OFFICIAL STATEMENT DATED MARCH 22, 2007

NEW ISSUE **Rating: Moody's A2**

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 net income of individuals, estates and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code. (See "TAX EXEMPTION.")

$45,405,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Six-O
(St. Olaf College)
(DTC Book Entry Only)

Dated Date: March 1, 2007 **Interest Due: April 1 and October 1, commencing October 1, 2007**

The Bonds are to mature annually on October 1 as follows:

Year	Amount	Rate	Yield	CUSIP 60416H:	Year	Amount	Rate	Yield	CUSIP 60416H:
2008	$1,105,000	4.00%	3.70%	JP 0	2015	$1,485,000	5.00%	3.92%	JW 5
2009	$1,155,000	4.00%	3.72%	JQ 8	2016	$1,565,000	5.00%	3.97%	JX 3
2010	$1,195,000	4.00%	3.75%	JR 6	2017	$1,630,000	4.00%	4.04%	JY 1
2011	$1,245,000	4.00%	3.77%	JS 4	2018	$1,705,000	5.00%	4.09%*	JZ 8
2012	$1,295,000	4.00%	3.81%	JT 2	2019	$1,790,000	4.50%	4.25%*	KA 1
2013	$1,350,000	4.00%	3.85%	JU 9	2020	$1,875,000	5.00%	4.15%*	KB 9
2014	$1,410,000	5.00%	3.88%	JV 7					

$ 4,040,000 5.00% Term Bonds due October 1, 2022 Price 106.297%* CUSIP 60416H KD 5
$11,915,000 4.50% Term Bonds due October 1, 2027 Price 99.866% CUSIP 60416H KJ 2
$10,645,000 4.50% Term Bonds due October 1, 2032 Price 98.951% CUSIP 60416H KK 9

* *Priced to the first optional call date of October 1, 2016*

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), at the direction of St. Olaf College (the "College"), a Minnesota nonprofit corporation, the Bonds maturing on or after October 1, 2017 are subject to redemption in whole or in part prior to maturity, as described herein. The Bonds also are 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. The Bonds are subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. The Bonds maturing October 1 in the years 2022, 2027 and 2032 are subject to mandatory redemption in installments as described herein. See "THE BONDS – Prior Redemption" herein.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of 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, Minneapolis, Minnesota, will act as Trustee.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the 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 opinion as to validity and tax exemption of the Bonds by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota, and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter at DTC on or about March 29, 2007.

RBC Capital Markets

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

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, their 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.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

David D. Rowland, Chair	Senior Vice President, The Travelers Companies, Inc., Eden Prairie, Minnesota
Michael D. Ranum, Vice Chair	Chief Financial and Administrative Officer, Hazelden Foundation, Circle Pines, Minnesota
Mary F. Ives, Secretary	Real Estate Business Owner, Grand Rapids, Minnesota
Gary D. Benson	Vice President, Kraus-Anderson Construction Company, Midwest Division, New Brighton, Minnesota
Kathryn Balstad Brewer	Retired Banker and Educator, New Brighton, Minnesota
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota
Mark Misukanis (Ex Officio)	Director of Fiscal Policy and Research, Minnesota Office of Higher Education, Saint Paul, Minnesota
Carla Nelson	Business Development and Marketing Director, Olmsted Financial Group, Rochester, Minnesota
Raymond VinZant, Jr.	Policy Representative, Office of U.S. Senator Norman Coleman, Saint Paul, Minnesota

There is one vacancy on the Board.

Marianne T. Remedios, Executive Director

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

$45,405,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES SIX-O
(ST. OLAF COLLEGE)

(DTC Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota, and St. Olaf College, a Minnesota non-profit corporation and 501(c)(3) organization and the owner and operator of an institution of higher education with its campus located in Northfield, Minnesota (the "College"), in connection with the issuance of the Authority's $45,405,000 Revenue Bonds, Series Six-O (St. Olaf 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 March 1, 2007 between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") to be dated as of March 1, 2007 between the College and the Authority relating to the Bonds, the Authority is loaning the proceeds of the Bonds 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 and interest on the Bonds as the same shall become due.

Bond proceeds will be used to:

1. Pay a portion of the costs to construct a new science building on the College's campus;
2. Refund on an advance refunding basis the outstanding principal amount of the Minnesota Higher Education Facility Authority Revenue Bonds, Series Four-R (St. Olaf College) (the "Series Four-R Bonds" or the "Prior Bonds");
3. Fund a debt service reserve; and
4. Pay certain issuance costs.

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

The Reserve Account will be funded in the amount of the Reserve Requirement from Bond proceeds on the issuance date. See "ACCOUNTS – Reserve Account" herein.

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 or interest on the Bonds.

Risk of Insufficient Collateral

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

Adequacy of Revenues

Payment of principal 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 receive 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 academic reputation, location, net tuition rates, and degree offerings. 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.

Reliance on Tuition

The adequacy of the College's revenues will depend in part on the amount of future tuition revenue the College receives. Such 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 Aid

Approximately 80% of the College's students currently receive need-based scholarships or grants or merit-based scholarships from the College covering some portion of tuition and fees or living expenses. No assurance can be given that College financial aid or other federal or state financial aid will continue to be funded at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues. State financial shortfalls may result in reductions to state aid funding for colleges, including the College. See also Appendix I, “THE COLLEGE – Financial Aid.”

Damage, Destruction or other Liability

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

Nature of *Pro Forma* Debt Service Coverage

Certain historical operating revenue for the College and computed *pro forma* debt service coverage is provided in APPENDIX I under the caption “Estimated Annual Debt Service for Fiscal Years 2008 and 2009 and *Pro Forma* Coverage Statement.” The *pro forma* coverage is merely an arithmetical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and debt service requirements, including Loan Repayment obligations.

Limited Obligation

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

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.

Derivative Products

The College has entered into an interest rate swap agreement in the past. See footnote 10 to the College's financial statements, Appendix VII hereto. The College may enter into other interest rate swaps or other similar arrangements in the future. Under certain market conditions, termination of an interest rate swap agreement prior to its expiration may require the College to pay a termination fee to the counterparty to the agreement and such payment could be material to the College.

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 having an adverse effect on the future operating or financial performance of the College.
3. International events, including any acts of war and terrorism, which may have adverse effects on enrollment and investments.

See also “TAX EXEMPTION – Minnesota Tax Considerations” herein.

CONTINUING DISCLOSURE

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

THE BONDS

General

The Bonds will be issued in book entry form. The Bonds will be dated March 1, 2007 and will mature annually each October 1, commencing October 1, 2008, 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 and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing October 1, 2007.

Book Entry System

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

For further detail on DTC, see Appendix VI, "The Depository Trust Company."

Prior Redemption

Mandatory Redemption

Portions of the Term Bonds maturing on October 1 in the years 2022, 2027 and 2032 (the "Term Bonds") shall be called for redemption on October 1 in the years set forth immediately below 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 Due
October 1, 2022

Year	Amount
2021	$1,970,000
2022*	$2,070,000

* *Stated maturity*

Term Bonds Due
October 1, 2027

Year	Amount
2023	$2,175,000
2024	$2,275,000
2025	$2,375,000
2026	$2,485,000
2027*	$2,605,000

* *Stated maturity*

Term Bonds Due
October 1, 2032

Year	Amount
2028	$2,595,000
2029	$1,880,000
2030	$1,965,000
2031	$2,055,000
2032*	$2,150,000

* *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 45 days prior to such redemption:

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

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

Optional Redemption

At the College's request, the Authority may elect to prepay on October 1, 2016 and on any day thereafter Bonds due on or after October 1, 2017. Redemption may be in whole or in part. All prepayments shall be at a price of par plus accrued interest.

Extraordinary Optional Redemption

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

Partial Redemption

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

In the case of Bonds of denominations greater than $5,000, if 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 30 days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date of Taxability effective until the 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, “DEFINITION OF CERTAIN TERMS.”

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

USE OF PROCEEDS

The Plan of Finance

Proceeds of the Bonds will be loaned to the College and will be used to:

1. Pay a portion of the costs to construct a new science building on the College’s campus;
2. Refund on an advance refunding basis the Prior Bonds;
3. Fund a debt service reserve; and
4. Pay certain issuance costs.

Science Building

Work began in the Summer of 2006 toward construction of the College’s new science building, including site preparation, extension of utility tunnel to the building site, rerouting roads adjacent to the building site and constructing a storm water collection system. Buildings on or near the building site were razed. In January of 2007 excavation for the building began. The College anticipates that the exterior and approximately 60% of the interior will be completed by September of 2008. The balance of the interior space will be completed as funds for those improvements are raised, with final completion anticipated by September of 2010. The College has engaged Oscar J. Boldt Construction Company (Boldt) as the Design-Builder for the project. Boldt is in charge of the overall project. Boldt engaged Holabird and Root Architects as architects and engineers.

Refunding

The Prior Bonds are outstanding in the amount of $13,070,000. The Prior Bonds have a final maturity date of April 1, 2029 and the Prior Bonds maturing on or after April 1, 2008 are callable in full on any date beginning October 1, 2007 at a price of par plus interest accrued to the Redemption Date. The Prior Bonds will be fully defeased from Bond proceeds, funds on deposit under the Prior Bonds Indenture, and any necessary contribution from the College on the Issue Date and will be redeemed on October 1, 2007 (the "Redemption Date") at a price of par plus interest to the Redemption Date.

At the Issue Date, a portion of the Bond proceeds will be deposited in the Refunding Account created under the Indenture and immediately transferred to the Escrow Agent for deposit into the escrow account created under an Escrow Agreement dated as of March 1, 2007. Wells Fargo Bank, National Association, the Trustee for the Bonds, is also the Trustee for the Prior Bonds (the "Prior Bonds Trustee") and will be the escrow agent (the "Escrow Agent") under the Escrow Agreement. The parties to the Escrow Agreement will be the College, the Authority, the Trustee, the Prior Bonds Trustee and the Escrow Agent. The amount deposited from Bond proceeds, along with available amounts held by the Prior Bonds Trustee and, if necessary, other available College funds, plus earnings thereon to the Redemption Date, will be sufficient to provide for the payment of principal and interest on the Prior Bonds through the Redemption Date and to redeem and prepay the outstanding Prior Bonds on the Redemption Date. See "USE OF PROCEEDS – Escrow Agreement."

The Prior Bonds were issued to provide funds loaned to the College and, together with other funds of the College, were used to finance: (a) the acquisition, construction and equipping of Buntrock Commons; (b) the acquisition and installation of an electrical generator; (c) the acquisition and installation of hardware and software for general academic, administrative, telecommunications, networking, financial and human resources/payroll information purposes; (d) classroom renovations and the acquisition of new classroom furnishings; (e) the acquisition of residence hall furniture; and (f) various improvements relating to roadways, parking lots, heating control systems, cooling systems and the campus utility distribution system, all owned and operated by the College and located on the Project Site.

The Prior Bonds, identified by CUSIP, are the following:

Maturity Date:	CUSIP 604151:	Maturity Date:	CUSIP 604151:
April 1, 2007	F8 8	October 1, 2012	H3 7
October 1, 2007	F9 6	April 1, 2013	H4 5
April 1, 2008	G2 0	October 1, 2013	H5 2
October 1, 2008	G3 8	April 1, 2014	H6 0
April 1, 2009	G4 6	October 1, 2014	H7 8
October 1, 2009	G5 3	April 1, 2015	H8 6
April 1, 2010	G6 1	October 1, 2015	H9 4
October 1, 2010	G7 9	October 1, 2018	J7 6
April 1, 2011	G8 7	October 1, 2023	K9 0
October 1, 2011	G9 5	April 1, 2029	M4 9
April 1, 2012	H2 9		

Escrow Agreement

At the Issue Date, a portion of the Bond proceeds, available funds from the Prior Bonds accounts and certain College funds (if necessary) will be deposited in the escrow account created under the Escrow Agreement among the College, the Authority and Wells Fargo Bank, National Association, as Escrow Agent, Trustee and Prior Bonds Trustee. The escrow account will be funded with cash and U.S. Treasury securities sufficient, along with earnings thereon, to (i) pay the interest due on the Prior Bonds through October 1, 2007, (ii) pay the principal of the Prior Bonds maturing on April 1, 2007 and October 1, 2007, and (iii) redeem at a redemption price equal to par plus accrued interest, on October 1, 2007 the Prior Bonds maturing on April 1, 2008 and thereafter.

Barthe & Wahrman PA, Certified Public Accountants, will deliver an independent verification report stating that the cash and investments held pursuant to the Escrow Agreement along with interest earned thereon will be sufficient to pay the principal of, premium on (as applicable), and interest on the Prior Bonds as described above through the Redemption Date and to pay the redemption price of the Prior Bonds on the Redemption Date. The verification report will also confirm the correctness of the mathematical computations supporting Bond Counsel's conclusion that the Bonds are not "arbitrage bonds" as defined in Section 148 of the Code.

SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of the Series Six-O Bonds	$45,405,000
Reoffering Premium	802,405
Accrued Interest	160,125
College contribution for construction	31,200,000
Transfers from prior Debt Service Fund	496,432
Transfers from prior Debt Service Reserve Fund	996,831
Total Sources:	$79,060,793
Uses of Funds	
Deposit to the Construction Account	$28,500,000
College funds to be applied to construction	31,200,000
Deposit to Debt Service Account (accrued interest and rounding amount)	160,453
Deposit to Construction Account (capitalized interest)	2,235,562
Deposit to Reserve Account	3,201,250
Deposit to Refunding Account	13,452,546
Costs of Issuance, including Underwriter's discount	310,982
Total Uses	$79,060,793

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

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

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, including moneys and investments in the Reserve Account. The Reserve Account will be fully funded to the Reserve Requirement from proceeds of the Bonds in the amount of the maximum annual debt service on the Bonds.

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the College, and other funds the Trustee holds under the Indenture, including the Reserve Account. 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 and interest on the Bonds. The College agrees to make such payments out of its operating funds or any other moneys legally available.

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

Negative Pledge Property

The Bonds are not secured by any mortgage lien on or security interest in any property of the College.

The College covenants in the Loan Agreement that except for Permitted Encumbrances, 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 Negative Pledge Property, which is the Buntrock Commons Project and the new science building; provided that liens may be placed on the Buntrock Commons Project so long as the aggregate amount of such liens does not exceed 70% of the book value thereof after taking into account any increase in book value to result from any improvement.

Financial Covenants

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

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

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

b. For so long as the Bonds remain outstanding, the College shall incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt outstanding which does not increase the Maximum Annual Debt Service and further excepting that portion of Funded Debt for capital projects for which the College has received written and signed pledges of gifts in an amount at least equal to 80 percent of the estimated costs of such project), unless the average Debt Service Coverage Ratio for the last two Fiscal Years for which audited financial statements are available was at least 110 percent; provided that if the additional Funded Debt proposed to be incurred is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for each Fiscal Year during the Test Period the estimated amount of Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an Independent Management Consultant to the College and the Trustee; and provided further that if the Board of Regents has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, there shall be added to Net Income Available for Debt Service for the each Fiscal Year during the Test Period the amount of such increase net of increased operating expenses, as estimated in a report of an Independent Management Consultant to the College and the Trustee; and provided further that if the additional Funded Debt proposed to be incurred is to finance equipment or facilities that will produce savings in operating costs of the College, as estimated in a report of an Independent Management Consultant to the College and the Trustee, there shall be added to the amount of Net Income Available for Debt Service for each Fiscal Year during the Test Period the estimated net savings derived from such equipment or facilities in the first Fiscal Year following the estimated date of acquisition or construction of such equipment or facilities.

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

"Adjusted Increase (Decrease) in Unrestricted Net Assets" means the Change in Unrestricted Net Assets from Operating Activities, as reported in the Statement of Activities section of the audited financial report of the College, adjusted to: (a) exclude depreciation, amortization and accretion expense, and (b) include (as a reduction to the Change in Unrestricted Net Assets for Operating Activities) the cost of current land, building and equipment acquisitions which have been funded through operations and capitalized.

"Debt Service Coverage Ratio" means for any particular period, the ratio (expressed as a percentage) determined by dividing Net Income Available for Debt Service during the period by the total amount of principal of and interest required to be paid on Funded Debt during the period, provided that for purposes of calculating Debt Service Coverage Ratio under Section 6.14(b) of the Loan Agreement, Maximum Annual Debt Service of (A) then Outstanding Funded Debt and (B) Funded Debt thereafter incurred or proposed to be incurred shall be substituted for the total amount of principal of and interest required to be paid on Funded Debt during the period.

"Funded Debt" means indebtedness (including a guarantee of indebtedness) for borrowed money having a maturity date of more than one year from the date of incurrence or assumption thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including such indebtedness whenever payable if renewable at the sole option of the College for a term (including such renewal) of more than one year pursuant to the terms thereof or of a revolving loan agreement for a period of more than one year from the date of creation thereof unless and to the extent the lender thereunder may at its option require repayment at intervals of one year or less and including lease rental obligations with a term of more than one year from the date of incurrence or assumption by the College which, under generally accepted accounting principles, are shown on the balance sheet as a liability.

"Maximum Annual Debt Service" means the largest total amount of principal of and interest on Funded Debt payable by the College in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding subject to the following: (i) if any part of the Funded Debt is outstanding variable rate indebtedness, the rate of interest on the variable rate indebtedness for future Fiscal Years shall be computed at the average rate of interest for the then most recent Fiscal Year or, at the election of the College, for the then current interest period; if variable rate indebtedness is proposed to be incurred, the rate of interest shall be an initial variable rate as estimated by an Independent Management Consultant, or an investment banking firm selected by the College to underwrite the sale of such variable rate indebtedness; (ii) if any part of the Funded Debt outstanding or to be incurred is a guarantee by the College of indebtedness of a third person or so-called "pass-through" or "covered" indebtedness (the College having borrowed money to re-lend to a third person), 100 percent of such Funded Debt shall be excluded if the third person (whose debt is guaranteed or whose payments are expected to service the College's obligations with respect to such Funded Debt) had a debt service coverage ratio (including in the computation of debt service, the debt service on the debt proposed to be incurred) of at least 110 percent during the most recent Fiscal Year for which financial statements are available; (iii) the amount of debt service with respect to "balloon" indebtedness may, at the option of the College, be calculated on a level debt service basis over the period commencing on the incurrence thereof and ending on the date when the balloon is payable; as used herein, "balloon" indebtedness means Funded Debt 25 percent or more of the principal of which is due in any 12 month period; (iv) the amount of debt service with respect to "put" indebtedness shall be calculated from and after the first put date next following the date on which the put indebtedness is incurred as if such put indebtedness bears interest at the Projected Rate as amortized on a level debt service basis of a 25-year period; provided that if there is a written commitment from a bank or other financial institution to refinance the amount of any indebtedness which the College may be required to redeem or purchase, the debt service with respect to such put indebtedness may, at the option of the College, be calculated on the basis of the repayment schedule contemplated by such written commitment, commencing the date such commitment will (unless renewed) expire; "put" indebtedness means Funded Debt (A) which the College may be required, at the option of the holder thereof, to prepay or purchase prior to the stated maturity date thereof, in whole or in part, but if in part, in an amount 25 percent or more of the original principal amount thereof and (B), if subject to variable rates, is then in an interest rate reset period of more than two years; (v) there shall not be taken into account any part of the Funded Debt of the College which has been refunded, refinanced or otherwise defeased under an arrangement whereby all future payments of such indebtedness will be met from moneys and investments and earnings thereon held by an indenture trustee or escrow agent, provided that any such investments shall be direct obligations of or obligations fully guaranteed by the United States of America; (vi) if any part of such Funded Debt consists of crossover refunding debt, no part of the debt service with respect to such crossover refunding debt shall be taken into account prior to the crossover date, and after the crossover date, no part of the debt service of the refunded debt shall be taken into account; (vii) if any part of such Funded Debt is "nonrecourse" indebtedness or Subordinated Indebtedness, no part of the debt service with respect thereto shall be taken into account; "nonrecourse" indebtedness means indebtedness secured by a mortgage of, security interest in, lien, charge or encumbrance on or pledge of property, real or personal, tangible or intangible, the liability for which is limited to the property financed by or located on or appurtenant to the property financed by such indebtedness, with no recourse to any other property of the College; (viii) if any part of the Funded Debt outstanding or to be incurred constitutes capital appreciation bonds or notes, the amount of debt service to be taken into account shall be the excess of the accreted value of such bonds or notes in a Fiscal Year over the accreted value in the prior Fiscal Year; "capital appreciation bonds or notes" includes zero coupon bonds and notes and discount bonds or notes issued at less than 95 percent of the par value at maturity, provided that accreted values per year are established at the date of issuance thereof and (ix) the amount of any reserve fund for any Funded Debt or redemption fund which may be used only to pay, redeem, or purchase such Funded Debt incurred or proposed to be issued may be deducted from debt service for the Fiscal Year or Fiscal Years in which such Funded Debt finally matures and for payment of which the reserve or redemption fund moneys may be used without creating a default.

“Net Income Available for Debt Service” means the Adjusted Increase (Decrease) in Unrestricted Net Assets (plus interest payments on Funded Debt, excluding capitalized interest, if any).

“Projected Rate” means the fixed rate equal to the projected yield at par of an obligation, as set forth in the report of a Rate Setter, which report is acceptable to the Trustee as to form, and shall state that, in determining the Projected Rate, such Rate Setter reviewed the yield evaluations at par of not less than five obligations selected by such Rate Setter, the interest on which is exempt from federal income tax, which obligations such Rate Setter states in its opinion are reasonable comparators to be utilized in developing such Projected Rate and which obligations: (1) were outstanding on a date selected by the Rate Setter, which date so selected occurred during the 45-day period preceding the date of calculation utilizing the Projected Rate in question; (2) to the extent practicable, are obligations of persons engaged in operations similar to those of the College and have a credit rating similar to that of the College; and (3) to the extent practicable, have a remaining term and amortization schedule the same as being assumed for the put indebtedness.

“Rate Setter” means an investment banking firm or other person knowledgeable about the market for comparators required to establish the Projected Rate and nationally recognized as experienced at establishing rates similar to the Projected Rate.

“Revenue/Expenditure Test” means the Adjusted Increase in Unrestricted Net Assets shall not be less than zero.

“Subordinated Indebtedness” means indebtedness, the payment of principal, premium, if any, and interest on which (“Subordinated Debt Service”) is subordinated to payment of principal, premium, if any, and interest on the Bonds (“Bonds Debt Service”) by a written instrument, a copy of which is filed with the Trustee, containing substantially the following terms of subordination: (A) no payment of Subordinated Debt Service shall be made by the College if an uncured Event of Default exists under the Indenture for the Bonds, and (B) upon (i) acceleration of the indebtedness or the Bonds or (ii) any dissolution, winding up, reorganization, bankruptcy, insolvency or receivership of the College all Bonds Debt Service then due and to become due in the future on the Bonds shall first be paid in full or provided for in accordance with the Indenture for the Bonds before any further payment of Subordinated Debt Service is made by the College or any receiver, trustee in bankruptcy, liquidating trustee or other person on behalf of the College.

“Test Period” means either the two most recent Fiscal Years for which audited financial statements are available or the most recent Fiscal Year for which audited financial statements are available, as appropriate.

For purposes above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by the College's auditors in the report of the College's financial statements for the Fiscal Year ended May 31, 2006.

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 will not be secured by the General Bond Reserve of the Authority (see “GENERAL BOND RESERVE ACCOUNT”).

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which the proceeds from the sale of the Bonds and revenues received as Loan Repayments and other amounts payable under the Loan Agreement are to be deposited. These accounts include a Refunding Account, a Construction Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account, the Refunding Account, the Bond and Interest Sinking Fund Account, and the Reserve Account, as described below. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds when due.

Refunding Account

On the Issue Date, there shall be deposited into the Refunding Account an amount of Bond proceeds which, together with available amounts held by the Prior Bonds Trustee and, if necessary, other available funds of the College, plus earnings thereon to the Redemption Date, shall be sufficient to, and shall be used for, the payment of principal of and interest on the Prior Bonds through, and accrued interest and redemption price on October 1, 2007, of all of the then outstanding Prior Bonds, in accordance with the terms of the Escrow Agreement.

Construction Account

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Refunding Account, the Bond and Interest Sinking Fund Account and the Reserve Account. The College will agree in the Loan Agreement to provide for payment of all costs of the Project in excess of the proceeds of the Bonds available therefor and to pay out of available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds. Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Redemption Account or the Bond and Interest Sinking Fund Account under certain conditions.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account the amount of Bond proceeds representing accrued interest and the rounding amount, if any, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. Deposits into the Bond and Interest Sinking Fund Account shall be made at least two Business Days prior to each Interest Payment Date in amounts equal to interest and, if applicable, principal due on such Interest Payment Date.

The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

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

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the College shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the College for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than as of September 1, 2007 and semiannually thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the lesser of the amount of the Reserve Requirement, or the amount permitted for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days.

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

Redemption Account

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 create and maintain the required balance in the Bond and Interest Sinking Fund Account; second, to create and maintain the required balance in the Reserve Account, and third, for the redemption of outstanding Bonds or for the purchase of outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the

Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Authorized Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Construction Account, the Reserve Account and the Redemption Account shall be invested by the Trustee only in investments as authorized by 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 state 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 and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least 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. Monies deposited in the Refunding Account will not be invested in that account, but will be transferred to the escrow account created under the Escrow Agreement and will be subject to the investment requirements contained in the Escrow Agreement. See "USE OF PROCEEDS – Refunding."

GENERAL BOND RESERVE ACCOUNT

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. In general, the General Bond Reserve Account secures certain bonds of the Authority for which a deposit is made into the General Bond Reserve Account in compliance with the General Bond Resolution. In connection with the Bonds, the Authority will not require that the College deposit funds into the General Bond Reserve Account. **The Bonds will not be secured by the General Bond Reserve Account and Bondholders will have no right to require the Authority to apply moneys or investments in the General Bond Reserve Account to the payment of the Bonds or interest thereon.**

FUTURE FINANCING

The College regularly improves and expands its physical plant. The College does not anticipate financing any such projects with debt within the next twelve months.

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 $800 million. The Authority has had 161 issues (including refunded and retired issues) totaling over $1 billion, of which approximately $686 million is outstanding as of March 15, 2007. 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 underwriter of the Bonds is RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a purchase price of $46,048,487.00 (representing the aggregate principal amount of the Bonds less an underwriter's discount of $158,917.50 plus original issue premium of $802,404.50) plus accrued interest.

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

The underwriter may conduct a competitive bidding process for the investment of certain bond proceeds, and if such bidding is done will receive a fee.

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.

RATING

As noted on the cover page hereof, Moody's Investors Service has assigned a rating of A2 to the Bonds. The rating reflects only the view of such rating agency. Further information concerning the rating is available from Moody's. 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 unaware of any pending or threatened litigation which would affect the validity of the Bonds, the tax-exempt nature of the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either to perform as described herein, or materially affect the ability of the College to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, 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 Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota.

TAX EXEMPTION

Federal Tax Considerations

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed or refinanced by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and the 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 (2%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. (See "SUMMARY OF DOCUMENTS -- The Loan Agreement -- Determination of Taxability" in Appendix V). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

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

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

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

S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of its gross receipts are passive investment income.

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

Minnesota Tax Considerations

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

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. §289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes, if a court determines that Minnesota's exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision 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. In January 2006, the Kentucky Court of Appeals held, in *Davis v. Department of Revenue*, that the state's exemption of interest on its own bonds and those of its political subdivisions and its taxation of interest on the bonds of other states and their political subdivisions unlawfully discriminates against interstate commerce. The Kentucky Supreme Court declined to review this decision. Kentucky officials have sought United States Supreme Court review of the *Davis* decision. In 1994, the Ohio Court of Appeals had reached the opposite conclusion on this legal issue, upholding a similar Ohio statute, in *Shaper v. Tracy*.

The United States Supreme Court is expected in the next few weeks to make a decision whether or not to consider the appeal of the *Davis* decision. If the United States Supreme Court were to review and affirm the *Davis* decision, it is likely that Minnesota's tax treatment of state and local government bonds would also be held to be unconstitutional. A challenge of Minnesota's treatment of state and local government bonds is possible even in the absence of a decision by the United States Supreme Court. If Minnesota's treatment of state and local government bonds were held to unlawfully discriminate against interstate commerce, the court would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those and other years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Bonds to become taxable by Minnesota and the market value of the Bonds to decline.

Original Issue Premium

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

Original Issue Discount

The dollar amount of the initial offering price to the public of the Bonds maturing in 2017, 2027 and 2032 (the "Discount Bonds") is less than the principal amount of such maturities. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond. An owner of a Discount Bond who disposes of it prior to maturity should consult such owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bond prior to maturity.

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

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of 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

History

St. Olaf College ("St. Olaf" or the "College") is a four-year, co-educational liberal arts college located in Northfield, Minnesota. The College was founded in 1874 and operated as an academy, St. Olaf's School, until 1886, when a college department was added. The name was changed to St. Olaf College in 1889, and the first college class graduated in 1890. The academy was discontinued in 1917. Throughout its history, St. Olaf has been affiliated with the American Lutheran Church, one of the merging churches that became the Evangelical Lutheran Church in America (ELCA) in January of 1988. However, the College is neither under common management with, nor controlled by, the Evangelical Lutheran Church in America.

Accreditation

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

Governance

The Board of Regents governs the College. The current Board has 28 members, each of whom serves a six-year term unless otherwise indicated. Current members are as follows:

Dr. David R. Anderson, ex officio, Board Secretary	President, St. Olaf College, Northfield, Minnesota
Ms. Nancy J. Anderson	Vice President and Deputy General Counsel, Microsoft Corporation, Redmond, Washington
Mr. John W. Benson	Executive Vice President (retired), 3M Health Care Markets, Saint Paul, Minnesota
Mr. Kevin P. Bethke	Division of Surgical Oncology, Northwestern University Feinberg School of Medicine, Chicago, Illinois
Mr. Thomas J. Boldt	President, The Boldt Company, Appleton, Wisconsin
Ms. Kathleen Brekken	President & CEO (retired), Midwest of Cannon Falls, Inc., Cannon Falls, Minnesota
Mr. Philip Brunelle	Artistic Director and Founder, VocalEssence, Minneapolis, Minnesota
Ms. Barbara Peterson Burwell	Burwell Enterprises, Minneapolis, Minnesota
Bishop George G. Carlson	Bishop, South Central Synod of Wisconsin, Madison, Wisconsin
Mr. William G. Cowles, Jr.	General Manager (retired), Frigoscandia, Inc., Northfield, Minnesota

Mr. Daniel B. Grossman	Medical Scholars Program, University of Illinois, Urbana, Illinois
Mr. Robert W. Hatch	Chairman & CEO, Cereal Ingredients, Inc., CII Laboratory Services, Inc., Kansas City, Missouri
Mr. William L. Hoeft	Chairman, President & CEO, Ziegler, Inc., Minneapolis, Minnesota
Mr. Ronald E. Hunter	Deputy Chief, Law Department, Cargill Inc., Minneapolis, Minnesota
Ms. Ruth Kelly Hustad	Hustad Real Estate, Minnetonka, Minnesota
Ms. B. Kristine Olson Johnson	General Partner, Affinity Capital Management, Minneapolis, Minnesota
Mr. Mark D. Johnson	CEO, Four51, Inc., Eden Prairie, Minnesota
Ms. Martha Arveson Nelson	Teacher, Talmud Torah of Saint Paul, Saint Paul, Minnesota
Mr. Bruce J. Nicholson	President & CEO, Thrivent Financial for Lutherans, Minneapolis, Minnesota
Mr. Addison L. Piper, Board Vice Chair	Vice Chairman, Piper Jaffray, Inc., Minneapolis, Minnesota
Mr. Franklin Prendergast	Professor of Pharmacology, Edmond & Marion Guggenheim Professor of Biochemistry & Molecular Biology, Mayo Clinic, Rochester, Minnesota
Mr. Larry Rasmussen	Reinhold Niebuhr Professor of Social Ethics (retired), Union Theological Seminary, New York, New York
Mr. Walter M. Ringer, III	Vice Chairman & CEO, The Foley Companies, Minneapolis, Minnesota
Bishop Peter Rogness	Bishop, Saint Paul Area Synod, ELCA, Saint Paul, Minnesota
Mr. Lawrence Stranghoener	Executive Vice President and Chief Financial Officer, Mosaic, Plymouth, Minnesota
Mr. O. J. Tomson, Board Chair	Chairman & CEO, First Citizens National Bank, Mason City, Iowa
Mr. Jerrol M. Tostrud	Executive Vice President (retired), West Publishing Company, Eagan, Minnesota
Mr. Mark Yost	President, Intrinsic Capital Partners, LLC, Chicago, Illinois

Administration

The principal officers of the College are as follows:

President. Dr. David R. Anderson became the College's eleventh president on July 2, 2006. His inauguration was celebrated on October 6, 2006. From 1999 until joining the College, Dr. Anderson served as provost and professor of English at Denison University. From 1997 to 1999 he served as vice president for academic affairs and dean of the college at Luther College. From 1993 to 1997 he was a professor of English and associate dean of arts and humanities at Florida Atlantic University. From 1981 to 1993 Dr. Anderson's positions at Texas A&M University included director of undergraduate studies in English. From 1978 to 1980 he was an assistant professor of English and tutor in the St. Olaf College Paracollege. Dr. Anderson received his Bachelor of Arts in English and American Studies from St. Olaf College in 1974 and his Doctorate in English from Boston College in 1978. He also attended the Institute for Educational Management at Harvard University in 2000 and the Center for Dispute Resolution for training in mediation at Capital University in 2005.

Vice President and Dean for Enrollment. Michael Kyle began his tenure as Vice President and Dean of Enrollment in December 2004. He began his career at St. Olaf in July 1986 after receiving his Bachelor of Arts in Political Science from the college in 1985. He served as an admissions counselor, Assistant Director of Admissions and Associate Director of Admissions and Financial Aid at St. Olaf between 1986 and 1996. He was the Director of Alumni Relations and a gift officer at St. Paul Academy and Summit School from 1996 – 1998. He returned to St. Olaf as a Principal Gifts Officer and Director of Corporate Relations, a position he held until November 2004.

Vice President and Treasurer. Dr. Alan J. Norton began his career at St. Olaf in January of 1996. He came to St. Olaf following ten years as Vice President for Financial Affairs at St. John Fisher College in Rochester, New York. From 1980-1986, Dr. Norton taught economics at St. John Fisher. Between 1975 and 1980 he held teaching positions at the University of Missouri-Columbia and at Kansas Newman College. He received his Bachelor of Arts in Economics from Rockhurst College in 1973, his Master of Arts in Economics (1975) and Ph.D. in Economics (1980) from the University of Missouri-Columbia.

Provost and Dean of the College. Dr. James M. May assumed the position of Provost and Dean of the College in 2002. Dr. May began teaching at St. Olaf in 1977 and is a professor of Classics. He received his Bachelor of Science in Education (Latin & English) from Kent State University in 1973 and his Doctorate in Classics from the University of North Carolina-Chapel Hill in 1977.

Interim Vice President for Advancement. Ron Bagnall was named interim Vice President for Advancement in June of 2006. Mr. Bagnall joined St. Olaf in May 2005 as a principal gifts officer and in September 2005 was named assistant vice president for advancement. Prior to coming to St. Olaf, he was vice president of college advancement at Central College in Pella, Iowa. Mr. Bagnall earned his Bachelor of Arts degree at the University of Northern Iowa and his M.S. at the College for Financial Planning in Denver.

The principal staff person assigned to the debt financing being incurred by the College is Mark R. Gelle, Assistant Treasurer. Mr. Gelle served the College for 20 years as the Director of Financial Aid and Director of Student Financial Services. He was named Assistant Treasurer in January of 1998. He is a 1976 graduate of St. Olaf with a degree in Economics and he earned an MBA degree from the University of St. Thomas in 1982.

Campus Facilities

The College's 350-acre campus is located in the city of Northfield, Minnesota, 40 miles south of the Minneapolis/Saint Paul metropolitan area. The College also owns approximately 925 acres of land that adjoins the campus on the west, southwest and the north. Much of the land is rented to area farmers, although 60 acres are on a 100-year lease with the Northfield Hospital. In addition, several hundred acres have been set aside as natural lands.

The physical facilities include 29 main campus buildings, including 11 residence halls. The College also owns 27 off-campus houses. The residence halls and off-campus houses accommodate approximately 96% of the student body. The total net book value after depreciation of the College plant and equipment, at May 31, 2005 was $122,650,130 and at May 31, 2006 was $119,614,044. The replacement cost of plant and equipment is estimated to be in excess of $350 million. The College is covered by $1,000,000 in general liability insurance with a $50,000,000 umbrella policy for claims in excess of $1,000,000.

The College completed major building programs mainly during the 1950s and 1960s, although many of the campus buildings, which were originally constructed in the 1920s and 1930s, have since been improved. The oldest building on the campus is the Old Main, which was built in 1878. The Old Main was renovated in 1982 and is listed on the National Register of Historic Places.

The most recent addition to the campus was the Tostrud Recreation Center, a 95,000 square foot facility that includes a six-lane 200-meter indoor track, a weight room, a fitness center, a 48-foot climbing wall, two locker rooms and three offices. Prior to that, major projects were: the renovation of the former Student Center into a facility for the Art and Dance Departments and the Buntrock Commons, a 170,000 square foot facility that includes space for student dining, the bookstore, student recreation spaces, mail and printing services and a number of meeting and conference rooms.

Academic Information

The College offers 44 graduation majors, including 10 teaching certifications, 19 concentrations and 20 pre-professional fields with the most popular majors (in order) being: English, psychology, biology, economics, mathematics and chemistry.

The College follows the 4-1-4 academic calendar of two, 14-week semesters of four courses each semester, separated by a one month interim term in January. This calendar is augmented by summer sessions during which as many as four courses may be taken.

Marketing

St. Olaf pursues an interdisciplinary approach to its marketing efforts, incorporating direct contact with prospective students and their parents, broad-based media relations, ongoing philanthropic endeavors, web-based communications, advertising, strong alumni and parent relations initiatives, and other related strategies to enhance the recognition and visibility of the institution regionally and nationally.

The Admissions Office conducts a variety of direct mail marketing campaigns designed to solicit inquiries from prospective students to build an ever-increasing inquiry pool. The inquiry pool for students graduating in 2007 (current high school seniors) is the second largest in the past seven years. The inquiry pool for high school students graduating in 2008 is the largest in history for this time in the cycle. There are currently four times as many high school juniors on file, receiving information from the college, than in any of the past five years. The applicant pool has grown nearly 39% over the past two years alone and the academic profile and the diversity of the entering class has increased. All recruitment materials are currently produced in-house by the Communications, Media Relations and Marketing group.

The College has developed a unified and consistent graphic identity program, ensuring that the St. Olaf "brand" is strengthened through ongoing communications efforts. The Office of Communications and Marketing produces a wide range of publications to help in the recruitment, fundraising, "friend-raising" and general recognition of the College. It also has developed a revamped web-site that incorporates the graphic identity. The web-site has been focus group tested to ensure ease of navigation for a variety of constituencies.

Significant numbers of faculty and staff participate in St. Olaf outreach efforts through speaking engagements, professional writing and serving as experts for the media. It is estimated that more than half of the St. Olaf faculty has joined in this outreach effort.

Student Enrollment

The College's full-time and head count enrollments are reflected in the table below. These figures reflect enrollments for the fall semester for each year. Full-time student enrollment is typically 100 to 120 students lower in the spring semester.

Academic Year	Full-time Students	Head Count Students
2002/03	2,973	3,041
2003/04	2,929	2,994
2004/05	2,973	3,046
2005/06	3,005	3,058
2006/07	2,984	3,041

The student body enrolled in the fall of 2006 consisted of students from 48 states and 19 foreign countries. Forty-four percent (44%) of full-time students come from outside Minnesota.

Applications, Acceptances and Enrollment of New First-Year Students

Year	Applicants	Acceptances	Matriculants	Acceptance Rate	Matriculation Rate
2002/03	2,624	1,906	785	72.6	41.2
2003/04	2,806	1,904	720	67.9	37.8
2004/05	2,992	1,983	778	66.3	39.0
2005/06	2,919	2,159	757	74.0	35.1
2006/07	3,437	2,269	792	66.0	34.9

The College, as of February 28, 2007, has received 4,050 applications and has made offers of admission to 2,183 applicants, an acceptance rate of 53.9%.

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Academic Profile of New First-Year Students

The College admits qualified men and women from varied geographic, cultural, economic, racial, and religious backgrounds. In determining acceptance, the primary considerations are academic achievement, academic aptitude, and personal qualifications. The median SAT score for the first-year class, which entered in September 2006, is 1,280; the median ACT score is 28; the median high school rank is the 90th percentile.

Academic Year	Median SAT	Median ACT	Median High School Rank
2002/03	1,270	27	90%
2003/04	1,280	27	89%
2004/05	1,280	27	89%
2005/06	1,280	27	89%
2006/07	1,280	28	90%

Geographic Distribution of Entering First-Year Students

For the fall of 2006, the geographic distribution of entering first-year students was as follows:

Minnesota	455
Wisconsin	52
Illinois	35
Iowa	33
California	18
Florida	18
Colorado	16
Washington	13
Missouri	12
Texas	10
Other States	130
Total	792

Student Retention

Fall Semester	New 1st Year	Percent of Students Returning			Percent of Graduates	
		2nd Year	3rd Year	4th Year	By 4th Year	By 5th Year
2001	744	93.0	89.0	86.8	81.7	85.2
2002	777	92.3	87.4	86.2	82.9	
2003	720	93.6	89.7	86.5		
2004	777	92.1	87.3			
2005	764	93.3				

Tuition and Fees

The College charges a Comprehensive Fee for each academic year, which includes tuition up to a maximum course load of 4.5 courses per semester, academic fees, room and a 21-meal per week board plan. Certain other fees may be charged for additional services or special courses. The following table lists the Comprehensive Fees charged for the past five academic years.

Year	Tuition	Room and Board	Comprehensive Fee
2002/03	$22,200	$4,750	$26,950
2003/04	23,650	4,850	28,500
2004/05	25,150	5,800	30,950
2005/06	26,500	6,300	32,800
2006/07	28,200	7,400	35,600

The College offers four optional payment plans for students: a standard semester plan, with payments due in August and January; a monthly plan from June through March of 10 equal payments; a quarterly plan of 4 equal payments due on the 15th of the months of June, September, December and March; and a single payment, with a small discount, due August 15.

The following table lists total gross revenue derived from tuition and fees for the fiscal years ended May 31, 2002 through May 31, 2006:

Year	Tuition and Fees
2001/02	$65,616,109
2002/03	68,935,602
2003/04	72,556,812
2004/05	77,938,303
2005/06	82,390,522

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Comparison of Undergraduate Charges for Minnesota Private Colleges (2006-2007)

College/University	Tuition and Required Fees	Room and Board	Comprehensive Charges
Carleton College	$34,272	$8,592	$42,864
Macalester College	31,038	7,982	39,020
St. Olaf College	**28,200**	**7,400**	**35,600**
Gustavus Adolphus College	26,700	6,400	33,100
University of St. Thomas	24,808	7,410	32,218
Hamline University	25,040	7,072	32,112
Minneapolis College of Art & Design	26,110	6,000	32,110
College of Saint Benedict	24,924	6,898	31,822
Saint John's University	24,924	6,496	31,420
College of St. Catherine	24,388	6,432	30,820
College of St. Scholastica	23,574	6,514	30,088
Augsburg College	23,393	6,604	29,997
Concordia University, Saint Paul	22,378	6,596	28,974
Bethel College	22,700	7,140	29,840
Saint Mary's University of Minnesota	20,719	5,920	26,639
Concordia College, Moorhead	20,980	5,090	26,070
Bethany Lutheran College	16,508	5,278	21,786
Average	$24,744	$6,696	$31,440

These are "standard," fulltime, academic year charges for new entering students. Several colleges have differential tuition for upper-level students or other policies that result in some variation across class levels and students.

NOTE: Comprehensive charges are reduced for many students through financial assistance. Approximately 90 percent of private college students apply for and receive financial assistance, with the amounts and types of aid determined in relation to family resources, calculated need, government formulas and financial aid funding and other factors. Typical assistance provided to students includes Federal and State grants (if applicant qualifies), institutional grants, loans and work-study determined in relation to the student's needs and other factors.

Source: The Minnesota Private College Research Foundation

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Financial Aid

Approximately 62% of the full-time students enrolled receive need-based scholarships or grants from the College. An additional 18% of the full-time students receive merit-based (non-need-based) scholarships from the College. The following table is a five-year summary of financial aid from College and non-College sources and these figures include both need-based and merit-based financial aid. NOTE: Figures are in thousands.

	2001/02	2002/03	2003/04	2004/05	2005/06
Unrestricted Institutional Scholarships and Grants	$17,682	$19,523	$20,827	$22,453	$24,804
Endowed and Restricted Gift Institutional Scholarships	3,159	2,885	3,330	2,974	2,870
Federal Pell & SEO Grants	1,364	1,581	1,776	1,597	1,490
Minnesota State Grants	1,832	1,867	1,867	1,677	1,578
Other Scholarships and Grants	1,863	1,967	1,744	1,826	1,962
Total Scholarships and Grants	$25,900	$27,823	$29,544	$30,527	$32,704
Student Loans	10,027	10,807	11,371	11,624	12,735
Student Work	3,760	3,821	3,591	3,750	3,748
Total Financial Aid	$39,687	$42,451	$44,506	$45,901	$49,187

Faculty and Staff

The College has a teaching staff of 200 full-time faculty members and 96 part-time faculty members with a full-time equivalent (FTE) devoted to teaching of 251. The student to teaching faculty ratio is approximately 12.5 to 1. The chart below shows the total number of College employees, stated in FTE terms, by category:

Category	Number of FTE Employees
Teaching Faculty	251
Administrative	225
Support Staff	211
Total	687

NOTE: The figures above reflect the allocation of some faculty FTE to administrative duties.

None of the employees are unionized and there are no pending salary negotiations. The College is not aware of any plans for any of its employees to become unionized.

The average salaries for 2006-2007 by faculty rank are:

Rank	Number of Full-Time Faculty	Average Salary
Professor	61	$81,871
Associate Professor	64	$65,332
Assistant Professor	54	$52,771
Instructor	8	$49,638

Retirement Plans

The College has certain contributory defined contribution pension plans for academic and nonacademic personnel. Contributions for employees are based on a percentage of annual compensation. The cost of these retirement plans is paid currently and amounted to $3,080,900 for the year ended May 31, 2006.

Post Retirement Benefit Plan

The College records health care benefits for current and future retired employees and covered dependents on the accrual basis. The plan is unfunded.

The following tables set forth the reconciliation of the accrued cost for the fiscal years ended May 31, 2006, 2005, and 2004:

	2006	2005	2004
Accrued benefit cost at June 1	$(2,925,795)	$(2,636,298)	$(2,446,225)
Net periodic benefit cost	(830,351)	(787,239)	(819,324)
Actual net benefit payments	418,091	497,742	629,251
Accrued benefit cost at May 31	$(3,338,055)	$(2,925,795)	$(2,636,298)

The following table shows the reconciliation of the funded status to the accrued postretirement benefit cost (APBO) for the same periods.

Accumulated post-retirement benefit obligation	$(5,390,058)	$(8,804,519)	$(7,021,912)
Fair value of plan assets	0	0	0
Unfunded status	(5,390,058)	$(8,804,519)	$(7,021,912)
Unrecognized prior service cost	(1,797,326)	0	0
Unrecognized actuarial loss	3,849,329	5,878,724	4,385,613
Accrued benefit cost recognized	$(3,338,055)	$(2,925,795)	$(2,636,298)

Gifts and Grants

Listed below are College data for gifts and grants for the noted five fiscal years. Gifts are recorded as pledges when received.

Fiscal Year	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2001/02	$10,050,886	$4,042,617	$6,663,151	$20,756,654
2002/03	7,331,725	4,857,041	2,463,170	14,651,936
2003/04	7,347,886	4,902,446	3,505,818	15,756,150
2004/05	7,819,937	9,697,707	8,825,162	26,342,806
2005/06	9,234,437	9,142,002	1,517,673	19,894,112

Endowment Funds

Endowment funds and deferred gift funds listed below are shown at market value:

Fiscal Year Ended May 31	Endowment Funds	Deferred Gift Funds	Total Funds
2002	$154,853,000	$50,364,000	$205,217,000
2003	151,320,000	49,345,000	200,665,000
2004	185,298,000	50,704,000	236,002,000
2005	225,635,000	56,850,000	282,485,000
2006	260,730,000	60,728,000	321,458,000

As of December 31, 2006, the unaudited endowment funds and deferred gift funds balances were $287,722,000 and $64,323,000, respectively, for a total of $352,045,000.

Endowment funds are managed primarily by outside fund managers retained by the College. The College uses an asset allocation model, which generally allocates 60% of the endowment to equity investments, 15% to fixed income investments, with the remaining 25% allocated to alternative assets: hedge funds, real assets and private equity. Income earned and appreciation, both realized and unrealized, are measured to calculate a total return. For the following fiscal years ended May 31, the total return on the endowment was:

Year	Return
2004	18.93%
2005	13.38%
2006	16.38%

The College endowment spending policy is based on a spending rate of 4.7 percent of a sixteen-quarter moving average of market values at the end of the previous year. For fiscal year 2006, the effective payout percentage was about 3.9%, based on the market value of the endowment of $260.73 million as of May 31, 2006.

Fund Drives

In December of 2005, the College publicly announced a fundraising campaign entitled "Beyond Imagination – The St. Olaf Campaign for the Future of Math + Science." The Campaign will fund the majority of the $59.7 million cost of constructing a new science building. As of December 31, 2006, gifts and pledges have surpassed the Phase I Goal of $22 million. Phase I construction will complete the entire science building exterior and about 60% of the interior. Phase II will, combined with a contribution from the College's capital budget, complete the remaining 40% of the interior space in the science building as well as renovation of the Old Music Building and a link to the new science building.

Additional campaign gifts will be solicited primarily from alumni of the College, parents of graduates and current students, and other individual friends of the College, as well as from corporations and other business organizations, private foundations, religious organizations and other funding consortia. In most cases, the individuals and organizations have some level of prior relationship with the College. The campaign period for Phase II is planned to conclude December 31, 2008, although payments on pledges made during the campaign period may continue through approximately 2011.

In addition to the fundraising associated with the Science Complex, ongoing efforts continue in the "Partners in Annual Giving" program, with an expectation that Partners will continue to contribute about $4 million per year to the operating budget. Likewise, the Office of Government and Foundation Relations works closely with members of the St. Olaf faculty to secure research grants and other support that approaches $4 million per year. Gifts for endowment and planned gifts from other alumni and friends of the College are expected to be in the range of $5 to $8 million per year.

Financial Statements

Appendix VII sets forth the financial statements of the College for the fiscal year ended May 31, 2006, 2005 and 2004 audited by Virchow, Krause & Company, LLP, Minneapolis, Minnesota and prepared in accordance with generally accepted accounting principles (GAAP). The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

Statement of Activities (Unrestricted Portion Only) for Fiscal Years 2002-2006

The table on the following page sets forth the statement of activities (unrestricted portion only) prepared in accordance with generally accepted accounting principles (GAAP) for the fiscal years 2002-2006.

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ST. OLAF COLLEGE
STATEMENT OF UNRESTRICTED ACTIVITIES

	Fiscal Years Ended May 31, 2002	2003	2004	2005	2006
REVENUES, GAINS AND OTHER SUPPORT					
OPERATING REVENUES					
Tuition	$ 62,256,325	$ 65,436,142	$ 68,713,101	$ 73,978,456	$ 78,408,748
Less: Unfunded scholarships and grants	(17,237,526)	(18,990,776)	(20,316,943)	(23,198,957)	(26,148,307)
Funded scholarships and grants	(3,521,627)	(3,217,233)	(3,430,909)	(3,393,171)	(3,547,928)
Net tuition	41,497,172	43,228,133	44,965,249	47,386,328	48,712,513
Other tuition and fees	3,359,784	3,499,460	3,843,711	3,959,847	3,981,774
Government grants	3,445,875	2,993,707	3,452,973	3,410,841	3,982,882
Private gifts and grants	4,108,412	3,711,266	3,655,178	3,719,500	3,734,962
Long-term investment income and gains allocated for operations	2,451,943	5,607,078	3,165,956	3,023,559	3,571,579
Other sources	1,635,257	2,332,885	3,033,891	1,968,452	2,596,904
Investment income	347,704	223,040	81,640	219,802	570,809
Net gains (losses) on investments	(49,564)	(49,498)	9,204	(13,622)	21,178
Capital gifts allocated					
Auxiliary enterprises -- sales and services	15,763,298	15,921,580	16,111,600	19,471,392	20,172,979
Subtotal:	72,559,881	77,467,651	78,319,402	83,146,099	87,345,580
Net assets released from restrictions	9,294,363	6,401,603	10,435,120	10,334,610	7,194,787
Total Operating Revenues, Gains and Other Support	81,854,244	83,869,254	88,754,522	93,480,709	94,540,367
OPERATING EXPENSES					
Program expenses					
Instruction	32,528,129	33,860,999	37,261,015	38,496,561	39,665,822
Research	897,574	852,764	653,719	784,022	1,028,132
Public service	2,327,050	2,163,931	2,173,471	1,777,345	563,253
Academic support	7,198,655	7,787,295	8,448,181	8,511,015	8,717,752
Student services	10,123,408	10,936,092	11,749,998	12,428,432	12,926,303
Auxiliary enterprises	14,891,142	15,046,885	15,356,473	15,312,671	16,058,894
Support expenses					
Institutional support	8,397,207	9,152,104	8,373,558	8,520,959	8,069,538
Fundraising	2,820,842	2,776,099	3,117,623	2,731,447	2,958,486
Total Operating Expenses	79,184,007	82,576,169	87,134,038	88,562,452	89,988,180
Increase in Net Assets from Operating Activities	2,670,237	1,293,085	1,620,484	4,918,257	4,552,187
NONOPERATING ACTIVITIES					
Long-term investment activities					
Investment income	1,149,517	1,204,833	1,193,759	1,439,473	1,352,019
Net realized gains	(17,077)	(7,325,983)	14,219,968	3,710,156	16,938,660
Net unrealized appreciation	(6,526,333)	302,104	1,375,275	9,425,574	3,121,739
Total long-term investment income	(5,393,893)	(5,819,046)	16,789,002	14,575,203	21,412,418
Less: Long-term investment income and gains allocated for operations	(2,451,943)	(5,607,078)	(3,165,956)	(3,023,559)	(3,571,579)
	(7,845,836)	(11,426,124)	13,623,046	11,551,644	17,840,839
Student loan income net of expenses	20,897	20,959	17,630	(76,200)	(11,881)
Capital giving activities -- gifts and grants	2,481,986	578,262	126,344	448,833	1,468,488
Deferred giving activities -- gifts	14,613	48,590	113,391	240,763	48,105
Interest rate swap gain (loss)		(2,031,726)	1,089,100	(322,909)	610,992
Adjustment to actuarial liability for annuities payable	236,257	448,727	2,904,475	2,783,311	2,407,951
Gain on sale of radio stations				10,067,824	
Loss on disposition of property, plant and equipment					(514,350)
Loss on debt refinancing		(919,163)			
	(5,092,083)	(13,280,475)	17,873,986	24,693,266	21,850,144
Net assets released from restrictions		2,499,568	6,827,439	7,635,718	9,038,286
Change in Net Assets from Nonoperating Activities	(5,092,083)	(10,780,907)	24,701,425	32,328,984	30,888,430
Change in Net Assets before Cumulative Effect of Change in Accounting Principle and Reclassificiation of Net Assets	(2,421,846)	(9,487,822)	26,321,909	37,247,241	35,440,617
Reclassification of prior year net assets	4,708,132	(4,695,796)	44,369	708,561	74,847
Cumulative effect on prior years of a change in accounting principle					(2,715,049)
Change in Net Assets	2,286,286	(14,183,618)	26,366,278	37,955,802	32,800,415
Net Assets -- Beginning of Year	121,090,468	123,376,754	109,193,136	135,559,414	173,515,216
NET ASSETS -- END OF YEAR	$ 123,376,754	$ 109,193,136	$ 135,559,414	$ 173,515,216	$ 206,315,631

Source: Audited Financial Statements of the College

Long-Term Debt of the College

The College's long-term debt outstanding as of March 1, 2007 is as follows:

1. $15,000,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-R, dated May 1, 1998; interest rates range from 4.00% to 5.30%; final maturity is due April 1, 2029; $13,070,000 is outstanding. The full faith and credit of the College secure the bonds. The Series Four-R Bonds will be refunded following issuance of the Series Six-O Bonds.

2. $14,475,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-H, dated October 25, 2000; interest rates are variable and are reset daily, although the College can elect to change the reset period and can convert the bonds to fixed rates; final maturity is due October 1, 2030; $14,475,000 is outstanding. A direct pay Letter of Credit from Harris Trust and Savings Bank secures the bonds.

3. $12,205,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-M1, dated April 16, 2002; interest rates are variable and are reset daily, although the College can elect to change the reset period and can convert the bonds to fixed rates; final maturity is due October 1, 2032; $12,205,000 is outstanding. A direct pay Letter of Credit from Harris Trust and Savings Bank secures the bonds.

4. $13,420,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-M2, dated July 10, 2002; interest rates are variable and are reset daily, although the College can elect to change the reset period and can convert the bonds to fixed rates; final maturity is due October 1, 2020; $13,420,000 is outstanding. A direct pay Letter of Credit from Harris Trust and Savings Bank secures the bonds.

As of March 1, 2007, the College's total long-term debt outstanding is $53,170,000. The College's long-term debt will increase by the principal amount of the Bonds upon issuance and will decrease by the principal amount of the Series Four-R Bonds refinanced.

Annual Debt Service by Fiscal Year and Coverage Statement

The following table sets forth the principal and actual debt service on the Bonds and estimated debt service on the College's currently outstanding long-term debt for the fiscal years 2008 and 2009. Column 6 shows coverage of such annual debt service by the amount of College revenue that was available for debt service for the year ended May 31, 2006, as further detailed in footnote (d) of the table.

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

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

Fiscal Year	Actual Debt Service on the Bonds (a)	Outstanding Long-term Debt Service (b)	Combined Long-term Debt Service (c)	Fiscal Year 2006 Amount Available for Debt Service (d)	Estimated Coverage (times) (e)
(1)	(2)	(3)	(4)	(5)	(6)
2008	$2,230,313	$2,894,240	$5,124,553	$9,739,719	1.90
2009	$3,141,650	$2,892,496	$6,034,146	$9,739,719	1.61

Footnotes to the foregoing table:

(a) Debt service on the Bonds contains actual rates received on the Bonds on the sale date of March 15, 2007. The average rate on the Bonds is 4.59%.

(b) The College's outstanding debt is adjusted to exclude the Series Four-R Bonds that are being refunded by the Series Six-O Bonds. The balance of the College's outstanding debt consists of variable rate debt. The College has entered into an interest rate swap arrangement for part of that debt, creating a synthetic fixed interest rate of 4.38% on that portion during the term of the arrangement. The estimated interest rate on the balance of the College's variable rate bonds is 3.50%, obtained by using the average of variable rates for similar issues for the prior year through February 15, 2007. The College's variable rate debt issues are assumed to amortize and to have approximately level annual debt service.

(c) The sum of Columns (2) and (3).

(d) Fiscal year 2006 net income available for debt service:

Change in unrestricted net assets from operating activities	$ 4,552,187
Plus:	
Depreciation, amortization and accretion	8,082,117
Interest expense on funded debt	2,081,364
Less:	
Current land, building and equipment acquisitions funded through operations and capitalized	(4,975,949)
Fiscal Year 2006 net income available for debt service	$ 9,739,719

(e) Column (5) divided by Column (4).

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PROPOSED FORM OF LEGAL OPINION

LAW OFFICES

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$45,405,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE BONDS, SERIES SIX-O
(ST. OLAF COLLEGE)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book-entry) Revenue Bonds, Series Six-O (St. Olaf College), in the aggregate principal amount of $45,405,000 (the "Bonds"), dated March 1, 2007. The Bonds mature on October 1 in the years 2008 through 2020 and on October 1, 2022, 2027 and 2032, and bear interest at the interest rates per annum specified in the Indenture (defined below) for each maturity subject to an increase in such interest rates in the event of a Determination of Taxability. The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as provided in the Indenture.

The Bonds are issued for the purpose of funding a loan from the Authority to St. Olaf College (the "College"), a Minnesota nonprofit corporation, located in Northfield, Minnesota, in order to finance (i) the refunding of an outstanding series of bonds namely, the Authority's $15,000,000 Revenue Bonds, Series Four-R (St. Olaf College) and (ii) a project consisting of the construction, acquisition, equipping and improvement of educational facilities, as further described in the Loan Agreement. 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 March 1, 2007, one or more opinions of Gray, Plant, Mooty, Mooty & Bennett, P.A. and Schmitz, Ophaug & Doud, L.L.P., as counsels 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 opinions of Gray, Plant, Mooty, Mooty & Bennett, P.A. and Schmitz, Ophaug & Doud, L.L.P., as counsels to the College, as to the Loan Agreement having been duly authorized and executed and being binding upon the College, as to the corporate organization, tax-exempt status, good standing and powers of the College, and as to title to the Project Site (as defined in the Loan Agreement and Indenture), all without examining the records of the College or original title records or abstracts of title.

Except as set forth in our opinion to RBC Capital Markets, dated the date hereof, 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, and we express no opinion relating thereto (except to the extent, if any, stated in the Official Statement).

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

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

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

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

4. Assuming compliance with certain covenants in the Loan Agreement and Indenture, under existing laws, regulations, rulings and decisions as presently construed, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in taxable income of individuals, estates and trusts for purposes of Minnesota income taxation. 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, however, is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

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

Dated: March 29, 2007

Respectfully submitted,

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INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE

Annual Reporting

The Annual Report Date will be will be the date that is 270 days after each fiscal year end, commencing with the fiscal year ending May 31, 2007. 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 Enrollment
      - Applications, Acceptances and Enrollment of New First-Year Students
      - Academic Profile of New First-Year Students
      - Geographic Distribution of Entering First-Year Students
      - Student Retention
      - Tuition and Fees
      - Financial Aid
      - Faculty and Staff
      - Gifts and Grants
      - Endowment Funds
      - Fund Drives

   b. An update of Calculation of Amount Available for Debt Service.

Material Events to be Disclosed

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

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

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DEFINITION OF CERTAIN TERMS

Following are definitions of certain words and terms as used in the Indenture and Loan Agreement related to the Bonds. Definitions of some of the words and terms below may also appear elsewhere in this Official Statement.

Account or *Accounts:* One or more of the Accounts created under Article IV or 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 College and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or 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: The person at the time designated to act on behalf of the College by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the College by the Chair, Vice Chair, Secretary or Treasurer of its Board of Regents or the President or a Vice President of the College. Such certificate may designate an alternate or alternates and in that case, the certificate shall set forth the specimen signatures of such alternates.

Authorized Investments: Investments authorized for moneys in the Accounts created under Articles IV and 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 Regents: The Board of Regents of the College, and including the 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 the Indenture into which the Authority and Trustee shall deposit certain moneys for payment of principal of and interest on the Bonds.

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

Bond Purchase Agreement: The Bond Purchase Agreement, to be dated March 15, 2007 among the Authority, the College, and the Underwriter.

Bond Resolution: The Series Resolution of the Authority to be adopted on March 21, 2007, authorizing the Series Six-O Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Series Six-O Bonds, (a) the period from the Issue Date to the close of business on October 1, 2007 and (b) each succeeding 12-month period ending at the close of business on October 1 of each year in which the outstanding Series Six-O Bonds, if paid at their stated maturity dates, will be outstanding.

Bonds or *Series Six-O Bonds*: Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-O (St. Olaf College).

Book-Entry Form: All 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 College, Authority and Trustee, in any similar manner for which Beneficial Owners do not receive Bond certificates evidencing their beneficial ownership in any Bond.

Book-Entry System: A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and its 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 College and located on the Project Site acquired from funds other than the proceeds of the Bonds or the Prior Bonds.

Business Day: Any day other than a Saturday, a 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.

College or Corporation: St. Olaf College, a Minnesota nonprofit corporation, its successors and assigns as owner and operator of the Institution.

Construction Account: The Construction Account created under the Indenture for payment of certain costs relating to the Project.

Date of Taxability: The 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.

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, College 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. 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.

Escrow Agent: The meaning given that term in the definition of "Escrow Agreement."

Escrow Agreement: The Escrow Agreement dated as of March 1, 2007 among Wells Fargo Bank, National Association, as "Escrow Agent" thereunder, the Authority, the Trustee, the Prior Bonds Trustee, and the College.

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

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

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

Holder, Bondholder, or Owner: The person in whose name a Bond 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, to be dated as of March 1, 2007, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Independent: When used with reference to an attorney, engineer, architect, certified public accountant, consultant, insurance consultant or other professional person, means a person who (i) is in fact independent, (ii) does not have any material financial interest in the College 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 College or Institution as an officer, employee or member of the Authority, the College or Institution or Board of Regents of the College.

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: St. Olaf College, a Minnesota institution of higher education headquartered in the City of Northfield, Minnesota owned and operated by the College. The Institution is also referred to as the "College" elsewhere in this Official Statement.

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

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

Loan Agreement: The Loan Agreement between the Authority and the College, to be dated as of March 1, 2007, as from time to time amended or supplemented.

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

Negative Pledge Property: The new Science Building together with access thereto and the Buntrock Commons Project, each as generally described in the Loan Agreement.

Net Proceeds: When used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the College as owner or lessee and the Trustee as secured party 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.

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 Section 9.03 of the Indenture pertaining to Bonds held by the Authority and the College) 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 College, (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement, and (v) liens permitted under Section 6.15 of the Loan Agreement relating to the Buntrock Commons Project.

Prior Bonds: The Series Four-R Bonds.

Prior Bonds Project: (a) the acquisition, construction and equipping of Buntrock Commons; (b) the acquisition and installation of an electrical generator; (c) the acquisition and installation of hardware and software for general academic, administrative, telecommunications, networking, financial and human resources/payroll information purposes; (d) classroom renovations and the acquisition of new classroom furnishings; (e) the acquisition of residence hall furniture; and (f) various improvements relating to roadways, parking lots, heating control systems, cooling systems and the campus utility distribution system, all owned and operated by the College and located on the Project Site.

Prior Bonds Redemption Account: The Redemption Account created under the Series Four-R Indenture.

Prior Bonds Trustee: Wells Fargo Bank, National Association, successor by consolidation to Norwest Bank Minnesota, National Association, in its capacity as the Trustee under the Trust Indenture for the Series Four-R Bonds.

Project: The Project consists of the acquisition, construction, improvement and equipping of a new approximately 194,000 square foot science building to be owned and operated by the College and located on the Project Site.

Project Buildings: The buildings and facilities constituting the Project as described in the Loan Agreement and the Indenture and acquired, constructed, furnished and equipped with Bond proceeds, including investment earnings, and any other buildings constructed or improved with the proceeds of the Prior Bonds, including investment earnings.

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds or the Prior Bonds, including investment earnings.

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 described on Exhibit A to the Loan Agreement which are owned by the College, and on which any Project Buildings are or will be located or otherwise improved as part of the Project or the Prior Bonds Project.

Redeem or *redemption:* Includes "prepay" or "prepayment" as the case may be, without regard to capitalization of such terms.

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

Refunding Account: The account established under the Indenture for the deposit of certain Bond proceeds to be used to refund the Prior Bonds.

Reserve Requirement: The least of (i) the maximum amount of principal of and interest on the Bonds that accrues and is payable in any remaining Bond Year, or (ii) 10% of the principal amount of the Bonds, or (iii) 125% of the average annual debt service of the Bonds.

Series Four-R Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-R (St. Olaf College), dated May 1, 1998.

Series Four-R Indenture: The Trust Indenture, dated as of May 1, 1998, between the Authority and the Prior Bonds Trustee, relating to the Prior Bonds.

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

Trustee: The trustee at the time serving as such under the Indenture, and initially the Trustee will be 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: RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets, as original purchaser of the Series Six-O 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.

Redemption of Prior Bonds

The College represents that it will cause the Prior Bonds to be redeemed on October 1, 2007.

Construction of Project

The College represents that construction, acquisition and installation of the portion of the Project to be financed with Bond proceeds (which shall be the Project, except for approximately 40 percent of the interior of the new science building) will be substantially completed by no later than December 31, 2008, subject only to "force majeure," as provided in the Loan Agreement. The College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds and an Opinion of Counsel to such effect is furnished. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds, including investment earnings in the Construction Account.

Loan Repayments

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

(a) at least two (2) Business Days prior to each April 1 and October 1, commencing October 1, 2007, the College shall deposit into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least two (2) Business Day prior to each October 1, commencing on October 1, 2008, a sum equal to the amount payable as principal (whether at maturity or sinking fund redemption) of the Bonds on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits permitted by Sections 5.01, 5.02, 5.03 or 5.04 of the Indenture (relating to purchase and cancellation of term bonds and the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and

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

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

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

(e) the College shall deposit into any fund or account designated by the Trustee such amount as may be determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate).

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

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, and subject to certain exceptions, the College will keep the Project Facilities in good repair and good operating condition at its own cost. The College will make such repairs, modifications and replacements as are necessary so that the Project Facilities will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation, and may make such repairs, modifications and replacements as in the College's judgment are desirable, subject to the same conditions. The College may sell, transfer, lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities (i) so long as 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 College shall remain fully obligated under the Loan Agreement as if such agreement had not been made, and (iv) in the case of such sale or transfer or in the case of any lease to or occupancy by persons who are not students, employees or faculty, an opinion of Bond Counsel is provided to the Trustee to the effect that tax exemption of the interest on the Bonds is not adversely affected. The College may demolish any Project Facilities which in the College's judgment are worn out, obsolete or require replacement.

Operating Expenses and Liens; Negative Pledge

The College will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities; provided that the College may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or Trustee shall notify the College that, in the opinion of Independent counsel, by nonpayment of any such items the Project Facilities or any part thereof will be subject to loss or forfeiture, in which event the College shall promptly pay and cause to be satisfied and discharged all such unpaid items. Notwithstanding the foregoing, to the extent certain Project Equipment become fixtures of College buildings which are not Project Buildings, liens and encumbrances may be placed on such Project Equipment. The College covenants that, except for Permitted Encumbrances and except as otherwise provided in 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 Negative Pledge Property; provided that the College may grant liens upon the Buntrock Commons Project so long as the aggregate amount of such liens does not exceed 70% of the book value of the Buntrock Commons Project and after taking into account any increased book value to result from any improvements related to such liens.

Taxes and Other Governmental Charges

The College will pay, as the same respectively come due, all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the College, or the Project Facilities or any improvements, equipment or related property installed or brought by the College therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

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

Insurance

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

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

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

Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the College and the Trustee at least thirty days before the cancellation or modification of the policy limits below the insurance requirements set forth above becomes effective. The College shall provide the Trustee with a certificate of insurance compliance within 30 days of the end of each Fiscal Year.

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 College will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $1,000,000, the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

The Bonds may be redeemed in whole if (i) all or part of the Project Facilities are damaged or destroyed to such extent that they cannot be reasonably restored within six months or (ii) normal use and operation of such Project Facilities are interrupted for a six month period or (iii) the cost of restoration exceeds the available Net Proceeds by an amount described in the Loan Agreement. The Bonds may be redeemed in part if (i) all or a portion of the Project Buildings have been damaged or destroyed, (ii) the College determines that the Project Building or Project Buildings or portion thereof, as the case may be, is not needed in its operations and (iii) the College has elected not to restore such Project Building or Project Buildings or portion thereof, as the case may be.

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 College shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

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

Removal of Project Equipment and Building Equipment

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

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

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

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

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or in connection with (c) above, the depreciated value of Building Equipment to be substituted, removed or released equals or exceeds $100,000 the College will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal or release of such equipment will not materially impair the character or revenue producing significance or value of the Project Facilities.

Indemnification

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

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

College to Maintain its Existence and Accreditation

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and maintain the Institution as an institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies and that it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement, and be either a state College or college or a nonprofit corporation operating or authorized to operate an Institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the institution be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

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

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt nonhospital bonds issued on behalf of or for the benefit of the College and all organizations under common management or control with the College (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed $150,000,000, excluding nonhospital bonds issued on or after August 5, 1997 to finance capital expenditures incurred after August 5, 1997. Under the Loan Agreement, in no event will the College affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the College or such other resulting entity, and all organizations under common management or control with the College or such resulting entity, within the meaning of Section 145 of the Internal Revenue Code.

Federal Income Tax Status

The College represents that it presently is and agrees that it shall take all appropriate measures to assure that it remains an organization described in Section 501(c)(3) of the Internal Revenue Code, exempt from income taxes under Section 501(a) of such Code.

Institution to be Nonsectarian

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

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest on the Bonds is includable in gross income of the recipient for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (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, as a whole or in part on the next date for which due notice can be given and any date thereafter at a redemption price equal to par plus accrued interest plus additional interest from the Date of Taxability.

Other Covenants

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

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

Events of Default

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

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

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

(c) If the College shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement as defined in Section 5.02 of the Indenture, provided failure to comply with such requirement shall not become an Event of Default unless the College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or

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

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

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

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

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

Remedies on Default

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

(a) The Trustee may declare all or any amount of Loan Repayments thereafter to become due and payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due.

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

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

Amendments

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

THE INDENTURE

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

Granting Clauses

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

(1) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the rights of the Authority relating to fees and expenses, indemnity and advances;

(2) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be created and maintained under the Indenture (but excluding all moneys and investments in the Refunding Account), 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

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

Accounts

Bond proceeds, 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.

Trustee's Right to Payment

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

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary or advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or money in the Accounts.

Events of Default

The following are Events of Default under the Indenture:

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

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

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

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

Remedies

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

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

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

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to its reference or prime rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment on account of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers under the Indenture unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum combined capital, surplus and undivided profits of $10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the College, provided that the Authority may, but is not required to remove the Trustee with or without the request of the College if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the College shall:

(a) pay or cause to be paid the principal of, and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or

(b) provide for the payment of principal of, premium, if any, and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all Bonds outstanding, or

(c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or

(d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided,

and shall also pay or provide for the payment of the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148 of the Internal Revenue Code, then at the request of the Authority or the College all the Trust

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

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

Supplemental Indentures

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

(a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;

(b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority or any successor;

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

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

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

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all Bonds outstanding (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or to amendments to the Loan Agreement.

Amendments to the Loan Agreement

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

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

Registration

The Bonds shall be fully registered as to principal and interest at the principal corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. If the Bonds are no longer in book entry form, Bonds may be exchanged for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic interest rate of any authorized denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable procedures while in book entry form.

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THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions of the Continuing Disclosure Agreement. This summary does not purport to be complete and reference is made to the full text of the Continuing Disclosure Agreement for a complete recital of its terms. See also "CONTINUING DISCLOSURE" in this Official Statement.

The College has undertaken the responsibility for continuing disclosure to bondholders as described below, and the Authority shall have no liability to the holders of the Bonds or any other person with respect to continuing disclosure.

The College has covenanted for the benefit of holders of the Bonds to provide certain financial information and operating data by not later than 270 days following the end of the College's fiscal year commencing with fiscal year ending May 31, 2007, and to provide notices of the occurrence of certain enumerated events, if material.

The Continuing Disclosure Agreement will be executed and delivered by the College and the Trustee for the benefit of the holders of the Bonds in order to enable the Underwriter to reasonably determine an "undertaking" has been entered into sufficient to assure compliance with the ongoing disclosure requirements of SEC Rule 15c2-12(b)(5).

Definitions

"Annual Report" means, with respect to the Reporting Party, a document or set of documents which contains (or includes by reference as provided in the Continuing Disclosure Agreement) financial and operating data with respect to the Reporting Party described in Exhibit "A" of the Continuing Disclosure Agreement. See Appendix III, "INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE – Annual Reporting."

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

"Commission" means the Securities and Exchange Commission.

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

"Listed Events" shall mean any of the events listed below under "Reporting of Listed Events" below.

"MSRB" means the Municipal Securities Rulemaking Board.

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

"Participating Underwriter" shall mean RBC Dain Rauscher Inc.

"Reporting Party" shall mean, subject to release as provided in "Termination" below, the College; together with any successors or assigns as provided in the Continuing Disclosure Agreement.

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

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934.

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

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

Provisions of Annual Report

On or before the Annual Report Date, the Reporting Party shall cause the Annual Report to be delivered to the Authority, the Trustee and each Repository. To the extent included in an Annual Report, the financial statements shall be audited and prepared in accordance with generally accepted accounting principles. Each Annual Report may incorporate any information on file with each Repository or the Commission, instead of setting forth the information in the annual report. Concurrently with the delivery of the Annual Report to the Trustee, there shall be delivered a written certificate from the Reporting Party stating whether or not the Annual Report has been provided to each Repository.

If the Trustee has not received an Annual Report by January 1 of each year, commencing with January 1, 2008, together with the certification by the Reporting Party described above, the Trustee shall promptly notify the Disclosure Representative of the failure to receive the Annual Report and the certification.

Reporting of Listed Events

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

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

Promptly, but no later than five Business Days after either (i) the Reporting Party has received notice from the Trustee of a Listed Event or (ii) the Reporting Party is required to give notice of a

Listed Event to the Trustee, the Reporting Party shall give notice of the occurrence of the Listed Event, if material, to each National Repository and, if required, to the MSRB, and to the State Repository, if any.

The Trustee shall promptly give notice to each National Repository or the MSRB, and to the State Repository, if any, of a failure of the Reporting Party to provide the Annual Report on or before the Annual Report Date.

Termination of Reporting Obligation

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

Amendment

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

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

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

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

In addition, any Annual Report containing amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information.

Additional Information

Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the Reporting Party from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement.

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APPENDIX VI

THE DEPOSITORY TRUST COMPANY

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

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

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

Principal and interest payments on the Bonds will be made to 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 Issuer or Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, Issuer, or 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.

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

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

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

APPENDIX VII

ST. OLAF COLLEGE

FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEARS ENDED MAY 31, 2006, 2005 AND 2004

Virchow Krause & company

INDEPENDENT AUDITORS' REPORT

To the Board of Regents
St. Olaf College
Northfield, Minnesota

We have audited the accompanying statements of financial position of St. Olaf College as of May 31, 2006, 2005 and 2004 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Olaf College at May 31, 2006, 2005 and 2004 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, St. Olaf College adopted the provisions of FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, in 2006.

Virchow, Krause & Company, LLP

Minneapolis, Minnesota
July 28, 2006

ST. OLAF COLLEGE

STATEMENTS OF FINANCIAL POSITION
May 31, 2006, 2005, and 2004

ASSETS

	2006	2005	2004
Cash and cash equivalents	$ 14,346,256	$ 15,364,105	$ 11,107,568
Receivables			
Student accounts, net of allowance for doubtful accounts of $408,500, $460,700, and $536,700	194,661	208,491	426,968
Contributions, net	15,147,895	11,413,472	7,209,141
Other	824,675	455,117	832,354
Inventories	735,288	768,981	791,649
Prepaid expenses and deposits	648,148	808,602	362,741
Student notes receivable, net of allowance for doubtful notes of $93,000 each year	9,371,782	9,324,203	8,764,816
Investments			
Cash and short-term investments	2,981,925	2,766,390	4,238,795
Marketable securities	206,484,976	204,403,650	167,581,810
Mortgages and contracts for deed	583,107	583,107	782,090
Notes receivable	352,803	350,000	350,000
Real estate	2,504,362	2,504,362	2,734,362
Other investments	114,676,319	76,188,059	64,058,714
Deposits held by trustee	1,009,893	1,022,471	996,974
Deferred debt acquisition costs	331,063	345,450	359,837
Funds held in trust by others	2,003,624	1,722,730	1,692,857
Construction in progress	6,914,126	1,352,843	1,586,269
Property, plant and equipment, net	119,614,044	122,650,130	123,858,970
TOTAL ASSETS	$ 498,724,947	$ 452,232,163	$ 397,735,915

LIABILITIES AND NET ASSETS

	2006	2005	2004
LIABILITIES			
Accounts payable	$ 2,323,926	$ 2,806,068	$ 2,002,609
Accrued liabilities	12,784,211	12,233,354	12,239,037
Deferred revenue	3,319,923	3,661,546	3,475,745
Annuities payable	17,080,067	17,142,601	16,082,972
Interest rate exchange liability	467,581	1,265,535	942,626
Asset retirement obligation	2,875,606		
Long-term debt	53,325,000	53,630,000	53,920,000
U. S. government grants refundable	6,826,140	7,064,203	7,072,098
Deposits held in trust for others	4,328,536	4,210,480	3,886,366
Total Liabilities	103,330,990	102,013,787	99,621,453
NET ASSETS			
Unrestricted	206,315,631	173,515,216	135,559,414
Temporarily restricted	62,278,064	53,438,694	51,190,763
Permanently restricted	126,800,262	123,264,466	111,364,285
Total Net Assets	395,393,957	350,218,376	298,114,462
TOTAL LIABILITIES AND NET ASSETS	$ 498,724,947	$ 452,232,163	$ 397,735,915

See accompanying notes to financial statements.

ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
OPERATING REVENUES				
Tuition	$ 78,408,748			$ 78,408,748
Less: Unfunded scholarships and grants	(26,148,307)			(26,148,307)
Funded scholarships and grants	(3,547,928)			(3,547,928)
Net tuition	48,712,513			48,712,513
Other tuition and fees	3,981,774	$ 200		3,981,974
Government grants	3,982,882	3,457		3,986,339
Private gifts and grants	3,734,962	1,939,057		5,674,019
Long-term investment income and gains allocated for operations	3,571,579	4,814,703		8,386,282
Other sources	2,596,904	595,260		3,192,164
Investment income	570,809	69,617		640,426
Net gains on investments and capital assets	21,178	2,419		23,597
Capital gifts allocated		1,154,451		1,154,451
Auxiliary enterprises - sales and services	20,172,979			20,172,979
	87,345,580	8,579,164		95,924,744
Net assets released from restrictions	7,194,787	(7,194,787)		
Total Operating Revenues, Gains and Other Support	94,540,367	1,384,377		95,924,744
OPERATING EXPENSES				
Program expenses				
Instruction	39,665,822			39,665,822
Research	1,028,132			1,028,132
Public service	563,253			563,253
Academic support	8,717,752			8,717,752
Student services	12,926,303			12,926,303
Auxiliary enterprises	16,058,894			16,058,894
Support expenses				
Institutional support	8,069,538			8,069,538
Fundraising	2,958,486			2,958,486
Total Operating Expenses	89,988,180			89,988,180
Change in Net Assets from Operating Activities	4,552,187	1,384,377		5,936,564
NONOPERATING ACTIVITIES				
Long-term investment activities				
Investment income	1,352,019	957,036	$ 15,557	2,324,612
Net realized gains	16,938,660	11,847,378	209,127	28,995,165
Net unrealized appreciation	3,121,739	2,203,391	35,919	5,361,049
Total long-term investment income	21,412,418	15,007,805	260,603	36,680,826
Less: Long-term investment income and gains allocated for operations	(3,571,579)	(4,814,703)		(8,386,282)
	17,840,839	10,193,102	260,603	28,294,544
Student loan income net of expenses	(11,881)		64,277	52,396
Capital giving activities - gifts and grants	1,468,488	6,929,060	1,382,198	9,779,746
Deferred giving activities - gifts	48,105	270,428	135,475	454,008
Capital gifts allocated to operations		(1,154,451)		(1,154,451)
Interest rate swap gain and settlements	610,992			610,992
Adjustment to actuarial liability for annuities payable	2,407,951	96,245	1,926,985	4,431,181
Loss on disposition of property, plant and equipment	(514,350)			(514,350)
	21,850,144	16,334,384	3,769,538	41,954,066
Net assets released from restrictions	9,038,286	(9,038,286)		
Change in Net Assets from Nonoperating Activities	30,888,430	7,296,098	3,769,538	41,954,066
Change in Net Assets before Reclassification of Net Assets	35,440,617	8,680,475	3,769,538	47,890,630
Reclassification of prior year net assets	74,847	158,895	(233,742)	
Change in Net Assets before Cumulative Effect of Change in Accounting Principle	35,515,464	8,839,370	3,535,796	47,890,630
Cumulative effect of change in accounting principle	(2,715,049)			(2,715,049)
Change in Net Assets	32,800,415	8,839,370	3,535,796	45,175,581
Net Assets - Beginning of Year	173,515,216	53,438,694	123,264,466	350,218,376
NET ASSETS - END OF YEAR	$ 206,315,631	$ 62,278,064	$ 126,800,262	$ 395,393,957

See accompanying notes to financial statements.

ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
OPERATING REVENUES				
Tuition	$ 73,978,456			$ 73,978,456
Less: Unfunded scholarships and grants	(23,198,957)			(23,198,957)
Funded scholarships and grants	(3,393,171)			(3,393,171)
Net tuition	47,386,328			47,386,328
Other tuition and fees	3,959,847			3,959,847
Government grants	3,410,841	$ 17,169		3,428,010
Private gifts and grants	3,719,500	2,650,249		6,369,749
Long-term investment income and gains allocated for operations	3,023,559	4,859,232		7,882,791
Other sources	1,968,452	1,498,840		3,467,292
Investment income	219,802	47,691		267,493
Net gains (losses) on investments and capital assets	(13,622)	43,187		29,565
Capital gifts allocated		1,168,105		1,168,105
Auxiliary enterprises - sales and services	19,471,392			19,471,392
	83,146,099	10,284,473		93,430,572
Net assets released from restrictions	10,334,610	(10,334,610)		
Total Operating Revenues, Gains and Other Support	93,480,709	(50,137)		93,430,572
OPERATING EXPENSES				
Program expenses				
Instruction	38,496,561			38,496,561
Research	784,022			784,022
Public service	1,777,345			1,777,345
Academic support	8,511,015			8,511,015
Student services	12,428,432			12,428,432
Auxiliary enterprises	15,312,671			15,312,671
Support expenses				
Institutional support	8,520,959			8,520,959
Fundraising	2,731,447			2,731,447
Total Operating Expenses	88,562,452			88,562,452
Change in Net Assets from Operating Activities	4,918,257	(50,137)		4,868,120
NONOPERATING ACTIVITIES				
Long-term investment activities				
Investment income	1,439,473	1,121,182	$ 15,708	2,576,363
Net realized gains	3,710,156	2,480,157	37,492	6,227,805
Net unrealized appreciation	9,425,574	7,050,064	102,855	16,578,493
Total long-term investment income	14,575,203	10,651,403	156,055	25,382,661
Less: Long-term investment income and gains allocated for operations	(3,023,559)	(4,859,232)		(7,882,791)
	11,551,644	5,792,171	156,055	17,499,870
Student loan income net of expenses	(76,200)		53,413	(22,787)
Capital giving activities - gifts and grants	448,833	6,962,083	8,225,453	15,636,369
Deferred giving activities - gifts	240,763	68,206	599,709	908,678
Capital gifts allocated to operations		(1,168,105)		(1,168,105)
Interest rate swap expense	(322,909)			(322,909)
Adjustment to actuarial liability for annuities payable	2,783,311	92,638	1,760,905	4,636,854
Gain on sale of radio stations	10,067,824			10,067,824
	24,693,266	11,746,993	10,795,535	47,235,794
Net assets released from restrictions	7,635,718	(7,635,718)		
Change in Net Assets from Nonoperating Activities	32,328,984	4,111,275	10,795,535	47,235,794
Change in Net Assets before Reclassification of Net Assets	37,247,241	4,061,138	10,795,535	52,103,914
Reclassification of prior year net assets	708,561	(1,813,207)	1,104,646	
Change in Net Assets	37,955,802	2,247,931	11,900,181	52,103,914
Net Assets - Beginning of Year	135,559,414	51,190,763	111,364,285	298,114,462
NET ASSETS - END OF YEAR	$ 173,515,216	$ 53,438,694	$ 123,264,466	$ 350,218,376

See accompanying notes to financial statements.

ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
OPERATING REVENUES				
Tuition	$ 68,713,101			$ 68,713,101
Less: Unfunded scholarships and grants	(20,316,943)			(20,316,943)
Funded scholarships and grants	(3,430,909)			(3,430,909)
Net tuition	44,965,249			44,965,249
Other tuition and fees	3,843,711			3,843,711
Government grants	3,452,973	$ 30,234		3,483,207
Private gifts and grants	3,655,178	2,585,454		6,240,632
Long-term investment income and gains allocated for operations	3,165,956	5,117,095		8,283,051
Other sources	3,033,891	1,126,270		4,160,161
Investment income	81,640	33,938		115,578
Net gains on investments and capital assets	9,204	83,491		92,695
Capital gifts allocated		1,155,259		1,155,259
Auxiliary enterprises - sales and services	16,111,600	69,155		16,180,755
	78,319,402	10,200,896		88,520,298
Net assets released from restrictions	10,435,120	(10,435,120)		
Total Operating Revenues, Gains and Other Support	88,754,522	(234,224)		88,520,298
OPERATING EXPENSES				
Program expenses				
Instruction	37,261,015			37,261,015
Research	653,719			653,719
Public service	2,173,471			2,173,471
Academic support	8,448,181			8,448,181
Student services	11,749,998			11,749,998
Auxiliary enterprises	15,356,473			15,356,473
Support expenses				
Institutional support	8,373,558			8,373,558
Fundraising	3,117,623			3,117,623
Total Operating Expenses	87,134,038			87,134,038
Change in Net Assets from Operating Activities	1,620,484	(234,224)		1,386,260
NONOPERATING ACTIVITIES				
Long-term investment activities				
Investment income	1,193,759	1,101,054	$ 29,745	2,324,558
Net realized gains (losses)	14,219,968	9,807,093	(84,678)	23,942,383
Net unrealized appreciation	1,375,275	1,267,652	34,268	2,677,195
Total long-term investment income (loss)	16,789,002	12,175,799	(20,665)	28,944,136
Less: Long-term investment income and gains allocated for operations	(3,165,956)	(5,117,095)		(8,283,051)
	13,623,046	7,058,704	(20,665)	20,661,085
Student loan income net of expenses	17,630		24,291	41,921
Capital giving activities - gifts and grants	126,344	2,271,559	2,331,397	4,729,300
Deferred giving activities - gifts	113,391	15,199	1,174,421	1,303,011
Capital gifts allocated to operations		(1,155,259)		(1,155,259)
Interest rate swap gain	1,089,100			1,089,100
Adjustment to actuarial liability for annuities payable	2,904,475	275,724	2,946,373	6,126,572
	17,873,986	8,465,927	6,455,817	32,795,730
Net assets released from restrictions	6,827,439	(6,827,439)		
Change in Net Assets from Nonoperating Activities	24,701,425	1,638,488	6,455,817	32,795,730
Change in Net Assets before Reclassification of Net Assets	26,321,909	1,404,264	6,455,817	34,181,990
Reclassification of prior year net assets	44,369	(3,111,583)	3,067,214	
Change in Net Assets	26,366,278	(1,707,319)	9,523,031	34,181,990
Net Assets - Beginning of Year	109,193,136	52,898,082	101,841,254	263,932,472
NET ASSETS - END OF YEAR	$ 135,559,414	$ 51,190,763	$ 111,364,285	$ 298,114,462

See accompanying notes to financial statements.

ST. OLAF COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended May 31, 2006, 2005, and 2004

		2006		2005		2004
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in net assets	$	45,175,581	$	52,103,914	$	34,181,990
Adjustments to reconcile change in net assets to net cash flows from operating activities						
Cumulative effect of change in accounting principle		2,715,050				
Depreciation, amortization and accretion expense		8,082,117		7,798,638		7,416,505
Net realized gains on investments		(33,338,272)		(8,546,072)		(25,338,162)
Net unrealized appreciation of investments		(6,593,423)		(20,408,363)		(7,281,955)
Interest rate exchange (gain) loss		(797,954)		322,909		(1,089,100)
(Gain) loss on dispositions of property, plant and equipment		514,350		(10,067,824)		5,290
Actuarial adjustment of annuities payable		2,167,524		2,308,414		976,811
Gifts of property, plant and equipment		(50,755)		(91,940)		(103,175)
(Increases) decreases in:						
Student accounts receivable		13,830		218,477		(104,832)
Contributions receivable for operations		(144,388)		498,047		364,065
Other receivables		(369,558)		377,237		358,337
Inventories, prepaid expenses and deposits		194,147		(423,193)		71,307
Funds held in trust by others		(280,894)		(29,873)		(500,996)
Increases (decreases) in:						
Accounts payable		(752,576)		597,290		500,112
Accrued liabilities		550,857		(5,683)		1,154,050
Deferred revenue		(341,623)		185,801		(510,066)
Gifts and grants received for long-term investment, net		(10,233,754)		(16,545,047)		(6,041,310)
Nonoperating investment income		(2,324,612)		(2,576,363)		(2,324,558)
Net Cash Flows from Operating Activities		4,185,647		5,716,369		1,734,313
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of property, plant and equipment		(10,625,532)		(6,154,552)		(6,768,620)
Purchases of investments		(193,128,280)		(98,477,465)		(244,049,987)
Proceeds from sales of investments		192,283,698		80,641,190		240,269,386
Nonoperating investment income		2,324,612		2,576,363		2,324,558
Net proceeds from sale of radio stations				10,178,500		
Disbursements of loans to students		(1,918,397)		(2,032,447)		(1,625,094)
Repayments of loans by students		1,870,818		1,473,060		1,740,276
Net Cash Flows from Investing Activities		(9,193,081)		(11,795,351)		(8,109,481)
CASH FLOWS FROM FINANCING ACTIVITIES						
Principal repayments of indebtedness		(305,000)		(290,000)		(280,000)
Gifts and grants received for long-term investment, net		10,233,754		16,545,047		6,041,310
(Increase) decrease in nonoperating contributions receivable		(3,590,035)		(4,702,378)		1,873,755
Increase (decrease) in deposits held in trust for others		118,987		39,530		(608,630)
Increase (decrease) in U. S. government grants refundable, net		(238,063)		(7,895)		144,382
Increase in annuities payable from new gifts		165,286		977,780		1,683,729
Payments to annuitants		(2,395,344)		(2,226,565)		(2,200,776)
Net Cash Flows from Financing Activities		3,989,585		10,335,519		6,653,770
Net Change in Cash and Cash Equivalents		(1,017,849)		4,256,537		278,602
CASH AND CASH EQUIVALENTS - Beginning of Year		15,364,105		11,107,568		10,828,966
CASH AND CASH EQUIVALENTS - END OF YEAR	$	14,346,256	$	15,364,105	$	11,107,568
Supplemental disclosures of cash flow information						
Cash paid during the year for interest on long-term debt	$	2,083,626	$	2,012,479	$	1,844,333
Noncash investing and financing activities						
Property, plant and equipment acquired through accounts payable		781,833		511,398		305,229

See accompanying notes to financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

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

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

Losses from investments on permanently restricted endowment funds are reported as reductions in temporarily restricted assets to the extent of prior accumulated earnings reported as such, if any, with the remaining net losses reported as reductions in the unrestricted quasi-endowment funds.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Receivables - An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are written-off when deemed uncollectible. Receivables are generally unsecured.

Inventories - Bookstore inventories are valued at a percentage of retail value, which approximates cost and is not in excess of market. All other inventories are valued at cost.

Deposits Held by Trustee - Cash, short-term investments and government securities held by the trustee include amounts restricted for debt service as required by the related trust indentures.

Deferred Debt Acquisition Costs - Costs of bond issuance are deferred and amortized on a straight-line basis over the term of the bonds.

Physical Plant and Equipment - Physical plant assets are stated at cost at date of acquisition less accumulated depreciation. The College depreciates its assets on the straight-line basis over estimated useful lives as follows: buildings 50 years; improvements, 5 to 25 years; equipment 5 years; library books 15 years. Normal repair and maintenance expenses are charged to operations as incurred. The College capitalizes physical plant additions and equipment in excess of $5,000.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 liabilities 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.

Interest Rate Exchange Agreement - The College accounts for its interest rate exchange transaction under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The College uses an interest rate exchange agreement as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate exchange agreement was not entered into for trading or speculative purposes. All derivatives, including those embedded in other contracts as well as interest rate exchange transactions, are recognized as either assets or liabilities and are measured at fair value. Gains or losses resulting from changes in the fair values of the interest rate exchange transactions are reflected in the statements of activities.

Grants to Specified Students - Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the College. The amounts of such grants were as follows:

	2006	2005	2004
State grants	$ 1,602,568	$ 1,676,660	$ 1,776,759
Federal grants	955,411	1,032,538	1,060,220

Income Tax Status - The Internal Revenue Service has determined that the College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The College is also exempt from state income taxes. However, any unrelated business income may be subject to taxation.

Advertising Expenses - Advertising costs are expensed when incurred.

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

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.

Reclassifications - Certain amounts appearing in the 2005 and 2004 financial statements have been reclassified to conform with 2006 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments - The College records financial instruments at cost, with the exception of investments which are reflected in the financial statements at market value and those items received as gifts which are valued at fair value at the date of gift. The carrying amounts of cash and cash equivalents, accounts receivable and other receivables, amounts held for others, accounts payable and accrued expenses, deposits and deferred revenue approximate fair value because of the short maturity of these financial instruments. The carrying amounts of contributions receivable and beneficial interest in funds held in trust are recorded at fair value using appropriate discount rates.

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 approximate fair value 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. The fair value of the interest rate exchange transactions are determined by using pricing models that take into account the present value of estimated future cash flows.

Investments in securities traded on national or international securities exchanges are carried at fair value based on values provided by external investment managers or quoted market values. Investments in limited partnerships, hedge funds, private equity funds, real estate funds, venture capital funds, commodity funds, offshore fund vehicles, fund of funds and similar nonmarketable equity interests consist primarily of investments that are not readily marketable. Investments in these categories, which are managed externally, are valued utilizing the most current information provided by the general partner or investment manager. These valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments and other pertinent information. Where applicable, independent appraisers are utilized to assist in the valuation. These values are determined under the direction of, and subject to approval by, management and the investment committee of the College.

The preparation of financial statements requires management to make estimates and assumptions about the effects of matters that are inherently uncertain. The accounting policies considered potentially significant in this respect are the valuation of the limited partnerships, private equity funds, offshore fund vehicles, fund of funds and similar nonmarketable equity interests and the valuation of the interest rate exchange transaction. Values for the nonmarketable equity interests are often estimated using techniques such as discounted cash flow analysis and comparisons to similar instruments. The fair value of the interest rate exchange transaction includes utilizing the most current information available from the banks under which the interest rate exchange transaction was issued and reflects pricing models that take into account the present value of estimated future cash flows. Estimates developed using these methods are subjective and require judgment regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that appropriately reflect market and credit risks. Estimates, by their nature, are based on judgment and available information. Changes in assumptions could have a significant effect on the fair value of the instruments. It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates and could have a material impact on the financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cumulative Effect of Change in Accounting Principle - In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, (FIN 47). FIN 47 clarifies the term "conditional" as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*. This Interpretation refers to a legal obligation to perform an asset retirement activity even if the timing and/or settlement is conditional on a future event that may or may not be within the control of the institution. Accordingly, the College must record a liability for the conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 is effective for fiscal years ending after December 15, 2005. The College owns certain buildings that contain encapsulated asbestos material. A liability of $2,875,606 was recorded in the May 31, 2006 financial statements for future asbestos removal, including $160,557 related to fiscal year 2006 and $2,715,049 for years prior to 2006 as a cumulative effect of a change in accounting principle as required by FIN 47.

The estimate of the losses that are probable from environmental remediation liabilities for asbestos removal was calculated using the expected cash flow approach and based on an inventory of the College's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The College utilized a credit-adjusted risk-free rate to discount the asset retirement obligation. It is reasonably possible that changes in this estimate could occur in the near term and that actual results could differ from this estimate and could have a material impact on the financial statements.

NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS BALANCES

At May 31, 2006, 2005 and 2004, the College's unrestricted net assets were allocated as follows:

	2006	2005	2004
Designated			
For long-term purposes as:			
Quasi-endowment	$ 116,126,005	$ 92,366,334	$ 66,383,964
Debt service and facility renewal	31,402,530	25,615,875	21,071,660
Deferred gifts	26,721,777	24,664,516	21,640,442
For debt service reserves under long-term debt agreements	896,586	906,902	879,303
For specific operating activities	2,031,253	1,789,232	1,821,377
For matching funds under federal government other student loan programs	1,126,675	1,142,092	1,222,585
Total Designated	178,304,826	146,484,951	113,019,331
Undesignated	28,010,805	27,030,265	22,540,083
	$ 206,315,631	$ 173,515,216	$ 135,559,414

NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS BALANCES (CONTINUED)

Temporarily restricted net assets consist of the following at May 31, 2006, 2005 and 2004:

	2006	2005	2004
Gifts and other unexpended revenues and gains available for:			
Scholarships, instruction and other support	$ 6,869,060	$ 5,869,012	$ 7,521,998
Unamortized plant gifts	30,388,101	31,286,289	32,142,876
Acquisition of buildings and equipment	13,823,039	7,084,881	794,836
	51,080,200	44,240,182	40,459,710
Quasi-endowment	10,009,950	8,372,668	10,052,000
Deferred gifts	1,187,914	825,844	679,053
	$ 62,278,064	$ 53,438,694	$ 51,190,763

Permanently restricted net assets consist of the following at May 31, 2006, 2005 and 2004:

Endowment funds	$ 105,934,653	$ 104,162,965	$ 94,357,317
Student loan funds	2,202,822	2,125,470	2,058,677
Deferred gifts	18,662,787	16,976,031	14,948,291
	$ 126,800,262	$ 123,264,466	$ 111,364,285

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows for the years ended May 31, 2006, 2005 and 2004:

	2006	2005	2004
Amortization of contributions expended for long-lived assets	$ 1,154,451	$ 1,168,105	$ 1,821,955
Scholarships, instruction and other departmental support	15,078,622	16,802,223	15,440,604
	$ 16,233,073	$ 17,970,328	$ 17,262,559
These assets were reclassified as follows:			
Unrestricted operating net assets	$ 7,194,787	$ 10,334,610	$ 10,435,120
Unrestricted nonoperating net assets	9,038,286	7,635,718	6,827,439
	$ 16,233,073	$ 17,970,328	$ 17,262,559

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at May 31, 2006, 2005 and 2004:

	2006	2005	2004
Temporarily restricted - operations	$ 648,434	$ 417,087	$ 892,131
Temporarily restricted - plant projects	12,822,413	6,654,853	33,000
Temporarily restricted - quasi-endowment	263,008	1,566,729	3,156,583
Permanently restricted - deferred gifts	515,000	510,000	5,000
Permanently restricted - endowment	3,360,556	3,462,797	3,701,670
Gross unconditional promises to give	17,609,411	12,611,466	7,788,384
Less: Unamortized discount	(1,328,480)	(844,775)	(182,314)
Allowance for uncollectible promises	(1,133,036)	(353,219)	(396,929)
	$ 15,147,895	$ 11,413,472	$ 7,209,141

Contributions receivable as of May 31, 2006 of $7,014,214 are expected to be collected in less than one year and $8,133,681 in two to five years. Contributions receivable expected to be collected in two to five years have been discounted using a rate of 6% at May 31, 2006, 2005 and 2004.

NOTE 5 - INVESTMENTS

The following summarizes the fair value of the College's marketable securities at May 31, 2006, 2005 and 2004:

	2006	2005	2004
Stocks	$ 56,697,352	$ 34,980,889	$ 42,885,174
Bonds	367,932	416,150	436,557
Mutual funds	149,419,692	169,006,611	124,260,079
	$ 206,484,976	$ 204,403,650	$ 167,581,810

The following summarizes the fair value of the College's other investments at May 31, 2006, 2005 and 2004:

Alternative investments	$ 105,940,898	$ 67,327,935	$ 55,159,519
Private debenture bonds	7,125,000	7,200,000	7,275,000
Other investments	1,610,419	1,660,124	1,624,195
	$ 114,676,319	$ 76,188,059	$ 64,058,714

The College's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the world equity, fixed-income, commodities, real estate and private equity markets. This strategy provides the College with a long-term asset mix that is most likely to meet the College's long-term return goals with the appropriate level of risk.

NOTE 5 - INVESTMENTS (CONTINUED)

Alternative investments include limited partnerships, hedge funds, private equity funds, real estate funds, venture capital funds, commodity funds, offshore fund vehicles, fund of funds and other investments that are not readily marketable. The alternative investments were entered into to diversify the College's portfolio, to provide predictability in overall earnings and to provide market neutral holdings. The College's management, the investment committee of the Board of Regents and the College's external investment consultants review reports provided by the general partners and fund managers, and the College's external investment consultants attend meetings of the various general partners and fund managers in order to evaluate the risk associated with these investments. In addition, the College monitors its portfolio mix to ensure that it is in accordance with Board policy.

As of May 31, 2006, the College has commitments to make further investments in several of its alternative investments totaling approximately $8,696,000.

The Board of Regents designates only a portion of the College's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. State law allows the Board to appropriate as much of the net appreciation as is prudent considering the College's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The Board has established an endowment spending rate ranging between 4.5% and 5.0% of the average endowment market value from the previous 16 quarters.

Endowment investments are recorded at a market value approximating $260,733,200, $225,657,900, and $185,409,300 for the years ended May 31, 2006, 2005 and 2004, respectively. The total return on all investments held by the endowment funds, on a market basis, was 16.378%, 13.384% and 18.933% for the years ended May 31, 2006, 2005 and 2004, respectively. Income from long-term investments are shown net of expenses of $1,090,854, $701,928 and $757,253 the years ended May 31, 2006, 2005 and 2004, respectively.

NOTE 6 - CONSTRUCTION IN PROGRESS

Construction in progress consisted of the following projects at May 31, 2006:

	Estimated Total Cost	Costs to Date	Funding Plan
New science center	$ 64,000,000	$ 1,849,648	Gifts, Debt, Current operations
Boe Chapel and organ	2,290,000	1,960,567	Gifts, Current operations
Wind turbine	2,660,000	1,279,616	Grant, Current operations
Boilers	525,000	521,327	Current operations
Telesphere software	230,000	208,646	Current operations
Roadway projects	122,000	121,311	Current operations
Sing For Joy recording booth	150,000	13,435	Current operations
Christiansen Hall	50,000	2,938	Current operations
Deconstruct Flaten Hall	250,000	500	Current operations
Honor House windows	35,000	5,800	Current operations
Melby Dorm windows	30,000	10,926	Current operations
World Language Center furnishings	12,000	9,374	Current operations
Rand stairway exit hardware	9,500	9,197	Current operations
Slip-ring commutator	7,100	7,088	Current operations
CLEC switch	850,000	801,739	Current operations
Chapel panic hardware	6,000	5,900	Current operations
Larson kitchens	6,500	6,340	Current operations
Start-up funds	135,000	99,774	Current operations
		$ 6,914,126	

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

At May 31, 2006, 2005 and 2004 property, plant and equipment consisted of the following:

	2006	2005	2004
Land	$ 830,914	$ 814,914	$ 814,914
Improvements other than buildings	8,551,397	8,257,812	7,867,845
Buildings	146,259,803	145,776,507	144,218,758
Equipment	38,881,000	35,660,090	32,382,637
Library materials	17,780,152	16,950,864	16,074,534
Art collection	1,021,612	954,998	909,308
	213,324,878	208,415,185	202,267,996
Less: Accumulated depreciation	(93,710,834)	(85,765,055)	(78,409,026)
	$ 119,614,044	$ 122,650,130	$ 123,858,970

NOTE 8 - RETIREMENT PLANS

The College has certain contributory defined contribution pension plans for academic and nonacademic personnel. The cost of these retirement plans is paid currently and approximated $3,080,900, $2,849,000 and $2,909,000 for the years ended May 31, 2006, 2005 and 2004, respectively.

The College has recorded liabilities for early retirement benefits given to faculty and staff members meeting certain eligibility requirements. The unpaid liability for these early retirement plans is included in accrued liabilities and approximated $213,000, $193,000 and $597,000 at May 31, 2006, 2005 and 2004, respectively.

NOTE 9 - POSTRETIREMENT BENEFIT PLAN

The College records health care benefits for current and future retired employees and covered dependents on the accrual basis. The following tables set forth the plan's status with amounts reported in the College's financial statements at May 31, 2006, 2005 and 2004:

The following table shows the reconciliation of the accrued cost for the fiscal years ending May 31, 2006, 2005 and 2004:

	2006	2005	2004
Accrued benefit cost at June 1	$ (2,925,795)	$ (2,636,298)	$ (2,446,225)
Net periodic benefit cost	(830,351)	(787,239)	(819,324)
Actual net benefit payments	418,091	497,742	629,251
Accrued benefit cost at May 31	$ (3,338,055)	$ (2,925,795)	$ (2,636,298)

The following table shows the reconciliation of the funded status to the accrued postretirement benefit cost (APBO) as of May 31:

	2006	2005	2004
Accumulated postretirement benefit obligation	$ (5,390,058)	$ (8,804,519)	$ (7,021,912)
Fair value of plan assets	0	0	0
Unfunded status	(5,390,058)	(8,804,519)	(7,021,912)
Unrecognized prior service cost	(1,797,326)	0	0
Unrecognized actuarial loss	3,849,329	5,878,724	4,385,613
Accrued benefit cost recognized	$ (3,338,055)	$ (2,925,795)	$ (2,636,298)

NOTE 9 - POSTRETIREMENT BENEFIT PLAN (CONTINUED)

The following table shows the components of the net periodic benefit cost:

	2006	2005	2004
Service cost	$ 178,327	$ 128,735	$ 68,246
Interest cost	420,847	448,413	468,933
Amortization of prior service costs	(63,020)	0	0
Amortization of net loss	294,197	210,091	282,145
Net periodic benefit cost	$ 830,351	$ 787,239	$ 819,324

An amendment to the plan effective January 1, 2006, reduced the APBO by $1,860,346, which is being amortized over 12 years. Amortization for the year ended May 31, 2006 was $63,020, resulting in the unrecognized prior service cost of $1,797,326.

The estimate of the accumulated postretirement benefit obligation is based on actuarial assumptions and methods provided by a third party actuary and the selection of discount rates that appropriately reflect the time value of money. A 10.13% pre-65 and 11.63% post-65 rate of increase in per capita costs of covered health care benefits was assumed for the year ended May 31, 2006 (lower rates are assumed for HMO plans), gradually decreasing to an ultimate rate of 5.0% by the year 2026. A discount rate of 6.4% was used in 2006, and 5.4% discount rate was used in 2005 and 2004, to determine the accumulated postretirement benefit obligation. It is reasonably possible that changes in this estimate could occur in the near term and that actual results could differ from this estimate and could have a material impact on the financial statements.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was signed into law on December 8, 2003. St. Olaf College may be entitled to a federal subsidy if the benefits under this plan are determined to be actuarially equivalent to the benefits provided under this Act. The Accumulated Postretirement Benefit Obligation and Net Periodic Postretirement Benefit Cost disclosed here do *not* reflect the impact of a federal subsidy on the plan.

Approximate estimated future benefit payments are as follows at May 31, 2006:

2007	$ 507,000
2008	524,000
2009	533,000
2010	536,000
2011	543,000
2012 - 2016	2,574,000

NOTE 10 - LONG-TERM DEBT

Long-term debt at May 31, 2006, 2005 and 2004 consisted of the following:

	2006	2005	2004
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-R	$ 13,225,000	$ 13,530,000	$ 13,820,000
Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-H	14,475,000	14,475,000	14,475,000
Minnesota Higher Education Facility Authority Variable Rate Demand Revenue Bonds, Series Five-M1	12,205,000	12,205,000	12,205,000
Minnesota Higher Education Facility Authority Variable Rate Demand Revenue Bonds, Series Five-M2	13,420,000	13,420,000	13,420,000
	$ 53,325,000	$ 53,630,000	$ 53,920,000

Minnesota Higher Education Facilities Authority Revenue Bonds Series Four-R were issued in amount of $15,000,000 in April 1998 to partially finance the Buntrock Commons Building and to finance an electrical generator, academic and administrative computers, payroll system hardware and software, classroom renovation and residence hall furniture. Principal and interest payments on the bonds are payable semiannually on April 1 and October 1 through 2029. Remaining annual principal payments range from $315,000 to $955,000. Bonds maturing on or after April 1, 2008 are callable at par value. The bonds that remain outstanding bear interest at rates varying from 4.50% to 5.25%. The bonds are secured by the pledge of loan repayments and a reserve account. In addition, the College covenants that it will not mortgage, grant a lien upon, pledge, grant a security interest in, make an assignment of its interest in, or permit any encumbrance on the Buntrock Commons project.

The College maintains short-term investments and U.S. government securities held by trustees for retirement of indebtedness totaling $1,009,893. These funds are intended to satisfy the reserve requirements of the Four-R issues. In addition, the College is subject to various restrictive covenants under the Series Four-R debt indentures which limits the College's ability to incur additional long-term debt and includes a requirement to achieve the Revenue/Expenditure Test, as defined, in at least two of the preceding three complete fiscal years and to maintain a minimum market value of unencumbered unrestricted endowment assets of at least $3,000,000.

Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-H, were issued in the amount of $14,475,000 to finance the renovation of St. Olaf Center to house the art and dance departments, replace residence hall furniture, replace Skoglund Athletic Center bleachers, acquire and renovate four houses, renovate the Administration Building, and renovate and improve utility tunnels. The bonds were issued October 25, 2000 and will mature October 1, 2030. Interest on the bonds is payable monthly and no principal payments are required until the maturity date. The bonds bear interest at a variable (daily reset) rate, which at May 31, 2006 was 3.58%, with an average rate of 2.80% for the 2006 fiscal year. The bonds are secured by (a) during the variable rate period, a letter of credit; (b) a pledge of amounts payable by the College under the loan agreement; and (c) money and investments held by the trustee under the indenture. The bonds are not secured by a mortgage or lien on, or a security interest in, any property of the College. The College incurs an effective letter of credit fee of 39.6 basis points on the letter of credit amount outstanding, and a remarketing fee equal to 12.5 basis points.

NOTE 10 - LONG-TERM DEBT (CONTINUED)

Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-M1, were issued in the amount of $12,205,000 to finance the construction of the Tostrud Recreation Center. The bonds were issued April 16, 2002 and will mature October 1, 2032. Interest on the bonds is payable monthly and no principal payments are required until the maturity date. The bonds bear interest at a variable (daily reset) rate, which at May 31, 2006 was 3.58%, with an average rate of 2.80% for the 2006 fiscal year. The bonds are secured by (a) during the variable rate period, a letter of credit; (b) a pledge of amounts payable by the College under the loan agreement; and (c) money and investments held by the trustee under the indenture. The bonds are not secured by a mortgage or lien on, or a security interest in, any property of the College. The College incurs an effective letter of credit fee of 64.3 basis points on the letter of credit amount outstanding, and a remarketing fee equal to 12.5 basis points.

Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-M2, were issued in the amount of $13,420,000 to refinance the Series 1992 bonds. The bonds were issued July 10, 2002 and will mature October 1, 2020. Interest on the bonds is payable monthly and no principal payments are required until the maturity date. The bonds bear interest at a variable (daily reset) rate, which at May 31, 2006 was 3.58%, with an average rate of 2.80% for the 2006 fiscal year. The bonds are secured by (a) during the variable rate period, a letter of credit; (b) a pledge of amounts payable by the College under the loan agreement; and (c) money and investments held by the trustee under the indenture. The bonds are not secured by a mortgage or lien on, or a security interest in, any property of the College. The College incurs an effective letter of credit fee of 64.3 basis points on the letter of credit amount outstanding, and a remarketing fee equal to 12.5 basis points.

To minimize the effect of changes in the interest rate, during 2003, the College entered into an interest rate exchange agreement on $13,420,000 of the Series Five-M2 bonds to set the interest at a fixed rate of 4.38% until maturity. Under the agreement, the College either pays additional interest or receives an interest credit depending on the relationship between the variable rate and the fixed rate. The College recorded a gain/(loss) of $797,954, ($322,909) and $1,089,100, relating to the agreement for the years ended May 31, 2006, 2005 and 2004, respectively. The gain/(loss) is included in nonoperating activities on the statement of activities. At May 31, 2006, 2005 and 2004, the College has recorded an interest rate exchange liability of $467,581, $1,265,535 and $942,626, respectively, in the statement of financial position.

Anticipated long-term debt principal payments are as follows:

Year Ending May 31:	
2007	$ 315,000
2008	335,000
2009	345,000
2010	365,000
2011	380,000
Thereafter	51,585,000
Total	$ 53,325,000

Interest expense on long-term debt totaled $2,081,364, $2,010,377 and $1,842,338 for the years ended May 31, 2006, 2005 and 2004, respectively.

NOTE 11 - SHORT-TERM CREDIT ARRANGEMENT

The College has an unsecured $7,000,000 line of credit through Wells Fargo Bank. Borrowings under this line of credit bear interest at an annual rate of 50 basis points below the Bank's base (prime) rate. Interest is payable on the last day of each calendar quarter, beginning September 30. Principal, and any unpaid interest, is due on October 31. In addition, the agreement requires the College to comply with certain financial covenants. At May 31, 2006, 2005 and 2004, there were no outstanding borrowings under this arrangement.

NOTE 12 - SELF-INSURANCE

The College provides medical benefits through a self-insurance plan which is available to all employees of the College for certain medical expenses. Total resources committed to the self-insurance program were approximately $912,600 as of May 31, 2006. Accrued liabilities include a $863,400 reserve, an estimate of amounts due and payable on existing claims for which the College is self-insured and which are expected to be settled currently. The College is self-insured for the first $75,000 per claim with an aggregate stop loss of $4,300,987.

NOTE 13 - ALLOCATION OF EXPENSES

The College allocated the following expenses to program and support functions for the years ended May 31, 2006, 2005 and 2004 as follows:

	2006	2005	2004
Interest expense	$ 2,081,364	$ 2,010,377	$ 1,842,338
Operation and maintenance of plant	10,263,164	8,652,895	8,447,768
Depreciation	7,930,976	7,784,252	7,402,118
Accretion	136,933		
	$ 20,412,257	$ 18,447,524	$ 17,692,224

NOTE 14 - DEFERRED GIFT AGREEMENTS

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

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the College or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age and sex characteristics of the donor. The College used interest rates of ranging from 3.6% to 11.6% for the years ended May 31, 2006, 2005 and 2004 in making the calculations.

NOTE 14 - DEFERRED GIFT AGREEMENTS (CONTINUED)

Information pertaining to the College's deferred gift agreements for the years ended May 31, 2006, 2005 and 2004 follows:

	2006	2005	2004
Deferred gift income recognized	$ 412,159	$ 739,167	$ 1,309,691
Annuities payable related to new gifts	165,286	977,780	1,683,729
Funds held for others related to new gifts		44,683	22,890
Total funds received	$ 577,445	$ 1,761,630	$ 3,016,310
Total deferred gift assets held by the College at fair value	$ 65,316,427	$ 61,198,737	$ 54,776,511
Total deferred gift liabilities	$ 18,743,948	$ 18,732,345	$ 17,508,725

NOTE 15 - 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, mortgages and contracts for deed. The College places substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution; however, cash balances may periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. Concentrations of credit risk with respect to the notes, mortgages and contracts for deed 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 student's 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 16 - SALE OF RADIO STATIONS

During the year ended May 31, 2005, the College entered into an asset purchase agreement with Minnesota Public Radio for the sale of Radio Stations WCAL (FM) and KMSE (FM). The net gain on the sale totaled $10,067,824 which has been recorded as non-operating income on the College's statement of activities for the year ended May 31, 2005. The College intends to use the net proceeds from the sale to 1) invest in its endowment fund; and 2) restore the organ and for other renovations to Boe Memorial Chapel. The stations accounted for less than 1% of the College's assets and net assets at May 31, 2004 and between 2% and 3% of the College's total revenues and expenses for the year ended May 31, 2004.

NOTE 17 - CONTINGENCIES

Various lawsuits, claims and other contingent liabilities arise in the ordinary course of the College's activities. The College is currently the defendant in a case in which the plaintiff claims to have suffered injuries as a result of a chemical accident. Since the likelihood of an unfavorable outcome is neither probable nor remote, it is not possible to estimate the loss or range of loss that might result from this case if it were to result in an unfavorable outcome for the College. Therefore, no provision has been made in the financial statements for potential losses related to this litigation.

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