately 397,000 square feet, and (c) the renovation and equipping of the approximately 22,000 square foot Old Main building, all owned and operated by the Corporation and located on the Institution's Saint Peter campus.

Series Five-X Refunded Bonds: The outstanding Series Five-X Bonds in the principal amount of $11,450,000 which are to be optionally redeemed on the Redemption Date from proceeds of the Bonds (which does not include $500,000 principal amount of outstanding Series Five-X Bonds to be optionally redeemed on August 1, 2013 from other available funds of the Corporation).

Series Seven-W Bonds or the Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-W (Gustavus Adolphus College).

Trustee, Registrar, Paying Agent: Wells Fargo Bank, National Association, Minneapolis, Minnesota.

Trust Estate: 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.

Underwriter: Wells Fargo Bank, National Association, doing business as 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 – Financial Covenants" herein.

Redemption of Series Five-X Bonds

The Corporation represents that it will cause the Refunded Bonds to be redeemed on the Redemption Date.

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 (1) Business Day prior to each April 1 and October 1, commencing April 1, 2014, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on the next succeeding interest payment date, and, at least one (1) Business Day prior to each October 1, commencing October 1, 2014, when principal is due whether at maturity or mandatory sinking fund redemption, the amount payable as principal 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 the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

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

(c) forthwith into the Bond and Interest Sinking Fund Account or Redemption Account, as appropriate, the amount of any deficiency in the event that the funds on deposit in the Bond and Interest Sinking Fund Account or Redemption Account on any Bond principal or interest payment date are for any reason insufficient to pay principal 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) into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate).

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 a program of a school or department of divinity for any religious denomination. The Corporation agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of the Corporation's 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, the Corporation will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs, modifications, and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation and may make such repairs, modifications and replacements as in the judgment of the Corporation are desirable, subject to the same conditions. Except as otherwise provided by the Loan Agreement, the Corporation shall maintain title to and possession of the Project Facilities, provided that the Corporation may 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; provided further, that the Corporation may demolish any of the Project Facilities that, in the judgment of the Corporation, are worn out, obsolete, or require replacement, are no longer used, or the Corporation, by resolution of its Board of Trustees, has determined in its judgment are no longer useful.

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

Taxes and Other Governmental Charges

The Corporation will pay all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the Corporation, or the Project Facilities or any improvements, equipment or related property installed or bought 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 charges and 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 including fire and extended coverage in an amount not less than the lesser of (i) full insurable replacement value of the Project Facilities, or (ii) the principal amount of the outstanding Bonds or (if greater) 80 percent of the full insurable replacement value of the Project Facilities, 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) 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 or Release 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 or value 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 any item of Equipment so removed was less than $100,000, such release without substitution 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) above, if the depreciated book value of the Project Equipment or, in connection with (c) above, the depreciated book 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, as the case may be, of such equipment will not materially impair the character or revenue producing significance 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 will maintain the Institution's existence as a nonprofit 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 or all or substantially all the assets of the Corporation, or 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 corporation or 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 shall 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 prohibiting 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.

Institution to be Nonsectarian

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

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.

Determination of Taxability

In the event a Determination of Taxability is made that interest payable on the Bonds is includable in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the 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, in integral multiples of $5,000, as a whole or in part on the next date for which due notice can be given or any date thereafter and the redemption price in either event shall be equal to par plus accrued interest (including additional interest from the Date of Taxability). If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto shall be limited to the stepped-up interest rate, as more fully set forth in the Loan Agreement.

Other Covenants

The Corporation further agrees to comply with all applicable laws and regulations against unlawful discrimination, including Minnesota Statutes, Section 363A.13; to provide and file such financing statements and other instruments of further assurance as the Authority or the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; 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(f) 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 and any income earned or imputed therefrom.

Events of Default

Following are Events of Default under 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 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 five 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 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 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

(d) 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

(e) 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 days from the date of the entry thereof; or

(f) 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 (c) 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 under 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 under the Loan Agreement.

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

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied first to advances and expenses, second to payment of 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.

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THE INDENTURE

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

Granting Clauses

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

(a) 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 to fees, expenses, indemnity and advances;

(b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture; provided, however, the funds deposited in the Refunding Account shall be held for the exclusive benefit of the holders of the Refunded Bonds, and (ii) 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

(c) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred under the Indenture, 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, as trustee of the Bonds issued under the Indenture.

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 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 misconduct of the Trustee).

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable arbitrage 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 moneys in the Accounts established by the Indenture.

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 (60) 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

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

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

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, 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 of Wells Fargo Bank, National Association, Minneapolis, Minnesota, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the 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 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 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 outstanding 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 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 all 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(f) of the Internal Revenue Code and regulations thereunder, 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 Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

When the Authority or the 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;

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

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

(e) to modify the Indenture as authorized by the Bondholders.

In addition and subject to the provisions set forth below, the Holders of not less than a majority in aggregate principal amount of the Bonds 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 directly or indirectly affected (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 the Loan Agreement as set forth in the Indenture.

Amendments to the Loan Agreement

The Authority and the Corporation with the consent of the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, (d) to modify provisions and exhibits of the Loan Agreement as reasonably required following a change in generally accepted accounting principles or financial statement presentation, provided that the Authority and the Trustee are first provided with a certificate from an Independent certified public accountant, as required in the Loan Agreement, to the effect that such modification is reasonably required to allow the Corporation to comply with the financial compliance and reporting requirements of the Loan Agreement following such changes and that such modification will not materially prejudice the Holders of the Bonds, or (e) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 51% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the Loan Repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

The Bonds shall be fully registered as to principal and interest at the 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 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.

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THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Obligations. The Obligations 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 Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds 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 & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Obligations 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 Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices are required to be sent to DTC. If less than all of the Obligations 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 any such other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer or Bond Registrar 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Obligations 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, Agent, the Bond Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar, Issuer, or the Issuer's agent. 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.

A Beneficial Owner shall give notice to elect to have its Obligations purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Obligations by causing the Direct Participant to transfer the Participant's interest in the Obligations, on DTC's records, to Agent. The requirement for physical delivery of Obligations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Obligations to Trustee's DTC account.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

AUDITED FINANCIAL STATEMENTS
FISCAL YEARS ENDED MAY 31, 2012 AND 2011

GUSTAVUS ADOLPHUS COLLEGE
Saint Peter, Minnesota

Financial Statements
Including Independent Auditors' Report

As of and for the Years Ended May 31, 2012 and 2011

GUSTAVUS ADOLPHUS COLLEGE

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Gustavus Adolphus College (the "College") as of May 31, 2012 and 2011 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 previously present fairly, in all material respects, the financial position of Gustavus Adolphus College at May 31, 2012 and 2011 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.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
October 12, 2012

GUSTAVUS ADOLPHUS COLLEGE

STATEMENTS OF FINANCIAL POSITION
As of May 31, 2012 and 2011

ASSETS

	2012	2011
Cash and cash equivalents	$ 16,464,302	$ 16,916,376
Receivables		
Students accounts, net of allowance for doubtful accounts of $560,000 and $490,000	413,821	551,686
Government grants	268,100	225,347
Accrued interest	76,486	131,750
Contributions	10,342,000	4,671,000
Other	221,725	313,418
Inventories	423,000	379,285
Prepaid expenses and other assets	864,595	878,384
Students notes receivable, net	3,054,274	3,192,446
Investments		
Cash and short-term investments	1,917,501	1,787,609
Contract for deed receivable	80,916	
Investments other than endowment	22,674,981	23,173,775
Interest in buildings, net of accumulated depreciation of $1,296,460 and $1,257,837	1,230,754	1,315,991
Real estate held for resale	1,336,340	1,520,500
Beneficial interest in funds held in trust	1,290,955	886,198
Other	4,521,181	2,466,809
Deposits held by trustee		
Cash and short-term investments	296	4,051,106
Fixed income securities	3,375,825	10,695,257
Endowment investments	108,252,323	108,942,183
Deferred debt acquisition costs	507,469	530,191
Construction in progress	1,056,973	24,673,613
Property, plant and equipment, net	124,037,289	93,610,984
TOTAL ASSETS	$ 302,411,106	$ 300,913,908

LIABILITIES AND NET ASSETS

	2012	2011
LIABILITIES		
Accounts payable	$ 1,827,610	$ 4,709,867
Accrued liabilities	14,112,366	14,222,391
Deferred revenue	2,341,911	2,120,976
Future interest discount on pooled life income funds	734,838	788,080
Annuities payable	9,836,255	9,648,263
Funds held for others	2,162,890	2,119,905
Long-term debt	55,791,969	56,815,639
U.S. government grants refundable	2,846,929	2,880,112
Total Liabilities	89,654,768	93,305,233
NET ASSETS		
Unrestricted	52,250,518	54,302,082
Temporarily restricted	70,140,343	68,122,741
Permanently restricted	90,365,477	85,183,852
Total Net Assets	212,756,338	207,608,675
TOTAL LIABILITIES AND NET ASSETS	$ 302,411,106	$ 300,913,908

See accompanying notes to financial statements.

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2012
With Comparative Totals for 2011

	2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2011 Total
REVENUES, GAINS AND OTHER SUPPORT					
Tuition and fees	$ 87,347,715			$ 87,347,715	$ 79,318,694
Less: Scholarships and grants	42,240,318			42,240,318	36,386,885
Net tuition and fees	45,107,397			45,107,397	42,931,809
Government grants	1,364,648			1,364,648	1,286,800
Private gifts and grants	1,629,321	$ 10,474,567	$ 4,938,419	17,042,307	10,295,931
Endowment income	1,473,529	3,348,000	65,715	4,887,244	4,336,763
Investment income	226,972		85	227,057	253,121
Gains (losses) on investments	(2,895,323)	(3,053,648)	1,398,069	(4,550,902)	13,333,360
Other sources	3,401,092		834	3,401,926	2,086,232
Sales and services of auxiliary enterprises	22,528,666			22,528,666	21,028,309
Adjustment of actuarial liability	564	(34,836)	(1,221,497)	(1,255,769)	2,158,451
	72,836,866	10,734,083	5,181,625	88,752,574	97,710,776
Net assets released from restrictions	8,716,481	(8,716,481)			
Total Revenues, Gains and Other Support	81,553,347	2,017,602	5,181,625	88,752,574	97,710,776
EXPENSES					
Program expenses					
Instruction	35,478,814			35,478,814	31,807,951
Academic support	4,880,398			4,880,398	4,826,379
	40,359,212			40,359,212	36,634,330
Research	81,824			81,824	78,675
Public service	2,672,761			2,672,761	2,563,879
Student services	14,603,417			14,603,417	13,761,972
Auxiliary enterprises	15,400,147			15,400,147	15,310,628
Support expenses					
Institutional support	10,487,550			10,487,550	9,816,443
Total Expenses	83,604,911			83,604,911	78,165,927
Change in Net Assets	(2,051,564)	2,017,602	5,181,625	5,147,663	19,544,849
Net Assets - Beginning of Year	54,302,082	68,122,741	85,183,852	207,608,675	188,063,826
NET ASSETS - END OF YEAR	$ 52,250,518	$ 70,140,343	$ 90,365,477	$ 212,756,338	$ 207,608,675

See accompanying notes to financial statements.

GUSTAVUS ADOLPHUS COLLEGE

STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and fees	$ 79,318,694			$ 79,318,694
Less: Scholarships and grants	36,386,885			36,386,885
Net tuition and fees	42,931,809			42,931,809
Government grants	1,286,800			1,286,800
Private gifts and grants	1,635,058	$ 4,081,811	$ 4,579,062	10,295,931
Endowment income	1,003,311	3,273,810	59,642	4,336,763
Investment income	253,074		47	253,121
Gains on investments	6,376,489	6,775,737	181,134	13,333,360
Other sources	2,084,814		1,418	2,086,232
Sales and services of auxiliary enterprises	21,028,309			21,028,309
Adjustment of actuarial liability	(190,091)	191,241	2,157,301	2,158,451
	76,409,573	14,322,599	6,978,604	97,710,776
Net assets released from restrictions	7,700,561	(7,700,561)		
Total Revenues, Gains and Other Support	84,110,134	6,622,038	6,978,604	97,710,776
EXPENSES				
Program expenses				
Instruction	31,807,951			31,807,951
Academic support	4,826,379			4,826,379
	36,634,330			36,634,330
Research	78,675			78,675
Public service	2,563,879			2,563,879
Student services	13,761,972			13,761,972
Auxiliary enterprises	15,310,628			15,310,628
Support expenses				
Institutional support	9,816,443			9,816,443
Total Expenses	78,165,927			78,165,927
Change in Net Assets	5,944,207	6,622,038	6,978,604	19,544,849
Net Assets - Beginning of Year	48,357,875	61,500,703	78,205,248	188,063,826
NET ASSETS - END OF YEAR	$ 54,302,082	$ 68,122,741	$ 85,183,852	$ 207,608,675

See accompanying notes to financial statements.

GUSTAVUS ADOLPHUS COLLEGE

STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 5,147,663	$ 19,544,849
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	6,537,288	5,564,708
Amortization of bond premium	(70,252)	
Deferred debt acquisition costs written-off		127,302
Loss on disposal of property, plant and equipment	42,160	6,143
(Gains) losses on investments	1,048,963	(16,363,449)
Actuarial adjustment of annuities payable	1,523,047	(2,052,558)
Pooled life income deferral adjustments	350,970	241,288
Loan cancellations and reinstatements	60,970	45,401
Change in assets and liabilities		
Student receivables	137,865	(23,231)
Government grants receivable	(42,753)	9,607
Accrued interest receivable	55,264	(110,202)
Contributions receivable - operations	(648,505)	(577,298)
Other receivables	91,693	(69,982)
Inventories	(43,715)	80,971
Prepaid expenses and other assets	13,789	(44,713)
Accounts payable	(539,537)	260,752
Accrued liabilities	(110,025)	622,067
Deferred revenue	220,935	434,173
Funds held for others	130,385	109,384
Contributions restricted for plant and long-term investment	(6,491,752)	(6,025,951)
Investment income restricted for plant, loans, and long-term investment	(65,800)	(59,689)
Net Cash Flows from Operating Activities	7,348,653	1,719,572
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(37,020,836)	(60,452,146)
Proceeds from sale of investments	33,386,518	63,474,196
Purchases of property, plant and equipment	(15,616,009)	(25,892,669)
Disbursements of loans to students	(351,347)	(535,175)
Repayments of loans from students	428,549	458,939
Net Cash Flows from Investing Activities	(19,173,125)	(22,946,855)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in deposits with bond trustee	11,338,071	(13,321,282)
Repayment of principal on indebtedness	(930,000)	(9,940,000)
Proceeds from issuance of long-term debt		41,680,000
Premium on issuance of long-term debt		2,263,698
Payments for deferred debt acquisition costs		(387,327)
Receipts of investment income restricted for plant, loans and long-term investment	65,800	59,689
Contributions received restricted for plant and long-term investment	1,469,257	3,726,249
Decrease in refundable U.S. government grants	(33,183)	(36,406)
Increase in liability for new split interest agreements	879,128	194,773
Payments to annuitants and pooled life income beneficiaries	(1,416,675)	(1,373,614)
Net Cash Flows from Financing Activities	11,372,398	22,865,780
Net Change in Cash and Cash Equivalents	(452,074)	1,638,497
CASH AND CASH EQUIVALENTS - Beginning of Year	16,916,376	15,277,879
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 16,464,302	$ 16,916,376
Supplemental disclosures of cash flow information		
Interest paid	$ 1,977,588	$ 1,515,545
Noncash investing and financing activities		
Property, plant and equipment acquired through accounts payable	176,497	2,519,217

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:

Net Asset Classifications - For the purposes of financial reporting, the College classifies resources into three net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the College are classified in the accompanying financial statements in the categories that follow:

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

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.

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.

Releases from Restrictions - Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed and the law allows the release of the restriction) are reported on the statement of activities as net assets released from restrictions. Occasionally donor restrictions related to net assets may be clarified or changed, at which time they are reflected as reclassification of prior year net assets on the statement of activities.

Revenue Recognition - The timing and classification of revenue are summarized below:

Tuition and Fees and Auxiliary Revenue - Revenues from tuition and auxiliary enterprises are recognized in the period the goods or services are provided as increases in unrestricted net assets. Financial assistance in the form of scholarships and grants that cover a portion of tuition, living and other costs is reflected as a reduction of tuition and fees revenues.

Contribution Revenue - Contributions are recognized as revenues when the donor's commitments are received, as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value at the date of gift.

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 release to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire property and equipment are reported as temporarily restricted revenues. The restriction on the related temporarily restricted net asset is released over the estimated useful lives of the assets using the College's depreciation policies.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Gains and Losses - 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.

Income and net gains on investments of endowment and similar funds are reported in the statement of activities as follows:

> as increases in unrestricted net assets for board-designated endowment funds and to restore donor-restricted endowment funds with deficiencies;

> as increases in permanently restricted net assets if the terms of the gift that gave rise to the investment require that they be added to the principal of a permanent endowment fund;

> as increases in temporarily restricted net assets in all other cases.

Losses from investments on donor-restricted endowment funds are reported as decreases in permanently or temporarily restricted net assets to the extent of the prior accumulated earnings of each individual endowment fund, with the remainder reflected as reductions to unrestricted net assets.

Cash and 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 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 receivable are written off when deemed uncollectible. Recoveries of student accounts previously written off are recorded when received. Receivables are generally unsecured. A student account receivable is considered to be delinquent if not paid by the due date. A monthly service fee is charged on delinquent amounts.

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.

Beneficial Interest in Funds Held in Trust - The beneficial interest in funds held in trust and related contribution revenue are recognized at the date the trusts are established for the present value of estimated future payments to be received. Perpetual trusts are valued based upon the market value of the trust assets which approximates fair value of the beneficial interest in the trusts.

Deposits Held by Trustee - Cash, short-term investments and fixed income securities held by the trustee 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 $23,000 and $150,000 was recorded for each of the years ended May 31, 2012 and 2011, respectively.

Property, 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 25 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.

Impairment of Long-Lived Assets - The College reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses recorded.

Asset Retirement Obligations - Asset retirement obligations of $2,220,000 and $2,241,000, 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. Accretion of approximately $135,000 and $137,000 was recorded for the years ended May 31, 2012 and 2011, respectively. Approximately $156,000 and $159,000 of asbestos was abated for the years ended May 31, 2012 and 2011, respectively.

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

Funds Held for Others - The College acts as custodian for funds transferred from various organizations for investment management and administrative purposes. The funds are to be distributed back to these organizations as they request them. The College recognizes the funds as a liability in the accompanying statements of financial position.

U.S. 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.

Scholarships and Grants - Scholarships and grants are offered by the College to attract and retain students. The College offers institutional grants to students in the form of merit-based scholarships and need-based grants at the College's discretion.

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Raising and Advertising Expenses - Fund raising expenses totaled $3,358,000 and $2,811,000 for the years ended May 31, 2012 and 2011, respectively. Advertising expenses totaled $543,000 and $556,000 for the years ended May 31, 2012 and 2011, respectively. The College expenses advertising costs at the time incurred.

Retirement Plan - Retirement benefits are provided for the College's eligible staff through a defined contribution 403(b) plan for which Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) is the trustee. Under this arrangement, the College and plan participants make contributions to the plan. The College's share of the cost of these benefits was approximately $3,256,000 and $3,128,000 in 2012 and 2011, respectively.

Self-Funded Insurance - A portion of the College's medical and dental plan is maintained as a self-funded health plan. Specific and aggregate stop loss coverage on the health plan is provided to limit the ultimate exposure of the College. A liability is provided for claims incurred but not reported. Management reviews this accrual on an on-going basis and believes it is adequate to cover such claims.

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.

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.

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 tax. However, any unrelated business income may be subject to taxation.

The College follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the College for uncertain tax positions as of May 31, 2012 or 2011. The College's tax returns are subject to review and examination by federal and state authorities. The tax returns for the current year as well as fiscal years 2009 through 2011 are open to examination by federal and state authorities.

The most significant areas that potentially 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, 2012 and 2011, the College has no current obligation for unrelated business income tax.

Reclassifications - Certain amounts appearing in the 2011 financial statements have been reclassified to conform with the 2012 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

Subsequent Events - The College has evaluated subsequent events through October 12, 2012, which is the date that the financial statements were issued.

NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

At May 31, 2012 and 2011, the College's unrestricted net assets were allocated as follows:

	2012	2011
Operations	$ 4,669,113	$ 4,669,113
Endowment funds	15,498,833	18,393,624
Gift annuity agreements	1,907,476	1,912,102
Loans to students	481,201	486,814
Plant	29,693,895	28,840,429
	$ 52,250,518	$ 54,302,082

Temporarily restricted net assets consist of the following at May 31, 2012 and 2011:

	2012	2011
Gifts and other unexpended revenues and gains available for:		
Scholarships, instruction and other departmental support	$ 4,760,192	$ 4,121,524
Acquisition of buildings and equipment	1,977,790	1,770,961
Contributions receivable	8,318,000	2,540,000
	15,055,982	8,432,485
Endowment funds	13,088,459	16,021,184
Life income and trust agreements	1,204,154	1,240,234
Net investment in plant	40,791,748	42,428,838
	$ 70,140,343	$ 68,122,741

Permanently restricted net assets consist of the following at May 31, 2012 and 2011:

	2012	2011
Endowment funds	$ 81,016,751	$ 75,234,617
Contributions receivable for endowment funds	2,024,000	2,131,000
Student loan funds	558,699	550,685
Gift annuity agreements and similar funds	6,766,027	7,267,550
	$ 90,365,477	$ 85,183,852

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors during the years ended May 31, 2012 and 2011 as follows:

	2012	2011
Amortization of contributions expended for long-lived assets	$ 2,029,818	$ 2,009,576
Maturity of deferred gifts	36,815	
Scholarships, instruction and other departmental support	6,649,848	5,690,985
	$ 8,716,481	$ 7,700,561

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at May 31, 2012 and 2011:

	2012	2011
Temporarily restricted - operations	$ 2,538,000	$ 1,889,000
Temporarily restricted - plant projects	6,440,000	868,000
Permanently restricted - endowment	2,195,000	2,334,000
Gross unconditional promises to give	11,173,000	5,091,000
Less: Unamortized discount	(287,000)	(174,000)
Allowance for uncollectible promises	(544,000)	(246,000)
	$ 10,342,000	$ 4,671,000

At May 31, 2012, contributions receivable of $2,621,000 are due in less than one year and $7,721,000 are due in one to five years. Promises due in one to five years were discounted at historical rates between 0.9% and 6.9% at May 31, 2012 and between 1.4% and 6.9% at May 31, 2011. Promises due in less than one year were not discounted.

NOTE 5 - STUDENT NOTES RECEIVABLE

The College issues loans to students based on financial need. Student notes are funded through the Federal Perkins Loan program or institutional loan program. Student notes receivable are carried at the amount of unpaid principal less an estimate for doubtful accounts. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. At May 31, 2012 and 2011, student notes receivable represented 1.1% of total assets.

At May 31, 2012 and 2011, student notes receivable consisted of the following:

	2012	2011
Federal government programs	$ 3,161,554	$ 3,286,385
Institutional programs	112,720	126,061
	3,274,274	3,412,446
Less allowance for doubtful accounts:		
Beginning of year	(220,000)	(220,000)
Increases	(26,732)	(4,342)
Write-offs	26,732	4,342
End of year	(220,000)	(220,000)
	$ 3,054,274	$ 3,192,446

Funds advanced by the Federal government of $2,846,929 and $2,880,112 at May 31, 2012 and 2011, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student notes receivable and is recognized as it is charged. Student notes receivable through the loan programs are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late charges are charged and recognized. The Federal 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.

NOTE 5 - STUDENT NOTES RECEIVABLE (Continued)

At May 31, 2012 the amounts past due under student loan programs are as follows: less than 240 days - $10,195, 240 days to two years - $34,158, two years to five years - $31,336 and no past-due amounts greater than five years, for a total past due amount of $75,689. At May 31, 2011 the amounts past due under student loan programs are as follows: less than 240 days - $9,347, 240 days to two years - $47,371, two years to five years - $30,756 and greater than five years - $4,835, for a total past due amount of $92,309.

NOTE 6 - INVESTMENTS

The following summarizes the College's investments in funds other than endowment at May 31, 2012 and 2011:

	2012	2011
Government obligations	$ 3,903,306	$ 3,943,821
Bonds	45,301	44,412
Equity securities		876
Mutual funds	18,726,374	19,184,666
	$ 22,674,981	$ 23,173,775

The following summarizes the College's endowment investments at May 31, 2012 and 2011:

	2012	2011
Cash and short-term investments	$ 180,361	$ 49,388
Contract for deed receivable	30,106	
Marketable securities		
Closely held common stock		515,900
Equity securities	2,528,260	105,763
Mutual funds	62,870,128	68,065,243
Alternative investments		
Real estate funds	5,600,781	5,188,759
Commodity funds	1,758,339	1,607,144
Fund of funds	32,310,353	30,527,693
Beneficial interest in funds held in trust	2,973,995	2,882,293
	$ 108,252,323	$ 108,942,183

The College's alternative investments are intended to reduce the volatility of the endowment fund and provide a complementary source of return and diversification to traditional investments. Alternative investments include hedge fund, private equity, real estate, and natural resource strategies accessed through a diversified fund-of-funds approach. Investments are broadly diversified by manager, strategy, geography, sector, and company/issue.

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 - INVESTMENTS (Continued)

The following summarizes total investment return for the year ended May 31, 2012 and 2011:

	2012	2011
Dividend, interest and other income, net of fees of $100,536 and $105,115 for 2012 and 2011, respectively	$ 1,612,362	$ 1,559,795
Net gains (losses) on investments	(1,048,963)	16,363,449
	$ 563,399	$ 17,923,244

NOTE 7 - FAIR VALUE MEASUREMENTS

Financial Instruments - The carrying amounts of cash and cash equivalents, accounts receivable and other receivables, funds held for others, accounts payable, accrued liabilities and deferred revenue are reasonable estimates of fair value due to the short-term maturity of these financial instruments. The carrying amounts of contributions receivable are recorded using the applicable discount rates in effect at the date of the gifts.

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.

Fair Value Hierarchy - Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

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 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 or based off of an independent appraisal.

NOTE 7 - FAIR VALUE MEASUREMENTS (Continued)

Valuation Techniques and Inputs

Level 1 - Level 1 assets include:

> Short-term investments (consisting primarily of money market funds), domestic equity securities and mutual funds for which quoted prices are readily available or that trade with sufficient frequency and volume to enable the College to obtain pricing information on an ongoing basis.

Level 2 - Level 2 assets include:

> Investments in fixed income securities (comprised of asset backed securities, government securities, municipal bonds and corporate bonds) for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs 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.

> Real asset funds for which quoted prices are not readily available, but where the College has the ability to redeem its interest at or near the statement of financial position date. The College has estimated the fair value of real asset funds by using the net asset value ("NAV") 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.

Level 3 - Level 3 assets include:

> Investments in closely held common stock for which a quoted price was not readily available. The fair value was estimated by using an independent appraisal.

> Investments in long/short global equity funds, private equity funds and real asset funds for which quoted prices are not readily available and the funds cannot be redeemed within a short time. The College has estimated the fair value of these funds by using the net asset value ("NAV") provided by the investee as of December 31 or March 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.

> Beneficial interest in funds held in trust for which quoted prices are not readily available. The fair values are estimated using an income approach by calculating the present value of the future distributions expected to be received 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 of the College's beneficial interest is estimated to approximate the fair value of the trusts' assets.

There have been no changes in the techniques and inputs used at May 31, 2012 and 2011.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

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 7 - FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of May 31, 2012:

	Total	Level 1	Level 2	Level 3
Short-term investments	$ 162,105	$ 162,105		
Domestic equity securities	2,528,260	2,528,260		
Fixed income securities	7,324,432		$ 7,324,432	
Mutual funds				
Domestic equity	32,453,845	32,453,845		
International equity	26,765,487	26,765,487		
Fixed income	19,914,655	19,914,655		
Real assets	2,462,515	2,462,515		
Alternative investments				
Long/short global equity funds	9,884,438			$ 9,884,438
Private equity funds	21,203,472			21,203,472
Real asset funds	8,581,563			8,581,563
Beneficial interest in funds held in trust	4,785,444			4,785,444
Total	$ 136,066,216	$ 84,286,867	$ 7,324,432	$ 44,454,917

The following table summarizes assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of May 31, 2011:

	Total	Level 1	Level 2	Level 3
Short-term investments	$ 4,074,471	$ 4,074,471		
Closely held common stock	515,900			$ 515,900
Domestic equity securities	106,639	106,639		
Fixed income securities	14,683,490		$ 14,683,490	
Mutual funds				
Domestic equity	37,500,599	37,500,599		
International equity	27,524,999	27,524,999		
Fixed income	19,724,427	19,724,427		
Real assets	2,499,884	2,499,884		
Alternative investments				
Long/short global equity funds	9,896,028			9,896,028
Private equity funds	17,852,367			17,852,367
Real asset funds	9,575,201		1,729,785	7,845,416
Beneficial interest in funds held in trust	4,235,300			4,235,300
Total	$ 148,189,305	$ 91,431,019	$ 16,413,275	$ 40,345,011

NOTE 7 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended May 31, 2012:

	Balances May 31, 2011	Net realized and unrealized gains (losses)	Purchases	Sales	Net transfers in (out) of Level 3	Balances May 31, 2012
Closely held common stock	$ 515,900				$ (515,900)	
Long/short global equity funds	9,896,028	$ (11,590)				$ 9,884,438
Private equity funds	17,852,367	1,111,331	$ 3,686,237	$ (1,446,463)		21,203,472
Real asset funds	7,845,416	748,229	191,250	(203,332)		8,581,563
Beneficial interest in funds held in trust	4,235,300	(290,055)	844,746	(4,547)		4,785,444
Total	$ 40,345,011	$ 1,557,915	$ 4,722,233	$ (1,654,342)	$ (515,900)	$ 44,454,917

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to Level 3 assets still held at May 31, 2012. $ 1,557,915

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended May 31, 2011:

	Balances May 31, 2010	Net realized and unrealized gains	Purchases	Sales	Net transfers in (out) of Level 3	Balances May 31, 2011
Closely held common stock			$ 515,900			$ 515,900
Long/short global equity funds	$ 7,270,301	$ 611,766	5,765,211	$ (3,751,250)		9,896,028
Private equity funds	14,525,188	2,294,743	2,328,319	(1,295,883)		17,852,367
Real asset funds	7,542,466	907,681	221,250	(825,981)		7,845,416
Beneficial interest in funds held in trust	3,401,007	339,072	541,263	(46,042)		4,235,300
Total	$ 32,738,962	$ 4,153,262	$ 9,371,943	$ (5,919,156)		$ 40,345,011

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to Level 3 assets still held at May 31, 2011. $ 3,944,762

Net transfers in (out) of Level 3 in fiscal 2012 includes closely held stock that went public, resulting in observable inputs. Therefore, the investment was reclassified to Level 1. The College recognizes transfers into and out of levels within the fair value hierarchy at the beginning of the reporting period.

NOTE 7 - FAIR VALUE MEASUREMENTS (Continued)

The College uses the net asset value ("NAV") as a practical expedient to determine fair value of all underlying investments which do not have a readily determinable fair value and are in investment companies or similar entities that report their investment assets at fair values.

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value by major category as of May 31, 2012:

	Private Equity	Real Assets	Long/Short Global Equity
Fair value, May 31, 2012	$21,203,472	$8,581,563	$9,884,438
Significant Investment Strategy	Primarily buyout, venture, distressed and growth equity in U.S. and international	U.S. real estate, global energy and forestry	Global long/short equities
Remaining Life	4 to 11 years	1 to 10 years	N.A.
Dollar Amount of Unfunded Commitments	$7,744,000	$361,000	None
Timing to Draw Down Commitments	1 to 3 years	1 to 3 years	N.A.
Redemption Terms	N.A.	One fund has a quarterly withdrawal with 90 days notice	One fund has quarterly redemption with 45 days notice, the remaining funds have annual redemptions with 100 -105 days notice
Redemption Restrictions	N.A.	N.A	1 to 2-year initial lockup
Redemption Restrictions in Place at Year End	N.A.	N.A.	N.A.

NOTE 8 - ENDOWMENT

The College's endowment consists of approximately 550 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 generally accepted accounting principles ("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.

Interpretation of Relevant Law - The College's governing board has interpreted the Minnesota enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The College's governing board has determined it is prudent to preserve the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. See Note 1 for further information on net asset classifications.

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, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,772,417)	$ 13,088,459	$ 81,016,751	$ 92,332,793
Board-designated endowment funds	17,271,250			17,271,250
Total endowment net assets	$ 15,498,833	$ 13,088,459	$ 81,016,751	$ 109,604,043

Endowment net asset composition by type of fund consists of the following as of May 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 152,497	$ 16,021,184	$ 75,234,617	$ 91,408,298
Board-designated endowment funds	18,241,127			18,241,127
Total endowment net assets	$ 18,393,624	$ 16,021,184	$ 75,234,617	$ 109,649,425

NOTE 8 - ENDOWMENT (Continued)

Changes in endowment net assets for the year ended May 31, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2011	$ 18,393,624	$ 16,021,184	$ 75,234,617	$ 109,649,425
Investment return:				
Investment income, net of fees $100,536	454,345	914,448	16,512	1,385,305
Net appreciation (depreciation) - realized and unrealized	(1,964,107)	(492,078)	1,440,177	(1,016,008)
Total investment return	(1,509,762)	422,370	1,456,689	369,297
Contributions			4,325,445	4,325,445
Appropriation of endowment assets for expenditure (spending rate)	(1,473,529)	(3,355,095)		(4,828,624)
Other changes:				
Transfers to board designated endowment funds	88,500			88,500
Endowment net assets, May 31, 2012	$ 15,498,833	$ 13,088,459	$ 81,016,751	$ 109,604,043

Changes in endowment net assets for the year ended May 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2010	$ 11,725,682	$ 9,428,083	$ 71,079,388	$ 92,233,153
Investment return:				
Investment income, net of fees $105,115	329,022	962,125	15,527	1,306,674
Net appreciation - realized and unrealized	7,067,272	8,912,003	218,032	16,197,307
Total investment return	7,396,294	9,874,128	233,559	17,503,981
Contributions			2,407,612	2,407,612
Matured deferred gifts			1,514,058	1,514,058
Appropriation of endowment assets for expenditure (spending rate)	(1,003,311)	(3,281,027)		(4,284,338)
Other changes:				
Transfers to board designated endowment funds	274,959			274,959
Endowment net assets, May 31, 2011	$ 18,393,624	$ 16,021,184	$ 75,234,617	$ 109,649,425

NOTE 8 - 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 $1,772,417 as of May 31, 2012. There were no deficiencies of this nature as of May 31, 2011. 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, the long-term minimum need of the endowment is to exceed a total return averaging at least the annual spending rate plus inflation, fees and costs. Actual returns in any year may vary from this amount. The long-term objective is to build endowment value over time by achieving incremental returns in excess of need while appropriately managing portfolio risk.

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 - For the years ended May 31, 2012 and 2011, the College appropriated for distribution 4.9% and 4.5%, respectively, of its endowment fund's average fair value using the prior twenty 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. Actual returns in any given year may vary from this amount. 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 9 - POOLED LIFE INCOME FUND

As of May 31, 2012, the Gustavus Adolphus College Pooled Life Income Fund (the Fund) owned a portion of three buildings which were purchased from and leased back to the College in prior years. At May 31, 2012 and 2011, leaseback interest in the buildings recorded in the financial statements was $1,230,754 and $1,315,991, respectively. Depreciation for financial statement purposes is recorded using the straight-line method over periods of 40 to 45 years. Depreciation totaling $61,418 and $64,278 was recorded in fiscal 2012 and 2011, 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 2012 and 2011 totaled $455,509 and $459,838, respectively, with payment to the College for the land, which was $8,739 and $9,155 in 2012 and 2011, respectively. Terms of the lease arrangements provide for adjustments to the rental amount every five years based on changes in the Consumer Price Index.

As the units of the Fund mature on the death of each donor or beneficiary, the Fund transfers that portion of the building and leasehold interests back to the College. At the earlier of the end of the 20-year lease term or the time when the Fund's ownership in the building is reduced to 25% or less, the land and building leases grant the College the right to purchase the Fund's fractional ownership interests in the buildings at the fair market value of the Fund's fractional ownership interests at the date the option is exercised. During 2012, $49,403, including related income, was transferred back to the College as the result of donor deaths or assignments. This included $46,613, net of $22,795 accumulated depreciation, related to buildings. During 2011, $367,395, including related income, was transferred back to the College as the result of donor deaths or assignments. This included $350,153, net of $165,057 accumulated depreciation, related to buildings.

Future interest discount on pooled life income funds funded by the above rental arrangement totaled $734,838 and $788,080 at May 31, 2012 and 2011, respectively.

NOTE 10 - CONSTRUCTION IN PROGRESS

At May 31, 2012 the following projects were in progress:

	Estimated Total Cost	Cost To Date	Funding Plan
Anderson Social Science (initial architect fees)	$ 120,000	$ 97,749	Gifts and operations
Columbarium (initial architect fees)	38,000	22,455	Gifts
Hockey boards	140,000	118,435	Gifts
Nobel Hall expansion (initial architect fees)	560,000	427,911	Gifts and operations
Renewable energy projects	520,000	390,423	Gifts
		$ 1,056,973	

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as of May 31, 2012 and 2011:

	2012	2011
Land	$ 955,993	$ 955,993
Land improvements	10,675,411	8,200,194
Buildings	164,941,789	135,251,015
Equipment	25,959,270	21,962,417
Library books	8,340,572	8,221,079
	210,873,035	174,590,698
Less: Accumulated depreciation	(86,835,746)	(80,979,714)
	$ 124,037,289	$ 93,610,984

NOTE 12 - COMMITMENTS

The College and the American Swedish Institute ("ASI") signed an agreement in fiscal 2011 whereby the College made a commitment of $1,000,000 in connection with the construction of a new cultural center at ASI. The College will occupy an office suite beginning July 1, 2012 at the facility for fifteen years, along with other office privileges. Annual payments of $200,000 are due annually for four years subsequent to May 31, 2012. The College charged $636,000 to operations in fiscal 2011 in connection with this transaction. The balance representing the value of the space commitment will be amortized over the fifteen year period of the facility usage. The College is engaged in fundraising for this commitment.

NOTE 13 - 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 retire after May 31, 2005 pay 100% of the cost of medical insurance (100% of group premiums). The College accrues their share of the cost of postretirement benefits during the service lives of employees.

Accrued postretirement benefit obligation components are as follows for the years ended May 31, 2012 and 2011:

	2012	2011
Active employees	$ 532,592	$ 441,854
Current retirees	1,818,737	1,863,590
Accrued postretirement benefit obligation	$ 2,351,329	$ 2,305,444

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

NOTE 13 - POSTRETIREMENT BENEFIT PLAN (Continued)

The following is a reconciliation of the benefit obligation and the value of plan assets at May 31, 2012 and 2011:

	2012	2011
Change in projected benefit obligation		
Benefit obligation at June 1	$ 2,305,444	$ 2,550,549
Interest cost	91,742	101,271
Service cost	24,377	14,752
Actuarial (gain) loss	288,562	(186,255)
Benefits paid	(358,796)	(174,873)
Projected benefit obligation at May 31	$ 2,351,329	$ 2,305,444
Change in plan assets		
Fair value of plan assets at June 1	$ 0	$ 0
Employer contribution	358,796	174,873
Participant contribution	222,590	203,846
Benefits paid	(581,386)	(378,719)
Fair value of plan assets at May 31	$ 0	$ 0
Funded Status		
Unfunded status at May 31	$ (2,351,329)	$ (2,305,444)

Net periodic postretirement benefit expense for the years ended May 31, 2012 and 2011 is comprised of the following:

	2012	2011
Service cost	$ 24,377	$ 14,752
Interest cost	91,742	101,271
Amortization of prior service cost (gain)	(14,758)	(14,758)
Amortization of unrecognized loss	48,469	45,744
Net periodic benefit cost	$ 149,830	$ 147,009

Benefits expected to be paid for each of the five years subsequent to May 31, 2012, net of expected employer contributions, are estimated to be $197,000, $203,000, $198,000, $195,000 and $198,000, respectively. Benefits expected to be paid 2018 through 2022 are $940,000. Contributions from the College and retirees expected to be paid to the plan for the year ended May 31, 2013 are estimated to be $354,000.

NOTE 13 - POSTRETIREMENT BENEFIT PLAN (Continued)

The estimated interest cost, service cost, net loss and expected benefits to be paid for the year ended May 31, 2013 and the estimated benefit obligation at May 31, 2013 are as follows:

	2013
Change in projected benefit obligation	
Benefit obligation at June 1	$ 2,351,329
Interest cost	74,563
Service cost	32,865
Expected benefits to be paid	(197,346)
Projected benefit obligation at May 31	$ 2,261,411

The above assumptions and calculations are based on census data as of June 1, 2011 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, 2012. A 10.0% rate of increase in the per capita costs of covered health care benefits was assumed at May 31, 2012, decreasing 0.5% per year to an ultimate level of 4.5% in fiscal years ending May 31, 2024 and later. A discount rate of 3.3% and 4.3% was used to determine the accrued postretirement benefit obligation for fiscal 2012 and 2011, 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 $10,500 or 9.0%. Increasing the assumed health care cost trend rate by 1.0% would increase the accumulated postretirement benefit obligation as of May 31, 2012 by approximately $193,000 or 8.2%. 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 $9,200 or 7.9% and the accumulated postretirement benefit obligation by approximately $173,000 or 7.4%.

It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates.

NOTE 14 - LONG-TERM DEBT

The College had the following long-term debt outstanding at May 31, 2012 and 2011:

	Original Amount	2012	2011
Minnesota Higher Education Facilities Authority Variable Rate - Demand Revenue Bonds Gustavus Adolphus College (Series Five-X Bonds of 2004)	$ 16,550,000	$ 12,450,000	$ 12,950,000
Minnesota Higher Education Facilities Authority Revenue Bonds - Gustavus Adolphus College (Series Seven-B Bonds of 2010)	41,680,000	41,250,000	41,680,000
Principal Outstanding on Bonds		53,700,000	54,630,000
Premium on Seven-B Bonds	2,263,698	2,091,969	2,185,639
		$ 55,791,969	$ 56,815,639

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

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, 2012 was 0.2%, with an average rate of 0.1% for the 2012 fiscal year. In addition to the variable rate interest, the bonds incur a letter of credit fee of 120 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 September 15, 2013 and must be extended by the College 180 days prior to its expiration to prevent the outstanding debt and accrued interest from becoming immediately due and payable. The letter of credit may be extended for twelve months, unless the bank denies the requested extension. Under the letter of credit agreement, the College must amortize the bonds by making required optional redemptions on October 1 in the years 2016 through 2034 in amounts varying from $275,000 to $1,100,000. The College has elected to make prepayments on the required optional redemptions. The letter of credit is unsecured. The Series Five-X bonds and/or the letter of credit agreement for the Series Five-X bond issue require that certain liquidity, debt service coverage and capitalization ratios be maintained. The College's ability to incur additional long-term debt is also limited under the Series Five-X bonds.

NOTE 14 - LONG-TERM DEBT (Continued)

During August 2010, the Minnesota Higher Education Facilities Authority issued Revenue Bonds Series, Seven-B (Gustavus Adolphus College) on behalf of the College totaling $41,680,000. The bond proceeds were used to finance the construction, furnishing and equipping of Beck Academic Hall, the development of a new west mall and to finance the refunding of the Authority's outstanding Mortgage Revenue Bonds, Series Four-X (Gustavus Adolphus College). The Series Seven-B Revenue Bonds have interest rates varying from 3.00% to 5.00% and mature in annual installments of $445,000 to $500,000 on October 1 in the years 2012 through 2016, $3,020,000 to $4,035,000 on October 1 in the years 2017 through 2023, $910,000 and $945,000 on October 1 in the years 2024 and 2025, respectively, with payments of $6,770,000 and $5,755,000 due October 1, 2031 and 2035, respectively. The term bonds maturing in the years in 2031 and 2035 are subject to annual sinking fund payments on October 1 in the years 2026 through 2035 in amounts varying from $990,000 to $1,540,000.

Below is a recap of the activity related to the Series Seven-B issue:

Funds deposited to the Minnesota Higher Education Facilities Authority issued Revenue Bond Series Seven-B construction fund	$ 32,902,087
Principal and interest payment on Minnesota Higher Education Facilities Authority issued Revenue Bonds, Series Four-X	7,402,924
Funds deposited to the Minnesota Higher Education Facilities Authority issued Revenue Bond Series Seven-B reserve fund	3,397,289
Bond issuance costs	241,398
Total bond proceeds	$ 43,943,698

The College is required to maintain debt service reserve funds under the Series Seven-B bond issue in the amount of $3,397,000. The Series Seven-B bonds are secured by a pledge of the Loan Repayments and the Reserve Account. The Series Seven-B bonds also require that certain liquidity and debt service coverage ratios be maintained.

Annual maturities of all long-term debt for each of the five years subsequent to May 31, 2012 approximate $445,000, $460,000, $475,000, $490,000 and $500,000, respectively. Total interest for the years ended May 31, 2012 and 2011 amounted to approximately $1,975,000 and $1,767,000, respectively. For the years ended May 31, 2012 and 2011, capitalized interest totaled approximately $411,000 and $1,325,000, respectively.

NOTE 15 - LINE OF CREDIT AGREEMENT

The College has an unsecured line of credit totaling $6,000,000 with a local bank which is payable on demand. The agreement expires on July 6, 2013 and is payable at an interest rate equal to the Wall Street Journal prime rate. The interest rate will never be greater than 8.0% or less than 4.5%. In addition, the line of credit is subject to a non-use fee of 0.1% of any unused portion to be accrued and charged monthly. At May 31, 2012 and 2011, the College had no borrowings outstanding under this agreement.

NOTE 16 - 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 the Annuity 2000 mortality table appropriate for the type of arrangement, number of lives covered and age(s) of the donor(s). The College used historical gift date interest rates ranging from 1.6% to 10.2%, in making the calculations for the year ended May 31, 2012 and historical gift date interest rates ranging from 2.6% to 10.2% for the year ended May 31, 2011.

During the year ended May 31, 2012, the College received gift income of approximately $756,000 relating to deferred gift agreements. Total assets held by the College under deferred gift agreements and liabilities related to these agreements totaled approximately $20,772,000 and $10,894,000, respectively, at May 31, 2012.

During the year ended May 31, 2011, the College received gift income of approximately $239,000 relating to deferred gift agreements. Total assets held by the College under deferred gift agreements and liabilities related to these agreements totaled approximately $21,194,000 and $10,774,000, respectively, at May 31, 2011.

NOTE 17 - ALLOCATION OF EXPENSES

The College allocated interest expense of approximately $1,494,000 and $441,000; depreciation and amortization of approximately $6,537,000 and $5,692,000; operation and maintenance of plant expense of approximately $10,741,000 and $10,383,000; and lease payments of approximately $404,000 and $396,000 to program and support functions for the years ended May 31, 2012 and 2011, respectively.

NOTE 18 - 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. Cash, cash equivalents and investment holdings are concentrated in a limited number of financial institutions and amounts in excess of FDIC and similar coverages are subject to the usual risks of balances in excess of those limits. Investments are diversified in order to reduce 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 19 - RELATED PARTY TRANSACTIONS

As of May 31, 2012 and 2011, contributions receivable included approximately $7,900,000 and $2,674,000, respectively from members of the Board of Directors and employees of the College. No compensation is paid to members of the Board of Directors.

The College has invested in two private equity investments in which a member of the Investment Committee and Board of Directors 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, 2012, total approximately $5,370,000 and $630,000 is outstanding on future commitments. The value of these funds approximates $4,604,000 and $5,074,000 as of May 31, 2012 and 2011, respectively.

During 2011, the College signed a contract with a construction company to construct Beck Academic Hall in the amount of $23,107,000. A former member of the Board of Directors has an affiliation with the construction company, fully disclosed their interest when this project was discussed and did not participate in the voting regarding this project, in accordance with the conflict of interest policy. The amount payable to the construction company totaled approximately $2,020,000 as of May 31, 2011.

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 Directors disclosing the scope of these treasury activities.

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UNAUDITED UNRESTRICTED FISCAL YEAR 2013 OPERATING BUDGET

	Budget 2012-13	As of May 31, 2013* (unaudited)
REVENUE		
Tuition and Fees	$ 92,721,962	$ 93,379,849
Less: Scholarships and grants	(44,482,889)	(44,333,678)
Net Tuition and Fees	48,239,073	49,046,171
Grants and Gifts	4,937,878	5,401,862
Endowment Income	1,407,000	1,380,167
Auxiliary Enterprises	21,960,900	22,111,262
Other Income	2,564,329	2,784,580
TOTAL REVENUE	79,109,180	80,724,042
EXPENSES		
Instruction	20,450,018	20,318,053
Academic Support	2,499,148	2,559,715
Research	72,305	70,737
Public Service	1,441,673	1,417,428
Student Services	9,829,890	9,881,537
Institutional Support	7,737,337	7,651,838
Employee Benefits (allocated at year-end)	13,067,646	11,645,628
Operation and Maintenance of Plant	9,665,530	9,769,810
Debt Service	3,496,000	3,088,930
Capital Projects	1,819,000	1,819,000
Student Employment (allocated at year-end)	2,339,490	2,299,150
Restricted Funds Released	(1,401,371)	(1,408,479)
Auxiliary Enterprises	7,552,514	7,125,912
Discretionary Transfers		131,690
Contingency Reserves	540,000	200,000
TOTAL EXPENSES	79,109,180	76,570,949
SURPLUS	$ -	$ 4,153,093

* *Data is not final. The College's financial records remain open for submission of final invoices, after which final closing of the College's financial records will occur.*

The information is UNAUDITED AND NOT PREPARED in accordance with generally accepted accounting principles.

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