

OFFICIAL STATEMENT DATED APRIL 4, 2005

NEW ISSUE

Rating: Moody's Aa2 / VMIG1

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

\$31,460,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Six-D
(Carleton College)
(DTC Book Entry Only)

Dated Date: Date of Issue

Price 100%

Maturity Date: April 1, 2035

CUSIP: 60416H EN 0

This Official Statement contains information relating to the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-D (Carleton College) (the "Bonds") prior to a Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein after the initial offering.

The Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority") payable solely from Loan Repayments made by or on behalf of Carleton College, a Minnesota non-profit corporation (the "College"). The College will covenant as a general obligation of the College to make payments and deposits in amounts sufficient to pay, when due, the principal, Sinking Fund Installments, if any, Purchase Price and Redemption Price of and interest on the Bonds.

The Bonds will be issued as fully registered bonds without coupons in denominations of \$100,000 and any larger amount which is an integral multiple of \$5,000 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 and Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "THE BONDS – Book Entry Only System" herein.)

The Bonds will initially be issued in the Weekly Rate Mode. All or a portion of the Bonds may be converted at the Authority's option upon the College's direction to bear interest in different rate modes as described herein, and will be subject to mandatory tender on such conversion dates. The Bonds will bear interest from their date of delivery to but excluding the initial Interest Payment Date at the rate determined by the Remarketing Agent upon the issuance of the Bonds. Thereafter, the Bonds will bear interest at the Weekly Rate for the Weekly Rate Period, until a conversion to another Rate Period as described herein. Interest on the Bonds while in the Weekly Rate Mode shall be computed on the basis of a 365- or 366-day year and actual days elapsed and will be payable on the first Business Day of each month commencing May 2, 2005.

During the Weekly Rate Period the Bonds will be subject to tender at the option of the Holder upon not less than seven days notice. Payment of the Purchase Price of the Bonds including 34 days of interest at the Maximum Rate will be supported by a Liquidity Facility in the form of a standby bond purchase agreement issued by:

WELLS FARGO BANK, NATIONAL ASSOCIATION

(the "Bank") or by any other provider of a substitute Liquidity Facility. The Bonds shall be subject to mandatory tender upon the termination or substitution of the Liquidity Facility.

The Bonds are subject to optional and mandatory redemption and to optional and mandatory tender prior to maturity as described 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 Bonds are being offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the opinion as to validity and tax exemption of the Bonds by Best & Flanagan LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Briggs and Morgan, P.A., Saint Paul and Minneapolis, Minnesota, for the Underwriter by Dorsey & Whitney LLP, Minneapolis, Minnesota, and for the Bank by Faegre & Benson LLP, Minneapolis, Minnesota. It is expected that the Bonds in definitive form will be available for delivery to the Underwriter through the facilities of DTC on or about April 13, 2005.

MORGAN STANLEY

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, the Underwriter, or the Bank (as defined herein) to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the College, the Underwriter or the Bank. The information contained herein, except as it relates to the Authority, DTC and the Bank, has been obtained from the College and is not guaranteed as to accuracy or completeness. Except for information concerning the Authority contained in this Official Statement, such information 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, the Bank 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, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Gary D. Benson, Chair	Vice President, Kraus-Anderson Construction Company, Midwest Division, New Brighton, Minnesota
Raymond VinZant, Jr., Vice Chair	Policy Representative, Office of U.S. Senator Norman Coleman, Saint Paul, Minnesota
David D. Rowland, Secretary	Senior Vice President, St. Paul Travelers Companies, Inc., Edina, Minnesota
Carol A. Blomberg	Retired, former Market Administration Manager, Norwest Bank Minnesota, N. A., Nashwauk, Minnesota
Dr. Kathryn Balstad Brewer	Retired Banker and Educator, New Brighton, Minnesota
Mary Ives	Real Estate Business Owner, Grand Rapids, Minnesota
Dr. David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota
Timothy M. Medd (Ex Officio)	Audit Manager, Minnesota Higher Education Services Office, Saint Paul, Minnesota
Christopher A. Nelson	Attorney, St. Paul Travelers Companies, Eagan, Minnesota
Michael D. Ranum	Chief Financial and Administrative Officer, Hazelden Foundation, Circle Pines, Minnesota

Marianne T. Remedios, Executive Director

Financial Advisor
Springsted Incorporated

TABLE OF CONTENTS

	<u>Page</u>
Introductory Statement.....	1
Carleton College	2
Risk Factors	2
Continuing Disclosure	5
The Bonds.....	5
The Original Liquidity Facility	11
Use of Proceeds	14
Estimated Sources and Uses of Funds.....	15
Source of Payment and Security for the Bonds	15
Accounts	18
General Bond Reserve Account	20
Future Financings	21
The Authority.....	21
Financial Advisor.....	22
Underwriting.....	22
Rating.....	22
Litigation.....	23
Legality.....	23
Tax Exemption	23
Not Qualified Tax-Exempt Obligations	25
 The College	 Appendix I
Proposed Form of Legal Opinion	Appendix II
Definition of Certain Terms	Appendix III
Summary of Documents	Appendix IV
Financial Statements Including Report of Independent Auditors, June 30, 2004	Appendix V
Wells Fargo Bank, National Association.....	Appendix VI

OFFICIAL STATEMENT

\$31,460,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE BONDS, SERIES SIX-D

(CARLETON COLLEGE)

(DTC BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the “Authority”) and Carleton College, a Minnesota non-profit corporation and the owner of an institution of higher education with its campus located in Northfield, Minnesota, (the “College”) in connection with the issuance of the Authority's \$31,460,000 Revenue Bonds, Series Six-D (Carleton College) (the “Bonds” or the “Issue”).

The Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, by 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 certain projects.

The Bonds are being issued pursuant to the Trust Indenture dated as of April 1, 2005 (the “Indenture”) between the Authority and Wells Fargo Bank, National Association, Minneapolis, Minnesota, as trustee (the “Trustee”). The Trustee will initially also act as Tender Agent for the Issue.

Pursuant to a Loan Agreement between the College and the Authority relating to the Bonds, the College will covenant as a general obligation of the College to make payments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due and to pay the Purchase Price of the Bonds on any Tender Date. The proceeds of the Bonds will be loaned to the College by the Authority and will be used to:

1. construct and furnish a townhouse for student occupancy;
2. acquire real estate parcels near the College campus for purposes related to the educational mission of the College;
3. refinance the Authority's outstanding Series Three-L1 Bonds issued on behalf of the College in the principal amount of \$10,000,000 (the “Refunded Series Three-L1 Bonds”);
4. refinance the 2008 through 2018 maturities of the Authority's Series Four-N Bonds issued on behalf of the College in the principal amount of \$16,670,000 (the “Refunded Series Four-N Bonds”); and
5. pay issuance costs.

See “USE OF PROCEEDS” herein for a more detailed description of the project.

The Bonds are secured by the College's pledge of the Loan Repayments. In addition, Wells Fargo Bank, National Association (the “Bank”) has committed to issue a Liquidity Facility in the form of a standby bond purchase agreement simultaneously with the delivery of the Bonds (the

"Original Liquidity Facility") guaranteeing the Purchase Price on the Bonds under certain circumstances.

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 III and IV for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

EXCEPT AS EXPRESSLY PROVIDED HEREIN, THIS OFFICIAL STATEMENT PROVIDES INFORMATION RELEVANT TO THE BONDS ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT.

CARLETON COLLEGE

Founded in 1866, the College is an independent liberal arts college with a commitment to the liberal arts. The College is a national college enrolling approximately 1,900 students drawn from all 50 states and several other countries.

The College is a four-year college that offers the bachelor of arts degree. Its students can choose from 34 major fields of study, as well as numerous special programs, area studies or concentrations.

The College occupies more than 900 scenic acres of campus, arboretum, and athletic fields, located in Northfield, Minnesota, roughly 40 miles south of Minneapolis and Saint Paul. Further information about the College and its financial condition can be found in Appendices I and V herein.

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 pledge by the Authority to the Trustee of amounts payable by the College under the Loan Agreement. No real or personal property is pledged to repayment of the Bonds.

Liquidity Facility

The ability of the Bank to purchase Bonds when required under the Liquidity Facility will be based solely on the Bank's general credit. The Original Liquidity Facility expires on April 12, 2006. The Bank has no obligation under the Original Liquidity Facility to purchase Tendered Bonds on any Optional Tender Date or Mandatory Tender Date if either (i) the College has

failed to pay principal of or interest on the Bonds or (ii) a petition in bankruptcy or like event with respect to the College has occurred. See "THE ORIGINAL LIQUIDITY FACILITY."

Certain information with respect to the Bank as the Original Liquidity Facility Provider is set forth in Appendix VI. Such information was provided by the Bank and no representation is made as to the adequacy or accuracy thereof. See also "THE ORIGINAL LIQUIDITY FACILITY" herein.

Adequacy of Revenues

Payment of principal of and interest on the Bonds is intended to be made primarily from Loan Repayments of the College. The College's ability to make Loan Repayments will be dependent on its ability to receive sufficient unrestricted revenues in excess of expenditures, to invest and maintain sufficient monies in its investments and to obtain sufficient investment earnings therefrom. Such revenues and expenditures are subject to many conditions and factors 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. Universities and colleges compete principally based on location, net tuition rates, degree offerings, and academic reputation. To the extent that competitors have or achieve an advantage with respect to any of these factors, the College could be adversely affected. In addition, competitive pressures could result in tuition reductions, the inability to raise tuition, or increases in financial aid in the form of discounted tuition, which could adversely affect the College's unrestricted net assets.

Reliance on Tuition and Fees

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

Financial Aid

The College's students currently receive from the College and other sources financial aid that covers some portion of tuition and fees or living expenses. See Appendix I, "THE COLLEGE – Financial Aid" herein. No assurance can be given that federal and state financial aid will continue to be funded at current levels or that the College will continue to fund student aid at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues.

Damage or Destruction

Although the College will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the College will not suffer losses for which

insurance cannot be or has not been obtained or that the amount of any such loss will not exceed the coverage of such insurance policies.

Redemption, Acceleration, or Purchase Prior to Maturity

In considering whether the Bonds might be redeemed prior to maturity, Bondholders should consider the information included in this Official Statement under the heading "THE BONDS — Redemption." The Bonds may be called for redemption prior to maturity on any date at the College's option. The Bonds are subject to mandatory tender for purchase upon the occurrence of certain events (See "THE BONDS – Mandatory Tender"). The effect on Bondholders of such a purchase would be similar to that of early redemption at par. See "THE LOAN AGREEMENT – Events of Default" and "THE INDENTURE – Events of Default" in APPENDIX IV – SUMMARY OF DOCUMENTS.

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 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. See also "THE ORIGINAL LIQUIDITY FACILITY" herein.

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 (the "Swap Agreement") with Morgan Stanley Capital Services Inc. (the "Swap Counterparty") to be effective on the date of issuance of the Bonds. Unless earlier terminated (in which case a termination fee may be payable by one party to the other party), the interest rate swap agreement will expire on April 1, 2022.

The College has also previously entered into two interest rate swap agreements. The College may enter into similar arrangements in the future. 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.

Other Possible Risk Factors

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

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

- (2) Adoption of federal, State or local legislation or regulations, such as limits on tuition increases, having an adverse effect on the future operating or financial performance of the College.
- (3) International events, including any acts of war and terrorism, which may have adverse effects on enrollment and investments.

CONTINUING DISCLOSURE

The Bonds are exempt from continuing disclosure requirements of Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Consequently, the College has not agreed and is not required to provide annual financial information, notices of certain material events or any other disclosure with regard to the Bonds which the Rule might otherwise require. However, certain continuing disclosure information may be available from national repositories pursuant to continuing disclosure agreements relating to other outstanding College obligations. The College has never failed to comply with any previous agreements under the Rule to provide annual reports or notices of material events. The College will enter into an undertaking for continuing disclosure following a conversion of the Bonds to a Fixed Rate.

THE BONDS

The sole purpose of this section is to describe terms and provisions of the Bonds before a Conversion Date, while the Bonds bear interest at the Weekly Rate, and must not be relied upon following a Conversion Date.

General

The Bonds will be dated the date of initial delivery thereof and will mature on April 1, 2035. The Bonds shall be issued initially as Variable Interest Rate Bonds in the Weekly Rate Mode that bear interest at a Weekly Rate (as defined below) but may be converted at the College’s option, subject to certain restrictions, to Bonds that bear interest at different rates including a Daily Rate Mode, Commercial Paper Mode, Term Rate Mode, Fixed Rate Mode, Indexed Put Rate Mode, or Auction Rate Mode. The Initial Rate Period for the Bonds will be from and including April 13, 2005 through and including April 20, 2005.

Interest on the Bonds in the Weekly Rate Mode will be payable on the first Business Day of each month (“Interest Payment Date”) commencing May 2, 2005.

The Bonds in the Weekly Rate Mode are issuable only as fully-registered bonds without coupons in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

The Bonds will bear interest as described below. During any Daily Rate Period, Commercial Paper Rate Period, Indexed Put Rate Period, or Weekly Rate Period, interest on the Bonds shall be calculated on the basis of actual days elapsed in a 365- or 366-day year, as appropriate. During any Term Rate Period or Fixed Rate Period, interest on the Bonds shall be calculated on the basis of twelve thirty (30) day months and a 360 day year. During any Auction

Rate Period, interest on the Bonds shall be calculated on the basis of actual days elapsed in a 360 day year.

The Bonds are subject to optional and mandatory redemption and optional and mandatory tender for purchase under certain circumstances as described in this Official Statement under the captions "THE BONDS – Tender Provisions" and "THE BONDS – Redemption Provisions." While in the Weekly Rate Mode and the Daily Rate Mode payment of the Purchase Price for the Bonds tendered or required to be tendered for purchase will be supported by the Liquidity Facility.

Setting of Interest Rates

Remarketing Agent

The College has appointed Morgan Stanley & Co. Incorporated to serve as the Initial Remarketing Agent (the "Remarketing Agent") who will establish pursuant to the Remarketing Agreement the interest rate on the Bonds for each Weekly Rate Period. Upon conversion, the Remarketing Agent will establish the interest rate on the Bonds for each Daily Rate Period, Commercial Paper Rate Period, Term Rate Period, Fixed Rate Period, and Indexed Put Rate Period, and the initial Broker-Dealer will establish the interest rate on the Bonds for the first Auction Period after conversion to an Auction Rate Mode. The Remarketing Agent's interest rate determination shall be conclusive and binding on the Holders, the College, the Authority, the Bank, the Tender Agent and the Trustee. The College or the Remarketing Agent may terminate the Remarketing Agreement effective upon the later of 30 days' notice or the effective date of appointment of a successor Remarketing Agent.

Interest Rate Modes

A Daily Rate Period commences on a Conversion Date or on a Business Date and extends to, but not including, the next succeeding Business Day.

A Weekly Rate Period commences on a Conversion Date or the Thursday of a calendar week and extends to and includes the next succeeding Wednesday.

A Commercial Paper Rate Period commences on a Conversion Date or a Reset Date and extends one to two hundred seventy days (1 to 270 days); provided, however, that the first day immediately following the last day of each Commercial Paper Rate Period shall be a Business Day.

A Term Rate Period commences on a Conversion Date or a Reset Date and extends (i) to and including the next succeeding Reset Date, which must be a Business Day at least three hundred sixty-five (365) days from the Conversion Date or the immediately preceding Reset Date or (ii) to, but not including, the Conversion Date on which Bonds in the Term Rate Mode are converted to another Rate Mode except as otherwise provided in the Indenture.

The Fixed Rate Period commences on the Conversion Date and extends (i) to and including the date of maturity of Bonds in the Fixed Rate Mode or (ii) to, but not including, the Conversion Date on which a Bond in the Fixed Rate Mode is converted to another Rate Mode.

The Indexed Put Rate Period commences on a Conversion Date or on the Thursday of a calendar week and extends to and including the next succeeding Wednesday.

The Auction Period may be daily, seven-day, 28-day, 35-day, three-month, or six-month, or may be a Special Auction Period, which is a period of not less than seven days or more than three

years and which is not another Auction Period. See the Indenture for a complete discussion of the Auction Period.

Weekly Rate Mode (the Initial Rate Mode for the Bonds)

The Weekly Rate will be the interest rate which, in the judgment of the Remarketing Agent, having due regard for prevailing market conditions for bonds similar to the Bonds, would be the lowest interest rate that would enable the Remarketing Agent to sell outstanding Bonds on the first day of the applicable Weekly Rate Period at a price equal to par, plus accrued interest, if any. See the section entitled "THE BONDS – Setting of Interest Rates – Failure to Establish the Weekly Rate" below.

The Weekly Rate will be determined by the Remarketing Agent on the Business Day next preceding the commencement date of the Weekly Rate Period to which it relates and the Remarketing Agent will provide the Trustee such rate by Electronic Notice by 5:00 P.M., New York City time, on such preceding Business Day and on Wednesday of each week, or if such Wednesday is not a Business Day, the next succeeding Business Day.

Maximum Rate

The Variable Interest Rate (except for the Auction Rate) may not exceed twelve percent (12%). The Auction Rate may not exceed fifteen percent (15%). The Purchased Bond Rate shall not exceed twenty-two percent (22%). Notwithstanding the foregoing, the rate on the Bonds may not exceed the maximum rate permitted by law.

Failure to Establish the Weekly Rate

If the Remarketing Agent fails to establish a Weekly Rate for any week with respect to Bonds bearing interest at such rate, then the Weekly Rate for such week shall be the same as the immediately preceding Weekly Rate if such Weekly Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Rate was not determined by the Remarketing Agent, or if the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Rate for such week, as determined by the Remarketing Agent, shall be equal to 100% of the BMA Municipal Index, made available for the week preceding the date of determination, or if such index is no longer available, 70% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day such Weekly Rate would otherwise be determined as provided herein for such Weekly Rate Period. Any rates so determined shall be conclusive and binding upon the Authority, the Trustee, the Liquidity Provider(s) if any, the Bondholders, the Tender Agent and the College.

Conversion Among Rate Modes

The sole purpose of this section is to describe terms and provisions of the Bonds before a Conversion Date while the Bonds bear interest at the Weekly Rate, and must not be relied upon following a Conversion Date.

The Authority, at the College's direction, must notify, as applicable, the Trustee, the Tender Agent, the Depository, the Remarketing Agent, the Bank, the Auction Agent, and the Broker-Dealer of any proposed change from one Rate Mode to another (the "Conversion Notice"). The College must provide such notice at least fifteen (15) days prior to the Conversion Date (or such shorter period as the Depository will permit). The Conversion Notice must specify (i) the Bonds to be converted, (ii) the Conversion Date(s), and (iii) the Rate Mode(s) that will be effective upon Conversion. See Appendix IV, "Summary of Documents," herein for further information.

The College is not limited in the number of such conversions it may effect.

Tender Provisions

Optional Tender

Holders of Bonds in the Daily Rate Mode, the Weekly Mode or the Indexed Put Rate Mode may tender all or a portion of their Bonds in Authorized Denominations for purchase on any Optional Tender Date. The Remarketing Agent and the Tender Agent must receive a Tender Notice at their respective principal offices which includes the following information: (i) the aggregate principal amount in an Authorized Denomination of each Bond or portion thereof to be purchased and (ii) that such principal amount of the Bond (in an Authorized Denomination) shall be purchased on such Optional Tender Date pursuant to the Indenture. With respect to Bonds bearing interest at the Weekly Rate Mode, such Tender Notice shall be delivered not later than 5:00 P.M., New York City time, on the seventh calendar day prior to the Optional Tender Date.

Any Tender Notice properly given shall be irrevocable. If there shall be on deposit with the Tender Agent on the Optional Tender Date an amount sufficient to pay the Purchase Price of the aggregate principal amount of Bonds to be tendered on such Optional Tender Date pursuant to an irrevocable Tender Notice, the ownership of such Bonds shall be transferred to the Remarketing Agent.

Mandatory Tender

Conversion to Different Rate Mode

Bonds to be converted to a different Rate Mode shall be tendered for purchase at the Purchase Price thereof on the Conversion Date for such Bonds; provided, however, that Auction Rate Bonds being converted from one Auction Period to another Auction Period shall not be subject to tender.

Bonds in the Commercial Paper Mode, the Indexed Put Rate Mode or the Term Rate Mode shall be tendered for purchase on each Reset Date for such Bonds.

Conversion Related to Liquidity Facility

Bonds in connection with which a Liquidity Facility is then in effect shall be tendered for purchase at the Purchase Price thereof on a Business Day that is not less than two (2) Business Days prior to the Termination Date of such Liquidity Facility unless the Termination Date of such Liquidity Facility has been extended at least twenty (20) days prior to such Termination Date. The Purchase Price of such tendered Bonds shall be paid with money drawn under such Liquidity Facility prior to its Termination Date.

Bonds in connection with which a Liquidity Facility or a substitute Liquidity Facility is delivered shall be tendered for purchase on the effective date (or if such day is not a Business Day, on the immediately preceding Business Day) of either (A) a Liquidity Facility for such Bonds if immediately prior thereto no Liquidity Facility was then in effect for such Bonds, (B) a substitute Liquidity Facility delivered with respect to such Bonds, or (C) the election of the College to maintain Liquid Assets in substitution of a Liquidity Facility. The Purchase Price of such tendered Bonds in connection with which a substitute Liquidity Facility is being delivered shall be paid with money drawn under the then existing Liquidity Facility.

Bonds in connection with which a Liquidity Facility is then in effect shall be tendered for purchase on a Business Day that is not less than one Business Day prior to the Termination

Date of such Liquidity Facility specified in a Default Notice delivered by the Bank or its agent in accordance with the provisions of the Liquidity Facility or the applicable Reimbursement Agreement. The Purchase Price of such tendered Bonds shall be paid by money drawn under such Liquidity Facility prior to such Termination Date.

Conversion Related to a Credit Facility

Bonds in connection with which a Credit Facility is then in effect shall be tendered for purchase at the Purchase Price thereof on a Business Day that is not less than three (3) Business Days prior to the stated Termination Date of such Credit Facility unless the Termination Date of such Credit Facility has been extended at least thirty (30) days prior to the stated Termination Date. The Purchase Price of such tendered Bonds shall be paid with money drawn under such Credit Facility prior to its stated Termination Date.

Notice of Mandatory Tender

Whenever Bonds are to be tendered for purchase upon Conversion to a new Rate Mode, the Tender Agent shall give notice to Bondholders not less than twelve (12) days prior to the Conversion Date (or such shorter period as DTC may permit). Such notice shall contain the information the Indenture requires regarding the conversion to a different Rate Mode.

Whenever Bonds are to be tendered for purchase in connection with the non-renewal of a Liquidity Facility, the Tender Agent shall, not less than twelve (12) days prior to the Tender Date, give notice by first-class mail to the Holders of the Bonds to be tendered that such Bonds are subject to mandatory tender for purchase on the Tender Date specified in such notice. Whenever Bonds are to be tendered for purchase upon the initial delivery of a Liquidity Facility, the delivery of a substitute Liquidity Facility, maintenance of Liquid Assets in lieu of a Liquidity Facility, or the termination of a Liquidity Facility which is the subject of a Default Notice as described in the Indenture, the Tender Agent shall, not less than five (5) days prior to the effective date of the expiration or earlier termination of the Liquidity Facility then in effect or of the effective date of the substitute Liquidity Facility, or the College's election to maintain Liquid Assets in lieu of a Liquidity Facility, give notice by first-class mail to the Holders of the Bonds that the Bonds are subject to mandatory tender for purchase on the date specified in such notice and as further provided in the Indenture.

Tendered and Deemed Tendered Bonds

If a Bondholder fails to deliver to the Tender Agent, on or before the applicable Tender Date, all or any portion of a Bond subject to mandatory tender for purchase or any Bond, other than a Book Entry Bond, for which an election to tender has been duly made, such Bond (or portion thereof in an Authorized Denomination) shall be deemed to have been properly tendered to the Tender Agent. To the extent that there shall be on deposit with the Tender Agent on the purchase date thereof an amount sufficient to pay the Purchase Price of the Tendered Bonds, such Tendered Bonds shall cease to constitute or represent a right to payment of principal or interest thereon and shall constitute and represent only the right to the payment of the Purchase Price payable on such date. The foregoing shall not limit the right of any person who on a Record Date is the Holder of a Bond to receipt of interest, if any, due thereon on the date such Bond is required to be purchased.

Remarketing and Purchase

The Remarketing Agent for tendered Bonds shall use its best efforts to remarket such tendered Bonds on their Tender Date at a price equal to the Purchase Price; provided, however, that if such Bonds are being remarketed upon their Conversion from the Term Rate Mode or the Fixed Rate Mode, such Bonds will be remarketed at a price equal to par unless on or prior to the date

of such remarketing the Trustee and the Authority have received an Opinion of Bond Counsel as further described in the Indenture.

The Purchase Price of Tendered Bonds shall be paid solely with Available Moneys on deposit in the accounts within the Series Six-D Bonds Purchase and Remarketing Fund in the following order of priority: first, from Available Moneys in the Remarketing Proceeds Account; second, from Available Moneys in the Purchase Account; and third, from Available Moneys in the Available Moneys Account.

Redemption Provisions

Optional Redemption

While Bonds are in the Weekly Rate Mode, the Authority at the College's direction may redeem Bonds in whole or in part in Authorized Denominations on any Business Day at 100% of the principal amount of the Bonds to be redeemed plus accrued interest, if any, to the redemption date.

Mandatory Redemption

The Bonds are subject to mandatory redemption, in part, on April 1 of the years set forth below, at 100% of the principal amount thereof plus accrued interest, if any, to the date of redemption, as set forth in the following table:

<u>April 1,</u>	<u>Principal Amount</u>	<u>April 1,</u>	<u>Principal Amount</u>
2006	\$ 150,000	2016	\$ 2,765,000
2007	135,000	2017	2,840,000
2008	135,000	2018	2,930,000
2009	1,260,000	2019	3,020,000
2010	1,315,000	2020	1,060,000
2011	1,375,000	2021	1,060,000
2012	1,435,000	2022	1,060,000
2013	2,565,000		
2014	2,625,000	2035 *	3,035,000
2015	2,695,000		

* Final maturity

The dates on which a Sinking Fund Installment shall be due shall be each date set forth above or, if any such date is not an Interest Payment Date, then the next succeeding Interest Payment Date.

Partial Redemption

If fewer than all of the outstanding Bonds of like maturity and bearing interest in the same Rate Mode and for the same Rate Period are to be redeemed, the Trustee shall select for redemption, by random means, using such method of selection as it deems proper in its discretion, the Bonds of such maturity, Rate Mode and Rate Period before selecting any other Bonds of such maturity, Rate Mode and Rate Period for redemption. Bonds optionally redeemed by the College shall be applied and credited to the earliest Sinking Fund Installments.

Notice of Redemption

Notice of any redemption shall be given by mailing a copy of such notice not less than fifteen (15) days or more than thirty (30) days prior to the redemption date. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books. The failure of any Holder of a Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds. If directed in writing by an Authorized Authority Representative, the Trustee shall also give such notice by publication thereof once in an Financial Journal, such publication to be not less than fifteen (15) days nor more than thirty (30) days prior to the redemption date; provided, however, that such publication shall not be a condition precedent to such redemption, and failure to so publish any such notice or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Bonds.

If payment of the Redemption Price is available on the Redemption Date, interest shall cease to accrue on redeemed Bonds from and after the Redemption Date.

THE ORIGINAL LIQUIDITY FACILITY

The following is a brief description of certain provisions of the standby bond purchase agreement that Wells Fargo Bank, National Association (the "Bank" or the initial "Liquidity Facility Provider") has committed to issue simultaneously with the delivery of the Bonds (the "Original Liquidity Facility"). Other provisions of the Original Liquidity Facility are described in other sections of this Official Statement, and definitions of terms used herein are as set forth in this Official Statement or otherwise as defined in the Indenture and the Loan Agreement. Neither the following description nor those descriptions contained elsewhere in this Official Statement are intended to be comprehensive or definitive. Reference is made to the Original Liquidity Facility for a complete recital of its terms.

The Original Liquidity Facility will be executed and delivered by and between the College and the Bank. Pursuant to the Indenture and the Loan Agreement, the College may replace the Original Liquidity Facility with a substitute Liquidity Facility or may elect to maintain Liquid Assets in lieu of a Liquidity Facility. "Liquidity Facility" refers to the Original Liquidity Facility or substitute Liquidity Facility then in existence. "Liquidity Facility Provider" refers to the Bank or its successors in the case of the Original Liquidity Facility or the issuer or its successors in the case of a substitute Liquidity Facility.

Pursuant to the Original Liquidity Facility, the Bank will agree to purchase Tendered Bonds on each Optional Tender Date and each Mandatory Tender Date, subject to the terms and conditions of the Original Liquidity Facility. Such agreement of the Bank is referred to and defined as the "Standby Purchase Commitment" of the Bank. The Standby Purchase Commitment of the Bank shall initially be in the aggregate amount of \$31,811,663, which consists of \$31,460,000 for principal and \$351,663 for up to 34 days of interest (at an assumed rate of 12% per annum computed on the basis of a 365-day year) of the purchase price of Tendered Bonds.

The Standby Purchase Commitment shall be permanently and automatically reduced by an amount equal to the sum of the principal amount of, plus 34 days' interest (at an assumed rate of 12% per annum) on, any Bonds which are paid, redeemed or discharged in full. Such reduction in the Standby Purchase Commitment will be evidenced by a Reduction Certificate to be delivered by the Trustee to the Bank in such event. The Standby Purchase Commitment shall also be reduced by the aggregate principal amount of Bank Bonds held by or for the

benefit of or registered in the name of the Bank plus an amount equal to 34 days interest thereon at an assumed rate of interest of 12% per annum. The Standby Purchase Commitment shall be automatically reinstated by (i) an amount equal to the sum of (a) the aggregate principal amount of any Bank Bonds for which the Bank has been paid the purchase price thereof pursuant to the Original Liquidity Facility, plus (b) an amount equal to 34 days interest thereon at an assumed rate of interest of 12% per annum, and (ii) an amount equal to the sum of (a) the aggregate principal amount of Bank Bonds which are sold by or on behalf of the Bank in the secondary market and not pursuant to the terms of the Remarketing Agreement, plus (b) an amount equal to 34 days interest thereon at an assumed rate of interest of 12% per annum.

The Bank's obligation to purchase Tendered Bonds on any Optional Tender Date or Mandatory Tender Date pursuant to the Original Liquidity Facility is subject to the satisfaction of the following conditions precedent:

- (i) not later than 1:00 P.M., New York City time, on each Optional Tender Date or the Mandatory Tender Date, as the case may be, the Bank shall have received from the Trustee Electronic Notice and confirmed in writing in the form of a duly completed and signed Purchase Notice specifying the principal amount of, plus accrued interest on, the Tendered Bonds to be purchased by the Bank on such Optional Tender Date or Mandatory Tender Date; and
- (ii) no Special Event of Default shall have occurred and be continuing on such Optional Tender Date or Mandatory Tender Date.

The Bank is required to honor its Standby Purchase Commitment by transferring the Purchase Price specified in the Purchase Notice in Dollars in same-day funds to the Trustee on such Optional Tender Date or the Mandatory Tender Date, as the case may be.

As stated above, the Bank shall have no obligation to purchase any Tendered Bonds on any Optional Tender Date or Mandatory Tender Date if a Special Event of Default shall have occurred and be continuing on such Optional Tender Date or Mandatory Tender Date. The term Special Event of Default is defined as the occurrence of either of the following events:

- (i) the College shall fail to pay, when due, any principal of or interest on the Bonds in accordance with the terms thereof and of the Indenture (other than such principal or interest which is part of the purchase price of any Tendered Bond and other than such principal and interest which is due and payable on any Bank Bonds in connection with a mandatory redemption thereof pursuant to the Indenture); or
- (ii) the College shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any present or future state or federal bankruptcy act or under any similar federal or state law, or shall be adjudicated a bankrupt or insolvent, or shall make a general assignment for the benefit of its creditors, or shall be unable to pay its debts generally as they become due; or if an order for relief under any present or future federal bankruptcy act or similar state or federal law shall be entered against the College; or if a petition or answer requesting or proposing the entry of such order for relief or the adjudication of the College as a debtor or a bankrupt or its reorganization under any present or future state or federal bankruptcy act or any similar federal or state law shall be filed in any court and not dismissed within thirty (30) days of the filing thereof; or if a receiver, trustee or liquidator of the College or of all or substantially all of the assets of the College shall be appointed in any proceeding brought against the College; or if the College shall consent to or acquiesce in such appointment; or if any property of the College shall be levied upon or attached or garnished in any proceeding; or the College shall be or become insolvent (whether in the equity or bankruptcy sense).

In addition, the Bank shall have the right to terminate the Standby Purchase Commitment if the long-term rating of the Bonds by Moody's shall be lower than Baa3 or shall be withdrawn by Moody's by giving written notice of such termination to the College, the Trustee, the Tender Agent and the Remarketing Agent, which termination shall be automatically effective upon the expiration of 40 days following the giving of such written notice without any requirement of any further notice to any Person.

The Original Liquidity Facility contains various representations, warranties and covenants of the College which have been made to and for the benefit of the Bank. No Bondholder is entitled or permitted to rely upon such warranties or representations or enforce any such covenants of the College.

In addition, the Original Liquidity Facility contains various Events of Default which permit the Bank, at its option, to exercise certain rights and remedies vis-a-vis the College, including, without limitation, the right to require the College to deposit cash and securities acceptable to the Bank with the Bank with, in certain circumstances, a then-current market value in an amount at least equal to 10% of the sum of (i) the Standby Purchase Commitment then in effect, plus (ii) the then-aggregate principal amount of Bank Bonds. Such deposit is required to be made within three Business Days of request therefor by the Bank to the College unless such Event(s) of Default are cured within such three Business Days. If the College fails to make any deposit of cash and securities with the Bank as and when required by the Original Liquidity Facility, then any Bank Bonds then outstanding shall be subject to mandatory redemption pursuant to the Indenture and the Bank may enforce collection and payment of any Bank Bonds then outstanding directly against the College or direct the Trustee to do so on behalf of the Bank.

Pursuant to the Original Liquidity Facility the College is required to purchase Bank Bonds from the Bank under certain conditions, including, without limitation, the requirement to purchase from the Bank at its request any Bank Bonds which have been held by the Bank for more than 60 days or if an Event of Default occurs. If the College fails to purchase all Bank Bonds as and when required by the Original Liquidity Facility, then such Bank Bonds shall be subject to mandatory redemption as provided in the Indenture and the Bank may enforce collection and payment of such Bank Bonds directly against the College or direct the Trustee to do so on behalf of the Bank.

The Standby Purchase Commitment of the Bank expires on April 12, 2006 unless such date is extended by the Bank.

The College has the right to terminate the Original Liquidity Facility and the obligations of the Bank thereunder if:

- (i) the Bank defaults in its obligations to buy Bonds pursuant to the Original Liquidity Facility after strict compliance with the conditions precedent thereto as set forth in the Original Liquidity Facility; or
- (ii) for any other reason.

If the College is terminating the Original Liquidity Facility pursuant to clause (i) or (ii) above, such termination shall not be effective until seven (7) days with respect to a termination pursuant to clause (i) and 20 days pursuant to a termination pursuant to clause (ii) after written notice of such termination is given to the Bank, the Tender Agent, the Trustee and the Remarketing Agent or the effective date of any substitute Liquidity Facility or election by the College to maintain Liquid Assets in lieu of a Liquidity Facility, whichever first occurs, and then only if as of such Termination Date no amounts due under the Original Liquidity Facility from the College to the Bank are outstanding and the Bank does not hold any Bank Bonds.

Pursuant to the Indenture, the Bonds are subject to mandatory tender in the event the Original Liquidity Facility is terminated by the Bank or the College as described herein.

The Original Liquidity Facility is an agreement between the College and the Bank. Thus, the College is the only party entitled to enforce the Original Liquidity Facility against the Bank. Accordingly, the College is the only party entitled to require the Bank to purchase Tendered Bonds on any Optional Tender Date or Mandatory Tender Date. The rights of the College under the Original Liquidity Facility have not been pledged or assigned to the Trustee, the Bondholders or any other party. Accordingly, neither the Trustee nor any Bondholder(s) nor any other party is entitled or permitted to enforce the Original Liquidity Facility against the Bank.

USE OF PROCEEDS

The Project

Proceeds of the Bonds will be used to:

1. construct and furnish a townhouse for student occupancy;
2. acquire real estate parcels near the College campus for purposes related to the educational mission of the College;
3. refinance the Authority's outstanding Series Three-L1 Bonds issued on behalf of the College in the principal amount of \$10,000,000;
4. refinance the 2008 through 2018 maturities of the Authority's Series Four-N Bonds issued on behalf of the College in the principal amount of \$16,670,000; and
5. pay issuance costs.

The Refunding

The Series Three-L1 Bonds have a final maturity date of November 1, 2012 and are callable in full on any Interest Payment Date at a price of par plus interest accrued to the redemption date. The Refunded Series Three-L1 Bonds will be fully redeemed from the Series Three-L1 Escrow Fund on or about May 1, 2006 at a price of par plus interest to the redemption date. See "USE OF PROCEEDS – Escrow Funds."

The Series Four-N Bonds have a final maturity date of November 1, 2018 and are callable in full on any date beginning November 1, 2007 at a price of par plus interest accrued to the redemption date. The College will pay from its own funds the principal amount of the Series Four-N Bonds that mature on November 1 in the years 2005, 2006 and 2007 in the aggregate amount of \$2,845,000 plus the interest accruing on such Series Four-N Bonds to and including November 1, 2007. The remaining Series Four-N Bonds maturing on November 1, 2008 and thereafter will be fully redeemed from the Series Four-N Escrow Fund on or about November 1, 2007 at a price of par plus interest to the redemption date. See "USE OF PROCEEDS – Escrow Funds."

Escrow Funds

At the Issue Date, a portion of the Bond proceeds will be deposited in the Series Three-L1 Escrow Fund and the Series Four-N Escrow Fund (the "Escrow Funds") created under separate Escrow Agreements among the College, the Authority and Wells Fargo Bank, National Association, as Escrow Agent. The Series Three-L1 Escrow Fund and the Series Four-N

Escrow Fund will be funded with cash and U.S. Treasury securities sufficient, along with earnings thereon, to provide for the payment of interest due on the Refunded Series Three-L1 Bonds on May 1, 2005 through May 1, 2006 and the principal amount of the Refunded Series Three-L1 Bonds on May 1, 2006 as described above and for the payment of the interest due on the Refunded Series Four-N Bonds on May 1, 2005 through November 1, 2007 and the principal amount of the Refunded Series Four-N Bonds on November 1, 2007.

McGladrey & Pullen, LLP, Certified Public Accountants, will deliver an independent verification report stating that the cash and investments held pursuant to the Escrow Agreements along with interest earned thereon will be sufficient to pay the principal of and interest on the Refunded Series Three-L1 Bonds and the Refunded Series Four-N Bonds as described above and to pay the redemption price of such bonds on their respective redemption dates. 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.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds together with other moneys are expected to be used as follows:

Sources of Funds

Par amount of the Bonds	\$31,460,000
Total Sources	<u>\$31,460,000</u>

Uses of Funds

Escrow Deposits:	
Refund Series Three-L1	\$10,501,869
Refund Series Four-N	17,621,630
Construction of student townhouse	1,300,000
Real estate acquisition	1,700,000
 Issuance Costs*	 <u>336,501</u>
Total Uses	<u>\$31,460,000</u>

* includes Underwriter's discount of \$125,726 and additional proceeds of \$3,816

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

SOURCE OF PAYMENT AND SECURITY FOR THE BONDS

Payment of the Bonds

The Bonds will be special obligations of the Authority. The principal, Sinking Fund Installments, if any, Purchase Price and Redemption Price of and interest on the Bonds are payable solely from Loan Repayments, which consist of payments to be made by the College pursuant to the Loan Agreement on account of the principal, Sinking Fund Installments, if any, Purchase Price

and Redemption Price of and interest on the Bonds. The Loan Repayments have been pledged to the Trustee for the benefit of the Bondholders.

The Loan Agreement is a general obligation of the College to make payments to satisfy the principal and Sinking Fund Installments, if any, of and interest on the Bonds. The College will agree pursuant to the terms of the Loan Agreement and the Indenture to make such payments out of its operating funds or any other moneys legally available.

Payments by the College in respect of Bond interest are to be made on or before each Interest Payment Date in an amount equal to the interest coming due on the next succeeding Interest Payment Date. Payments by the College in respect of principal and Sinking Fund Installments are to be made on or before the next succeeding principal payment date. The Loan Agreement also requires the College to pay, no less than fifteen (15) days prior to a redemption date of Bonds called for redemption, the amount required to pay the Redemption Price of such Bonds. The Loan Agreement also requires the College to pay the purchase price of Bonds tendered for purchase and not remarketed or remarketed at less than the principal amount thereof and which is not to be paid from moneys to be made available pursuant to a Liquidity Facility.

Pursuant to the Loan Agreement, the College will make such payments directly to the Trustee. The Trustee is to apply such payments to the payment of the principal of and interest on the Bonds.

Security for the Bonds

The Bonds will be secured by the Loan Repayments described above to be made under the Loan Agreement and all funds and accounts established under the Indenture (with the exception of any fund or account established for the payment of the purchase price or redemption price of Option Bonds tendered for purchase or redemption). The College will covenant and agree to charge tuition fees, other fees, rentals and charges which, together with the College's 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; except that no contributions or pledges of gifts to the College in connection with any current capital fund drive are pledged to the payment of Loan Payments.

Liquidity Facility

Simultaneously with the issuance of the Bonds, the College will enter into a standby bond purchase agreement with Wells Fargo Bank, National Association (the "Bank") under which the Bank will agree to purchase at par plus accrued interest any Bonds which have not been successfully remarketed by the Remarketing Agent. The amount of the Bank's commitment to purchase Bonds will initially be equal to the original aggregate principal amount of the Bonds plus 34 days interest at the Maximum Rate of 12%. The commitment will be reduced to the extent that the aggregate principal amount of Bonds outstanding is less than the original aggregate principal amount, plus interest on the difference calculated as described in this paragraph. Bonds so purchased by the Bank will bear interest equal to the Purchased Bond Rate defined in the Indenture. The Liquidity Facility has an initial expiration date of April 12, 2006, but may be extended at the College's request and with the Bank's consent for additional periods, each not to exceed one year.

For further information on the Bank, see Appendix VI, "Wells Fargo Bank, National Association."

Substitute Liquidity Facility

Subject to the terms and conditions of the Liquidity Facility and the Indenture, the College may replace the Liquidity Facility with a substitute Liquidity Facility or may elect to maintain Liquid Assets in lieu of a Liquidity Facility as set forth below. Any substitute Liquidity Facility must provide money at the times and in the amounts described in the Indenture. Prior to the substitution of a Liquidity Facility, the Tender Agent, the Authority and the College shall receive (i) an opinion of the new Liquidity Facility provider's counsel that such substitute Liquidity Facility constitutes a legal, valid and binding obligation of such provider, and (ii) an opinion of Bond counsel that the substitution does not affect the exclusion from gross income of interest on the Bonds.

Any Liquidity Facility shall meet the requirements of the Indenture, including but not limited to the following:

- A minimum initial term of 364 days.
- The Liquidity Facility provider shall be required to give the Trustee notice of non-renewal of the Liquidity Facility not less than 3 days prior to the date the Trustee is required to give Bondholders notification to tender the Bonds as a result of non-renewal of the Liquidity Facility.

Bonds shall be subject to mandatory tender upon the effective date of any substitute Liquidity Facility or election to maintain Liquid Assets in lieu of a Liquidity Facility.

Notwithstanding the foregoing, in lieu of maintaining a Liquidity Facility, the College may maintain Liquid Assets, as defined in the Indenture, in such amount as may be necessary, in the reasonable opinion of the College, to assure the marketability of such Bonds. If the College elects to maintain Liquid Assets, it shall notify the Trustee and the Remarketing Agent, and shall provide to the Trustee (i) an opinion of Bond Counsel to the effect that maintaining such Liquid Assets as proposed by the College will not adversely affect the exemption of the interest on the Bonds from federal income taxation and (ii) confirmation of any Rating Agency then rating the Bonds that the College's maintenance of Liquid Assets in lieu of maintaining a Liquidity Facility as provided will not adversely affect the rating then in effect with respect to the Bonds. See also "THE BONDS – Tender Provisions – Mandatory Tender – Conversion Related to Liquidity Facility."

Events of Default and Acceleration

The following are events of default under the Indenture:

- (a) If payment of the principal or Redemption Price 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 this Indenture, or in any indenture supplemental hereto on the part of the Authority to be performed, and such default shall have continued for a period of sixty (60) days after written notice, specifying such default and requiring the same to be remedied, shall have

been given to the Authority and to the 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; or
- (e) If there is a default in the due and punctual payment of the Purchase Price of Bonds required to be purchased pursuant to Section 4.01 or Section 4.02 hereof when payment of such amount has become due and payable; or
- (f) If the College fails during any Daily Rate Period, any Weekly Rate Period, any Commercial Paper Rate Period, any Indexed Put Rate Period or any Term Rate Period of five years or less, to maintain a Liquidity Facility meeting the requirements of the Indenture.

The Indenture provides that, if an event of default under (a), (b) or (e) above occurs, the Trustee shall 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 immediately due and payable, subject to the right of the Holders of a majority of the outstanding Bond principal to annul such declaration.

The Indenture provides that, if an event of default under (c), (d) or (f) above occurs, the Trustee, upon written request of the Holders of a majority of the outstanding Bond principal 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 immediately due and payable, subject to the right of the Holders of a majority of the outstanding Bond principal to annul such declaration by written notice to the Authority and to the Trustee.

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

General

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.

ACCOUNTS

Summary

The Indenture will provide that the Escrow Agent for the Series Three-L1 Bonds will receive a portion of the proceeds from the sale of the Bonds in an amount sufficient, when added to amounts held by the Series Three-L1 Trustee in the Series Three-L1 Bond Account and

including investment earnings from the date of deposit through the redemption date, to pay the interest through May 1, 2006 and the redemption price of all of the then outstanding Series Three-L1 Bonds.

The Indenture will provide that the Escrow Agent for the Series Four-N Bonds will receive a portion of the proceeds from the sale of the Bonds in a amount sufficient, and including investment earnings from the date of deposit through the redemption date, to pay the interest and the redemption price on November 1, 2007 of all of the Series Four-N Bonds maturing on November 1, 2008 and thereafter.

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 under the Loan Agreement are to be deposited. These accounts include a Construction Account and a Bond and Interest Sinking Fund Account. The net proceeds of original issue and sale of the Bonds after the deposits to the Escrow Funds described above are to be deposited into the Construction Account. Following issuance of the Bonds, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds when due.

In addition to the Trustee-held accounts described above, the Indenture will provide for a fund to be held by the Tender Agent, designated the Purchase and Remarketing Fund.

Construction Account

There shall be deposited initially into the Construction Account the proceeds of the Bonds net of the deposits to the Escrow Funds described above. In addition, the College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of the College's available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds (principal less original issue discount). 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, as evidenced by a certificate to that effect signed by the Project Supervisor, any balance in the Construction Account shall be deposited to the Bond and Interest Sinking Fund Account.

Bond and Interest Sinking Fund Account

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

Authorized Investments

Moneys on deposit to the credit of the Construction Account and the Bond and Interest Sinking Fund Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, rated at least in the rating category of "AA" or "Aa"; revenue bond obligations of states and local governments insured by municipal bond

insurance and rated “AAA” or “Aaa”; money market funds, mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements collateralized by United States government obligations and certain of its agencies; constant dollar value money market funds that invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements collateralized by United States government obligations and certain of its agencies and which are rated in the highest rating category by a national rating agency; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least 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. The Indenture sets forth further restrictions as to type and maturity of investments.

Monies deposited with the Escrow Agent will be invested pursuant to the investment requirements contained in the Escrow Agreements.

Purchase and Remarketing Fund

The Purchase and Remarketing Fund shall contain the following accounts: (i) the Purchase Account, (ii) the Remarketing Proceeds Account and (iii) the Available Moneys Account. All amounts received by the Tender Agent from a Remarketing Agent representing the proceeds from the remarketing of Tendered Bonds shall be deposited in the Remarketing Proceeds Account and shall be used only for the payments of the Purchase Price of Tendered Bonds. All amounts derived from a drawing on a Liquidity Facility to pay the Purchase Price of Tendered Bonds shall be deposited in the Purchase Account and used only for the payment of the Purchase Price of Tendered Bonds. All other Available Moneys to be applied to the payment of the Purchase Price of Tendered Bonds shall be deposited in the Available Moneys Account and used only for the payment of the Purchase Price of Tendered Bonds.

Neither the Purchase Account nor the Remarketing Proceeds Account nor the moneys derived from the remarketing of Tendered Bonds or from the Liquidity Facility from time to time on deposit therein is pledged to or secures payment of the interest on or principal, Redemption Price or, except as expressly provided in the Indenture, the purchase price of any Bonds. The Purchase Account, the Remarketing Proceeds Account and the moneys derived from the remarketing of the Bonds or from a Liquidity Facility on deposit therein are pledged to secure payment of the Purchase Price of Tendered Bonds. Amounts in the Purchase Account and the Remarketing Proceeds Account shall be held separate and apart from and not be commingled with amounts held in any other fund or account established under the Indenture or with any other moneys of the Authority, the Tender Agent or the Trustee. The moneys in such accounts within the Purchase and Remarketing Fund shall be held uninvested.

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 FINANCINGS

The College regularly improves, expands and changes its physical plant and incurs long-term financing as needed for these purposes. The College does not anticipate financing any other such projects with debt within the next six 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 Higher Education Services Office and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

Marianne T. Remedios has been the Executive Director of the Authority since May 1, 2000.

Elaine J. Yunkerberg 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 146 issues (including refunded and retired issues) totaling over \$1 billion, of which approximately \$648 million is outstanding as of March 1, 2005. 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.

A bill has been introduced in the Minnesota Senate and in the Minnesota House of Representatives that would transfer the assets, contractual obligations (including bonds), powers and responsibilities of the Authority to the Higher Education Services Offices ("HESO"), a state agency. If enacted in its present form, the merger will be effective July 1, 2005 and HESO will be the legal successor to the Authority.

FINANCIAL ADVISOR

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

UNDERWRITING

The Bonds are being purchased by Morgan Stanley & Co. Incorporated as Underwriter. The Underwriter has agreed to purchase the Bonds at a purchase price of \$31,334,274.20.

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 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 hereof, Moody's Investors Service ("Moody's") has assigned a short-term rating of "VMIG1" to the Bonds, conditioned on the issuance of the Liquidity Facility by the Bank simultaneously with the delivery of the Bonds. Moody's has also assigned an underlying rating of "Aa2" based on the stand-alone credit strength of the College. The ratings reflect only the view of such rating agency. Further information concerning the ratings is available from Moody's.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that either rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the College are not aware of any pending or threatened litigation which would affect the validity of or the tax-exempt nature of the interest on the Bonds or materially affect the ability of the College to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption of Best & Flanagan LLP, Minneapolis, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the College by Briggs and Morgan, P.A., Saint Paul and Minneapolis, Minnesota, for the Underwriter by Dorsey & Whitney LLP, Minneapolis, Minnesota, and for the Bank by Faegre & Benson LLP, Minneapolis, Minnesota.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed in the opinions. By rendering a legal opinion, the opinion giver does not undertake to insure or guarantee that expression of legal judgment, the transaction opined upon or the future performance of the parties to the transaction. In addition, rendering an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX EXEMPTION

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

The Loan Agreement and 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.

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

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

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.

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 Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income, for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE COLLEGE

Carleton College (the “College”) was founded by the Minnesota Conference of Congregational Churches, under the name of Northfield College, on November 14, 1866. Preparatory school classes began in September, 1867, but it was not until 1870 that the College formed its first college class and began construction of the first on-campus building. Church control ended after one year and the College became and remains autonomous and non-sectarian.

By the fall of 1871, the name of the College had been changed to honor an early benefactor, William Carleton of Charlestown, Massachusetts, who bestowed a gift of \$50,000 on the struggling young college. At the time, it was the largest single contribution ever made to a western college, and it was made unconditionally, with no requirement that the name of the College be changed.

The College has always been co-educational. The original graduating class in 1874 was composed of one man and one woman who followed similar academic programs. Carleton's current enrollment of approximately 1,900 continues to include nearly equal numbers of men and women.

Governance

The College is governed by the Board of Trustees currently comprised of 43 voting members. The Board is self-perpetuating through a nominations and recommendations process coordinated by the Committee on Trustee Affairs.

Trustees serve four-year terms and are elected by the Board. The terms are staggered so that the terms of approximately one-fourth of the Trustees end each year. Board members may be reelected. If a vacancy on the Board occurs, the term of the Trustee elected to fill the vacancy is the balance of the unexpired term.

The President of the Alumni Association and the Chair of the Alumni Annual Fund are each *ex officio* members of the Board of Trustees with all of the rights, duties and privileges of a Trustee except that of voting and attending executive sessions of the Board.

Officers of the Board consist of the Chair and one or more Vice Chairs, who are elected for terms of one year, and the President of the College, the Treasurer, and the Secretary, whose terms are determined by the Board.

The Board normally meets three times a year (fall, winter, and spring), with the annual meeting for the election of Trustees and officers in the spring (May). Dates are set by the Board at the convenience of the Trustees. Special meetings may be called at the discretion of the Chair. One-third of the membership of the Board constitutes a quorum for the transaction of business at any regular or special meeting. The Executive Committee performs duties of the Board between Board meetings.

The Board of Trustees is responsible for policymaking. The Board does not involve itself in the day-to-day operations of the College. The President of the College, as the Board's Chief Executive Officer, is responsible for the general active management of the College on a day-to-day basis. The faculty, with the assistance of a standing committee chaired by the Dean of the College, formulates educational policy.

The officers of the College are the President, Vice President and Treasurer, and Dean of the College.

Board of Trustees

Officers:

Chair	Michael H. Armacost '58, H '89
Vice-Chair	Jack W. Eugster '67, P '02
Vice-Chair	Martha H. Kaemmer '66, P '95
Vice-Chair	John H. Roe III
President	Robert A. Oden, Jr.
Secretary	Kristine A. Cecil '84
Treasurer	Frederick A. Rogers '72

Members:

Michael H. Armacost '58, H '89	Shorenstein Distinguished Fellow, The Asia/Pacific Research Center Stanford, California
Carol A. Barnett '86	Vice President, Gastroenterology and Urology, Medtronic, Inc Shoreview, Minnesota
Emily Barr '80	President and General Manager, WLS Television, ABC Inc. Chicago, Illinois
Patricia M. Beilman '78	New York, New York
William M. Bracken '63	Director, Northco Corporation Minneapolis, Minnesota
Thomas G. Colwell '52	Chairman Colwell Industries Inc. Minneapolis, Minnesota
William C. Craine '70 P '00	Chair, Granite Capital Holdings and BSB Bancorp Sherburne, New York
Beth Boosalis Davis '70	Attorney Evanston, Illinois
Nancy Pellowe Dennis '84	Dallas, Texas
David M. Diamond '80	President, David Diamond Associates New York, New York
Arnold W. Donald '76 P'02	Chair, Merisant Clayton, Missouri
Jack W. Eugster '67 P'02	Chair, Shopko Stores Excelsior, Minnesota
William A. Feldt '61, P '87	Retired President and CEO, Flohr Metal Fabricators Federal Way, Washington
Printice L. Gary '68	CEO, Carleton Residential Properties Dallas, Texas

Carlos R. Gonzales '77	Physician, Patagonia Family Health Center Patagonia, Arizona
Louise E. Heffelfinger '54	Therapist, Private Practice, Retired Minneapolis, Minnesota
Martha H. Kaemmer '66	Managing Partner, HRK Group; Owner, Cooks of Crocus Hill St. Paul, Minnesota
Leslie B. Kautz '80	Principal, Angeles Investment Advisors LLC Santa Monica, California
Richard R. Kracum '76 P'07	Managing Director, Wind Point Partners Chicago, Illinois
Howard S. Kushlan '00	Principal, AK&H Group Miami Beach, Florida
John W. Larson '60, P'92, P'93	Private Investor Atherton, California
Keith A. Libbey '59, P'88, P'91	Chairman Emeritus, Frederickson & Bryon, P.A., Minneapolis, Minnesota
Charles W. Lofgren '62, P'86, P'87	President and Vice Chair, ADE, Inc. Chicago, Illinois
Leo K. Lum '69, P'98	President and CEO, 1868 Associates San Francisco, California
Marilyn McCoy	Vice President, Administration and Planning, Northwestern University Evanston, Illinois
Polly Nason McCrea '62	Long Lake, Minnesota
The Reverend Earl A. Neil '57	Retired Episcopal Priest Washington, DC
Robert A. Oden Jr.	President, Carleton College Northfield, Minnesota
Catherine James Paglia '74	Director, Enterprise Asset Management New York, New York
Lawrence Perlman '60, P'89	Chair, Arbitron Inc.; Retired Chair and CEO, Ceridian Minneapolis, Minnesota
Margaret Ann Towsley Riecker '54	Midland, Michigan
John H. Roe III	Chairman and Chief Executive Officer, Bemis Company, Inc. Minneapolis, Minnesota.
Margaret E. Roggensack '76	Washington, DC
Heidi A. Schneider '79	Attorney, Flynn, Gaskins & Bennett LLP Minneapolis, Minnesota

Jack W. Schuler P'97	Chair, Stericycle and Ventana Medical Systems Lake Forest, Illinois
Ruby A. Sheets '02	Rotary Scholar 2004 Brooklyn, New York
Eugene C. Sit	Chairman, Chief Executive Officer and Chief Investment Officer, Sit Investment Associates, Inc. Minneapolis, Minnesota
Caesar F. Sweitzer '72, P'02,P'06	Managing Director, Citigroup Global Markets, Inc. New York, New York
Garrick Utley '61, H '79	President, Neil D. Levin Graduate Institute of International Relations and Commerce of SUNY; Journalist New York, New York
Wallace R. Weitz '70 P'96, P'99, P'02	President, Wallace R. Weitz & Co. Omaha, Nebraska
Justin B. Wender '91	Senior Managing Director and Chief Investment Officer, Castle Harlan, Inc. New York, New York
Sidney Carne Wolff '62, H '85	Astronomer, National Optical Astronomy Observatory Tucson, Arizona
Katherine Werness Youngblood '57, P'81	Retired Account Executive, Zenger Miller Minneapolis, Minnesota

International Advisors

Dorothy H. Broom '66	Senior Fellow, National Centre for Epidemiology and Population Health, Australian National University Canberra, Australia
Hiroshi Fukuda H'96	Supreme Court Justice, The Supreme Court of Japan, Tokyo, Japan
John D. Winter '85	European Head – Investment Banking and Debt Capital Markets, Barclays Capital London, England

H – Honorary Degree from Carleton
P – Parent of Carleton Student

President

Robert A. Oden, Jr. became President of the College on July 2, 2002. Dr. Oden is a native of South Dakota. He earned a bachelor's degree magna cum laude and Phi Beta Kappa from Harvard College. He attended Cambridge University as a Marshall Scholar, earning a second bachelor's degree and a master's degree before returning to Harvard to complete a master's of theology and a Ph.D. in Near Eastern languages and literatures. From 1972 to 1989, he was a member of the religion faculty at Dartmouth College and was the recipient of Dartmouth's first Distinguished Teaching Prize. Dr. Oden served as headmaster of The Hotchkiss School, a private secondary school, from 1989 to 1995 and as President of Kenyon College from 1995 until 2002.

Dr. Oden has focused his research on Biblical literature, the ancient Near East and comparative religions. He is a widely-published author of articles and books, and has lectured at educational and academic institutions and academic meetings across the country and abroad.

Dr. Oden has been a member of the Boards of the Columbus Academy in Columbus, Ohio, the Great Lakes Colleges Association, the North Coast Athletic Conference and The Ohio Five. He has been a trustee of The American University in Cairo, Egypt, since 1990.

Vice President and Treasurer

Frederick A. Rogers began his tenure as the College Vice President and Treasurer on August 30, 2004. Mr. Rogers graduated from Carleton with a B.A. in mathematics and went on to earn his M.S. with distinction from the School of Urban and Public Affairs, now the Heinz School of Public Policy and Management, at Carnegie Mellon University. Mr. Rogers began his career in planning at Carnegie Mellon in 1974 where he was appointed vice president for business affairs and chief financial officer in 1981. He joined Cornell University in 1990, where he served as vice president for finance and treasurer and subsequently as senior vice president and chief financial officer. Mr. Rogers has used his background in public policy to work with both the Pittsburgh and Ithaca communities on issues of economic development, finding and implementing ways in which those universities might foster regional development.

In 30 years of experience in higher education, Mr. Rogers has been active in professional organizations that include the National Association of College & University Business Officers (NACUBO), serving as chairman of its financial management committee, the Eastern Association of College and University Business Officers (EACUBO), serving as a board member and treasurer, and as a board member and chairman of the Council of Government Relations (COGR). Mr. Rogers has also done consulting with the Commonfund and other institutions of higher education and is the Director of the Cornell/EACUBO Administrative Management Institute. He is also serving his third three-year term as a trustee of the Lebanese American University.

Vice President for External Relations and Secretary

Kristine A. Cecil began her role as Vice President for External Relations for the College on November 1, 2003, building on her 21 year career in fund raising for higher education and the arts.

Ms. Cecil graduated from Carleton with a B.A. in international relations. She began her career in fund raising at Vanderbilt University in Nashville, Tennessee where she was employed from 1984 to 1987; followed by serving as Director of Capital programs at Hamline University in Saint Paul, Minnesota from 1987 to 1992. In 1992 Ms. Cecil returned to the College as Executive Director of the Alumni Annual Fund and later as Director of Development. Ms. Cecil left the

College in 2001 and worked at The Minneapolis Institute of Arts as Director of Development until her return to the College as Vice President.

Dean of the College

Shelby J. Boardman, Charles L. Denison Professor of Geology, has held the position of Dean of the College since July 2002. Previously he had served as Associate Dean of the College from 1994-98 and Acting Dean of the College in 1997. Professor Boardman came to Carleton in 1971 after receiving a Ph.D. in geology and an M.S. in economic geology from the University of Michigan. He received a B.A., with honors in geology, from Miami University, Ohio in 1966.

Professor Boardman served as Geology Department Chair from 1977-1983, was the Associate Director and Director of the Associated Colleges of the Midwest Geology in the Rockies Program in 1978 and 1980. Professor Boardman's current and former professional affiliations include the American Association for the Advancement of Science, the Geological Society of America (Fellow), the Council on Undergraduate Research, The Society of Sigma Xi, the American Geophysical Union, the American Mineralogical Society, and the National Association of Geoscience Teachers.

Professor Boardman has been elected to College Council and served on numerous college committees. During his term as Associate Dean, he co-authored Carleton's Assessment Plan for Student Academic Achievement, prepared for the North Central Association of Colleges and Schools (NCA). He also prepared Carleton's self-study for the College's NCA reaccreditation review and served as Chair of the 21st Century Committee, which produced the planning agenda for Carleton for the first decade of the new century.

The Campus

The College's 900 acres of campus, arboretum, and athletic fields are situated on the northern boundary of Northfield, Minnesota. This attractive rural community has a population of about 17,000 and is located about 40 miles south of the Twin Cities of Minneapolis and St. Paul.

The single original building (Willis Hall) completed in 1872 on a ten-acre parcel has been joined by 44 others, including 12 academic facilities, nine on-campus residence halls, nine student apartment houses, four recreation and athletic facilities, a library, a chapel, an observatory and a campus center.

Approximately 1,630 students live in College-owned housing, including all first-year students and sophomores for whom campus residence is required.

Accreditation and Affiliations

Accredited by several associations, including the North Central Association of Colleges and Secondary Schools (since 1913), Carleton offers the Bachelor of Arts degree.

Among the academic honor societies with chapters on the campus are Phi Beta Kappa and Mortar Board, scholastic honor societies; Sigma Xi, science honor society; and Pi Delta Epsilon and Pi Mu Epsilon for journalism and mathematics, respectively.

Student Enrollment

Below is the total FTE student enrollment for the past five years.

2000-01	1,902
2001-02	1,922
2002-03	1,908
2003-04	1,927
2004-05	1,932

Student enrollment for the 2005-2006 school year is estimated to be approximately 1,900.

Marketing

Carleton's marketing efforts include (1) direct contact with potential students by the admissions office, (2) contact with state, regional and national media, (3) continuing contact with high school counselors and college advisors, (4) special efforts toward national visibility in coordination with a national college public relations firm, (5) promotion of faculty regionally and nationally as experts in their fields, and (6) cultivation of support by an alumni, parent and donor network of more than 26,000 people.

Applications, Acceptances and Enrollments

Freshmen

<u>Year</u>	<u>Applicants</u>	<u>Acceptances</u>	<u>Matriculants</u>	<u>Acceptance Ratio</u>	<u>Matriculation Ratio</u>	<u>Median SAT Score</u>
2000	3,643	1,604	473	44.0%	29.5%	1370
2001	4,065	1,511	516	37.2%	34.1%	1370
2002	4,170	1,455	502	34.9%	34.5%	1370
2003	4,737	1,414	488	29.9%	34.5%	1389
2004	4,898	1,401	487	28.6%	34.8%	1390

To the date of this Official Statement, the College has received over 5,000 applications for the 2005-06 school year.

Student Retention

Since Fall semester 2000, the percentage of Freshmen returning to the College for their second year has exceed 95%.

Overlap Acceptance Institutions

The College's research finds that candidates for admission to Carleton also frequently apply to the following institutions: Williams College, Yale University, Macalester College, Washington University, Brown University, Amherst College, Grinnell College, Swarthmore College, Harvard College, and Pomona College.

Geographic Distribution of Entering Freshmen

For the fall of 2004, the geographic distribution of entering freshmen is as follows:

Minnesota	130
Illinois	40
Wisconsin	28
California	25
Washington	22
New York	20
Massachusetts	20
Oregon	11
Other States	161
Foreign Countries	<u>30</u>
Total	487

Tuition and Fees (per student)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Tuition and Fees	\$ 25,371	\$ 26,745	\$ 28,362	\$ 30,501	\$32,460
Room	2,280	2,403	2,547	2,739	3,738
Full Board	2,970	3,132	3,321	3,570	4,080
Fees	<u>159</u>	<u>165</u>	<u>165</u>	<u>165</u>	<u>189</u>
Total	\$ 30,780	\$ 32,445	\$ 34,395	\$ 36,975	\$ 40,467

Faculty and Staff

The student-faculty ratio for 2004-2005 is approximately 10 to 1. The College subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

Faculty and Staff 2004-2005

Regular Faculty - Tenured	114
Regular Faculty - Tenure Track	51
Regular Faculty - Non-Tenured	11
Administrative Staff, adjunct and visiting faculty	<u>605</u>
Total	781

Of the regular faculty, 175 or 99.4% hold Ph.D.s or terminal degrees in their field, three hold Master's degrees and one (Physical Education Department) holds a Bachelor of Arts degree.

Pensions

The College has one contributory defined contribution retirement plan for academic and non-academic personnel. Contributions are based on a percentage of compensation. The cost of the retirement plan is paid currently and amounted to \$4,086,403 for the Fiscal Year ended June 30, 2004.

Unions

The International Union of Operating Engineers, Local 70, represents regular full-time and part-time maintenance, grounds and custodial employees working at Carleton College. The bargaining unit is made up of approximately 130 employees, of which 55 are employees of Sodexo Marriott Services Corporation. The current contract expires June 30, 2006. This is the only bargaining unit at the College.

Financial Aid

The College's admissions and financial aid programs are designed to enable qualified students to attend the College, regardless of financial circumstances. Students receive financial aid from loans, employment, government sources and College funds.

The College awarded scholarships to 65% of the College's students from endowments, gifts and general revenues in the 2003-04 academic year.

Endowment and Annuity and Life Income Funds

Following is a five-year history of the ending market value of the College's Endowment, Annuity and Life Income Funds (in thousands of dollars).

	(A)	(B)	(A) + (B)	
	<u>Endowment</u>	<u>Funds functioning as endowment</u>	<u>Total Endowment</u>	<u>Annuity and Life Income</u>
1999/00	\$ 473,608	\$ 206,979	\$ 680,587	\$ 43,385
2000/01	375,833	167,623	543,456	41,786
2001/02	312,278	145,210	457,488	39,332
2002/03	308,808	143,075	451,883	39,497
2003/04	351,608	159,592	511,200	48,446

The College's financial goal for its Endowment Funds is to preserve their inflation-adjusted purchasing power, after accounting for investment returns, spending and inflation, but excluding gifts.

The College's Endowment Funds are managed by external investment managers who are selected and monitored by the Investment Committee of the Board of Trustees with assistance from the Office of the Vice President and Treasurer. The total fair market value of Carleton's Endowment Funds at December 31, 2004 was \$535,034,000 (unaudited). For the same period, the fair market value for annuity and life income funds totaled \$52,228,000 (unaudited).

Gifts and Grants

The following table reports gifts and grants revenues received for the past five years (in thousands of dollars):

Year:	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Unrestricted	\$ 8,286	\$ 10,956	\$ 11,907	\$ 9,879	\$ 8,337
Temporarily restricted	1,791	8,613	7,612	2,604	6,297
Permanently restricted	14,019	7,621	9,742	8,897	6,070
Totals per financial statements:	24,096	27,190	29,261	21,380	20,704

Fundraising

Since 1997 Carleton College has successfully raised more than \$20 million annually, adding resources to the endowment as well as providing significant operating revenue. During the past four years completed bequests and life income gifts have averaged \$5.7 million, and over the same period new life income gifts have averaged \$14.1 million. During Fiscal Year 2005, capital, annual, and deferred gifts are expected to exceed \$20 million.

Independent Accountants

The financial statements as of June 30, 2004 and for the year then ended, included in Appendix V of this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein.

Statement of Financial Activity for Fiscal Years 2000 through 2004

The following table sets forth the College's Statement of Unrestricted Activities and Change in Unrestricted Net Assets for the Fiscal Years ended June 30, 2000 through 2004.

(The Balance of This Page Has Been Intentionally Left Blank)

Carleton College
Statement of Unrestricted Activities and Change in Unrestricted Net Assets
Year Ended June 30

	2000	2001	2002	2003	2004
Resources and other additions					
Tuition and fees	\$ 44,420,686	\$ 46,489,354	\$ 49,339,508	\$ 51,490,840	\$ 55,131,371
Room and board	6,902,526	7,120,675	7,733,076	8,185,403	8,641,529
Scholarships	(11,516,646)	(12,539,138)	(14,178,492)	(15,485,440)	(17,545,615)
Net student fees	39,806,566	41,070,891	42,894,092	44,190,803	46,227,285
Private gifts and pledges	7,457,249	10,067,156	10,927,945	9,185,841	7,578,052
Government reimbursements	829,133	888,888	979,227	693,325	758,976
Interest and dividends	3,945,342	4,450,475	2,018,105	1,936,552	2,300,131
Net realized gain (loss)	71,962,627	(812,510)	(46,165,567)	(54,944,096)	41,042,974
Net unrealized gain (loss)	34,001,875	(126,449,167)	(22,749,691)	26,998,153	9,932,325
Net change in split interest	-	-	-	-	-
Bookstore, rents and other	3,423,182	3,144,503	3,238,839	3,601,756	3,849,271
Subtotal revenue	161,425,974	(67,639,764)	(8,857,050)	31,662,334	111,689,014
Net assets released from restrictions	25,850,346	23,167,365	22,090,636	25,821,678	25,218,576
Total revenues and other additions	187,276,320	(44,472,399)	13,233,586	57,484,012	136,907,590
Expenses					
Instruction	29,984,966	33,210,953	34,340,717	36,046,717	36,233,494
Academic support					
Library	3,489,731	3,828,292	4,082,009	4,013,043	4,003,464
Other	3,992,653	4,007,305	6,999,369	5,758,649	5,742,688
Student services	8,774,888	11,466,068	12,789,009	12,383,812	11,838,725
Institutional support					
Administration	2,951,340	3,228,253	3,672,696	3,895,500	4,170,538
External relations	2,991,312	3,082,674	3,313,808	3,647,005	3,099,507
Fund raising	2,695,191	2,899,616	3,233,961	3,204,112	3,247,164
General	4,458,038	4,491,983	4,659,289	4,519,682	5,038,512
Auxiliary enterprises	11,304,696	13,297,638	16,328,503	14,965,220	13,587,926
Total expenses	70,642,815	79,512,782	89,419,361	88,433,740	86,962,018
Change in net assets	116,633,505	(123,985,181)	(76,185,775)	(30,949,728)	49,945,572
Net assets					
Beginning of year	466,433,575	583,067,080	459,081,899	382,896,124	351,946,396
End of year	\$ 583,067,080	\$ 459,081,899	\$ 382,896,124	\$ 351,946,396	\$ 401,891,968

Source: Audited financial statements of the College.

[THIS PAGE INTENTIONALLY LEFT BLANK]

PROPOSED FORM OF LEGAL OPINION

BEST & FLANAGAN LLP

ATTORNEYS AT LAW

225 South Sixth Street
 Suite 4000
 Minneapolis, Minnesota 55402-4331
 Telephone (612) 339-7121
 Facsimile (612) 339-5897
www.bestlaw.com



April __, 2005

**\$_____ Minnesota Higher Education Facilities Authority
 Revenue Bonds, Series Six-D (Carleton College)**

We have acted as Bond Counsel in connection with the issuance of the Bonds described above. We have examined the law and certified copies of the proceedings and other certificates of public officials furnished to us in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority"), of its \$_____ Revenue Bonds, Series Six-D (Carleton College) (the "Bonds"). We have examined the law and such other certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations of the Authority and the Carleton College, a Minnesota nonprofit corporation (the "Corporation"), contained in the Loan Agreement dated as of April 1, 2005 (the "Loan Agreement") between the Corporation and the Authority, the Indenture of Trust dated as of April 1, 2005 (the "Indenture") between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota (the "Trustee"), the Bond Purchase Agreement between the Authority and Morgan Stanley & Co. Incorporated, the Opinion of Briggs and Morgan P.A., St. Paul and Minneapolis, Minnesota, of even date herewith, as counsel to the Corporation, the certified proceedings and other certifications of public officials furnished to us, and certifications by officials of the Corporation without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), it is our opinion that:

(a) The Authority is an agency of the State of Minnesota duly organized and existing under the laws of the State of Minnesota, with authority under Minnesota Statutes, Sections 136A.25 to 136A.42, as amended (the “Act”), to issue the Bonds, to loan the proceeds thereof to the Corporation pursuant to the Loan Agreement and to execute and deliver the Indenture to secure the Bonds;

(b) the Loan Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and create valid and binding special obligations of the Authority, enforceable upon the Authority in accordance with their terms;

(c) the proceedings show lawful authority for the issuance of the Bonds under the Indenture and under the provisions of the Constitution and laws of the State of Minnesota now in force, including the Act;

(d) the Bonds have been duly and validly executed and delivered by the Authority and are valid and binding special obligations of the Authority, enforceable in accordance with their terms, secured by and entitled to the benefits provided by the Indenture; the Bonds are payable solely from the revenues and other sums irrevocably pledged to the payment of the Bonds and interest thereon under the Indenture;

(e) the Bonds are not a general obligation or indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority or charge against its general credit or taxing powers, but are payable solely from the revenues in accordance with the provisions of the Indenture; and

(f) as of their date of issuance, the Bonds are not arbitrage bonds; and interest on the Bonds is excluded from gross income for United States income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”); and is excluded to the same extent in computing taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, for the purpose of computing the federal alternative minimum tax imposed on corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in the first sentence of this paragraph is subject to the conditions that the Authority, the Trustee and the Corporation comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be so included in federal gross income or Minnesota taxable net income retroactive to the date of issuance of the Bonds. The Authority, the Trustee and the Corporation have covenanted to comply with such requirements. We express no opinion regarding other federal or state tax consequences arising with respect to ownership of the Bonds, including the receipt or accrual of interest thereon.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Dated at Minneapolis, Minnesota this ____th day of April, 2005.

BEST & FLANAGAN LLP

[THIS PAGE INTENTIONALLY LEFT BLANK]

DEFINITIONS 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 Account: one or more of the Accounts or Funds created under the Indenture.

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

Applicable Spread: when used with respect to Indexed Put Bonds, means, prior to the tender of Indexed Put Bonds for purchase, an amount equal to (a) initially, 40 basis points, (b) if the long-term rating assigned to the Indexed Put Bonds is reduced to or below A+ by Standard & Poor's and A1 by Moody's, or if a rating assigned to the Indexed Put Bonds by any rating service is withdrawn or suspended for any reason, 65 basis points, and (c) upon the occurrence and continuance of an Event of Default, 250 basis points for the six-month period immediately following the occurrence of such Event of Default and 500 basis points thereafter; and (ii) following the tender of Indexed Put Bonds for purchase, an amount equal to the Applicable Spread determined by the Remarketing Agent.

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.

Auction Agent: Shall have the meaning set forth in Exhibit A to the Indenture.

Auction Agreement: Shall have the meaning set forth in Exhibit A to the Indenture.

Auction Date: Shall have the meaning set forth in Exhibit A to the Indenture.

Auction Period: Shall have the meaning set forth in Exhibit A to the Indenture.

Auction Procedures: Shall have the meaning set forth in Exhibit A to the Indenture.

Auction Rate: Shall have the meaning set forth in Exhibit A to the Indenture.

Auction Rate Mode: a Rate Mode during which the duration of the Auction Period and the interest rate is determined in accordance with Section 3.02(f) of the Indenture and Exhibit A to the Indenture.

Authority: The Minnesota Higher Education Facilities Authority.

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

Authorized Denominations: (i) during any Daily Rate Period, any Commercial Paper Rate Period or any Weekly Rate Period, \$100,000 or any integral multiple of \$5,000 in excess thereof (ii) during any Term Rate Period, any Indexed Put Rate Period or the Fixed Rate Period, \$5,000 or

any integral multiple thereof and (iii) during any Auction Rate Mode, except as otherwise may be provided herein, \$25,000 and any integral multiple thereof.

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

Authorized Investments: Investments authorized for moneys in the accounts created under the Indenture and described in Section 10.04 thereof.

Available Moneys: (a) during the Initial Rate period and whenever a Liquidity Facility is required by the Indenture to be maintained for the Series Six-D Bonds (i) moneys obtained by the Trustee or the Tender Agent from the Provider thereof pursuant to such Liquidity Facility and held by the Tender Agent for payment of the Purchase Price of such Series Six-D Bonds, (ii) moneys derived from the remarketing of Series Six-D Bonds which are directly paid to and held by the Tender Agent for the payment of the Purchase Price of such Series Six-D Bonds in accordance with the Indenture, (iii) moneys which have been on deposit with the Trustee or the Tender Agent, as applicable, for at least one hundred twenty-four (124) days prior to and during which no petition by or against the Authority or the Corporation, under the United States Bankruptcy Code of 1978, as amended, 11 U.S.C. Sec. 101 et seq. (the "Bankruptcy Code") shall have been filed or any bankruptcy or similar proceeding shall have been commenced, unless such petition or proceeding shall have been dismissed and such dismissal shall be final and not subject to appeal, (iv) any other moneys the application of which to the payment of the Purchase Price of the Series Six-D Bonds would not, in the opinion of Bond Counsel, constitute a voidable preference in the case of a filing for protection of the Authority under the Bankruptcy Code and (v) the proceeds from the investment of moneys described in clauses (i) through (iv) above; and (b) at any other time, any moneys.

Available Moneys Account: The account so designated and established within the Purchase and Remarketing Fund pursuant to 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 such authorized denomination of Bond is held by the Depository pursuant to the Book-Entry System.

BMA Municipal Index: The BMA Municipal Swap Index disseminated by Municipal Market Data, a Thomson Financial Services Company or its successor; or, if at the time a Rate is to be determined Municipal Market Data has not provided the relevant information on the BMA Municipal Index for the most recent Wednesday, then the rate determined by Municipal Market Data on the Tuesday next preceding the beginning of the Rate Period for which such Rate is to be determined.

Board of Trustees: The Board of Trustees of the Corporation, including any Executive 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.

Bond Counsel: Best & Flanagan LLP, or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on the bonds issued by states and political subdivisions, duly admitted to practice law before the highest court of any state of the United States of America and selected by the Authority.

Bond Resolution: The Series Resolution of the Authority adopted on March 16, 2005, authorizing the Series Six-D Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Series Six-D Bonds, (a) the period from the Issue Date to the close of business on March 31, 2006 and (b) each succeeding 12-month period ending at the close of business on the anniversary thereof of each year in which the outstanding Series Six-D Bonds, if paid at their stated maturity dates, will be outstanding.

Bonds: the Series Six-D Bonds.

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

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

Broker-Dealer: Shall have the meaning set forth in Exhibit A to the Indenture.

Building Equipment: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the Corporation and located on the Project Site acquired with funds other than the proceeds of the Bonds or the Prior Bonds

Business Day: When used in connection with any particular Series Six-D Bonds means a day other than (i) a Saturday and Sunday or a (ii) a day on which any of the following are authorized or required to remain closed: (A) banks or trust companies chartered by the State of New York or the United States of America, (B) the Trustee, (C) the New York Stock Exchange, (D) if such Series Six-D Bonds are in the Commercial Paper Mode, the Daily Rate Mode, the Weekly Rate Mode, the Indexed Put Rate Mode or the Term Rate Mode, the Tender Agent, the Remarketing Agent or the Provider of a Liquidity Facility for such Series Six-D Bonds, or (E) if such Series Six-D Bonds are in the Auction Rate Mode, the Auction Agent or a Broker-Dealer for such Series Six-D Bonds.

Certificate: A certification in writing required or permitted by the provisions of the Loan Agreement or the Indenture to be signed and delivered to the Trustee or other proper person or persons. If and to the extent required by the provisions of the Indenture, each Certificate shall include the statements provided for in the Indenture.

Certificate of Determination: A certificate of an Authorized Authority Representative executed upon the Conversion of Series Six-D Bonds out of a Rate Mode to a Daily Rate Mode, a Weekly Rate Mode, a Commercial Paper Mode, an Indexed Put Rate Mode, a Term Rate Mode or an Auction Rate Mode, setting forth the Initial Rate, the Initial Rate Period, the first Interest Payment Date if other than a date on which interest would otherwise be payable hereunder, and the matters required by the Indenture relating to a Liquidity Facility.

Certified Resolution: A copy of a resolution of the Authority, certified by its Secretary or other officer authorized to act for the Secretary to have been duly adopted by said Authority and to be in full force and effect on the date of such certification.

Commercial Paper Mode: A Rate Mode in which a Series Six-D Bond for its respective Commercial Paper Rate Period bears interest at a Commercial Paper Rate.

Commercial Paper Rate: With respect to each Series Six-D Bond in the Commercial Paper Mode, the rate at which each such Series Six-D Bond bears interest during the Commercial Paper Rate Period applicable thereto, as established in accordance with the Indenture.

Commercial Paper Rate Period: With respect to a particular Series Six-D Bond, a period commencing on a Conversion Date or a Reset Date and extending for a period of one to two hundred seventy days (1 to 270 days) during which such Series Six-D Bond bears interest at a Commercial Paper Rate; provided, however, that the first day immediately following the last day of each Commercial Paper Rate Period shall in all events be a Business Day.

Completion Date: the date set forth in the Certificate of the Project Supervisor furnished pursuant to the Loan Agreement.

Construction Account: the Construction Account established under the Indenture.

Construction Period: the period between the date of commencement of acquisition, construction, furnishing and equipping of the Project and the Completion Date.

Conversion: a change in the Rate Mode of a Series Six-D Bond made in accordance with the provisions of the Indenture and, when a Series Six-D Bond is in the Auction Rate Mode, also means a change from one Auction Period to another Auction Period for such Series Six-D Bond.

Conversion Date: the day on which a Series Six-D Bond is converted from one Rate Mode to a different Rate Mode or was proposed to be converted from one Rate Mode to another Rate Mode, which date must be a Reset Date or an Interest Payment Date for such Series Six-D Bond, provided, however, that if the Series Six-D Bond to be converted is in the Auction Rate Mode no Conversion Date may be on an Interest Payment Date that occurs during a Special Auction Period of ninety-two or more days, but must be on the Interest Payment Date next succeeding the last day of such Special Auction Period.

Conversion Notice: a notice given pursuant to the Indenture.

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

Daily Rate Mode: a Rate Mode in which a Series Six-D Bond in such Rate Mode bears interest at a Daily Rate.

Daily Rate Period: a period commencing on a Conversion Date or on a Business Day and extending to, but not including, the next succeeding Business Day, during which Series Six-D Bonds in the Daily Rate Mode bear interest at the Daily Rate.

Default Notice: a notice given by a Provider of a Liquidity Facility pursuant to such Liquidity Facility or the applicable Reimbursement Agreement to the effect that an event of default thereunder has occurred and that the Liquidity Facility will terminate on the date specified in such notice.

Direct Participant: a participant in the book-entry system of recording ownership interests in the Series Six-D Bonds.

Depository or DTC: The Depository Trust Company in New York, New York, its successors or assigns, or any other person who shall be a Holder of all Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, Corporation and Trustee to act as the Depository; provided any Depository shall be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

DTC Participant: those broker-dealers, banks and other financial institutions from time to time for which DTC holds Bonds or securities as depository.

Electronic Notice: notice by telephone, telegram, telex, telecopier or other electronic transmission.

Escrow Agent: Wells Fargo Bank Minnesota, National Association, as escrow agent under the Escrow Agreements.

Escrow Agreements: the Series Three-L1 Escrow Agreement and the Series Four-N Escrow Agreement.

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

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

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

Fixed Rate: the rate at which a Series Six-D Bond bears interest to its maturity during the Fixed Rate Period, as established in accordance with the Indenture.

Fixed Rate Mode: a Rate Mode in which a Series Six-D Bond in such Rate Mode bears interest at a Fixed Rate.

Fixed Rate Period: the period from and including the Conversion Date and extending (i) to and including the date of maturity of a Series Six-D Bonds in the Fixed Rate Mode or (ii) to, but not including, the Conversion Date on which a Series Six-D Bond in the Fixed Rate Mode is converted to another Rate Mode.

General Bond Reserve Account: the General Bond Reserve Account created pursuant to the General Bond Resolution.

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

Government Obligations: (a) direct general obligations of, or obligations the prompt payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America, (b) repurchase agreements or similar financial transactions with parties rated "A" or better by the Rating Agency, the payment of principal of and interest on which are fully secured by obligations of the type described in clause (a) or (c) of this definition, which collateral (i) is held by the Trustee during the term of the instrument which such collateral secures, (ii) is not subject to liens or claims of any third parties and (iii) has a market value (determined monthly) equal to at least 102% of the amount so invested, (c) bonds, notes or other debt obligations rated in the highest Rating Category by the Rating Agency issued by a State or a political subdivision or municipal corporation thereof which are payable in whole from an escrow or similar fund or account containing only cash and/or obligations of the type described in clause (a) above, and (d) certificates or other evidence of ownership of principal to be paid or interest to accrue on a pool of securities of the type described in clause (a) above, which securities are rated in the highest Rating Category by the Rating Agency and are held in the custody of a bank or trust company acceptable to the Trustee in a special account separate from the general assets of such custodian.

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

Indenture: The Trust Indenture between the Authority and the Trustee, dated as of April 1, 2005, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

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

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

Indexed Put Bonds: any Series Six-D Bonds bearing interest at an Indexed Put Rate.

Indexed Put Rate: the rate at which a Series Six-D Bond in the Indexed Put Rate Mode bears interest, as established in accordance with the Indenture.

Indexed Put Rate Mode: a Rate Mode in which a Series Six-D Bond in such Rate Mode bears interest at an Indexed Put Rate.

Indexed Put Rate Period: a period commencing on a Conversion Date or the Thursday of a calendar week and extending to and including the next succeeding Wednesday.

Initial Rate: when used in connection with any particular Series Six-D Bond means the rate per annum at which such Series Six-D Bond will bear interest during the Initial Rate Period, as set forth in the Indenture and, when used in connection with a Conversion, the respective rates per annum set forth in a Certificate of Determination.

Initial Rate Period: (i) when used in connection with any particular Series Six-D Bonds, means the period commencing on the Issue Date and extending to and including the date set forth in the Indenture as the last day of the Initial Rate Period, and (ii) when used in connection with a Conversion, the period commencing on the Conversion Date and extending to and including the date set forth in a Certificate of Determination as the last day of the Initial Rate Period.

Institution: Carleton College, a Minnesota institution of higher education headquartered in the City of Northfield, Minnesota and owned and operated by the Corporation.

Insurer: any issuer of a Credit Facility with respect to the Series Six-D Bonds.

Interest Payment Date: with respect to any particular Series Six-D Bond, (i) the day next succeeding the last day of the Initial Rate Period for such Series Six-D Bond, (ii) during any Daily Rate Period, any Weekly Rate Period or any Indexed Put Rate Period, the first Business Day of each month, (iii) during any Commercial Paper Rate Period, the next succeeding Reset Date or Conversion Date, (iv) during any Term Rate Period or the Fixed Rate Period, each April 1 and October 1 and (v) with respect to the Auction Rate Mode, each date that is specified as an "Interest Payment Date" in Exhibit A to the Indenture; provided, however, that if so provided in a Certificate of Determination the first Interest Payment Date may be a date that is

different from the date on which interest would otherwise be payable; provided, further, that interest on Purchased Bonds shall be payable at the times required by the Liquidity Facility. If any such date is not a Business Day, the Interest Payment Date shall be the succeeding Business Day.

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

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

Letter of Representations: the Letter of Representations from the Authority to the Depository, and the Letter of Representations from the Trustee to the Depository, any amendments thereto, and any other agreement among such parties governing the obligations of such parties (or their successors) in respect of beneficial ownership (and the recording and transfer thereof), and payment and notices concerning the Bonds; provided no amendment or other agreement shall be entered into unless the Authority or Corporation shall certify that the same shall not materially prejudice the rights of any Beneficial Owner who has not consented thereto.

Liquid Assets: without duplication: (i) cash and cash equivalents; (ii) unrestricted board designated funds invested in marketable securities which, in the reasonable opinion of the Corporation, could be liquidated, or are available for use under repurchase agreements, within five Business Days; and/or (iii) amounts available to be borrowed under one or more bank lines of credit and letters of credit with banks or other financial institutions.

Liquidity Facility: used in connection with any particular Series Six-D Bond, means an irrevocable letter of credit, surety bond, loan agreement, standby bond purchase agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which moneys are to be obtained upon the terms and conditions contained therein for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms hereof, which meets the requirements of Section 7.01 of the Indenture or substitute Liquidity Facility delivered in accordance with Section 7.02 of the Indenture.

Loan Agreement: The Loan Agreement between the Authority and the Corporation relating to the Bonds, dated as of April 1, 2005, as amended or supplemented from time to time.

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

Mandatory Tender Date: any date on which a Series Six-D Bonds is required to be purchased in accordance with the Indenture.

Maturity: When used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable as provided therein or in the Indenture, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

Maximum Rate: (i) in the case of a Series Six-D Bond bearing interest at any Rate other than an Auction Rate or a Purchased Bond Rate, twelve percent (12%) per annum, (ii) in the case of a Series Six-D Bond bearing interest at a Purchased Bond Rate, twenty-two percent (22%) per annum and (iii) in the case of a Series Six-D Bond bearing interest at an Auction Rate, fifteen (15%) per annum; provided, however, that in no event shall the Rate at which any Series Six-D Bond bears interest exceed the maximum rate permitted by law.

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

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

No Remarketing Notice: as of any date of determination, a notice given by the Provider of a Liquidity Facility pursuant to such Liquidity Facility or the applicable Reimbursement Agreement to the effect that an event of default under the Liquidity Facility or the Reimbursement Agreement has occurred and that from and after the date specified therein no Tendered Bonds to which the Liquidity Facility relates are to be remarketed.

Notice: an Electronic Notice meeting the requirements of the Indenture promptly confirmed in writing by courier or certified mail to the Holders of specified Bonds at the addresses shown in the Bond Register or to such other Persons as may be required by the applicable provisions of the Indenture.

Opinion of Bond Counsel: a written opinion of Bond Counsel.

Opinion of Counsel: a written opinion of counsel (who need not be Independent Counsel unless so specified) appointed by the Corporation or Authority and acceptable to the Trustee, and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

Option Bond: any Bond which by its terms may be or is required to be tendered by the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase thereof in accordance with the Indenture.

Optional Tender Date: (i) any Business Day during a Daily Rate Period or a Weekly Rate Period, or (ii) any Indexed Put Date (as defined in Section 3.02(g) of the Indenture) during an Indexed Put Rate Period.

Outstanding or outstanding: when used as of any particular time with reference to Bonds, without regard to capitalization of such term, means all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore canceled 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 the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; (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 the

Indenture pertaining to replacement of Bonds; and (iv) Bonds deemed tendered pursuant to the terms of the Indenture.

Paying Agent: the Trustee serving as Paying Agent.

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

Person: any natural person, corporation, joint venture, cooperative, partnership, trust or unincorporated organization, government or governmental body or agency, political subdivision or other legal entity, as in the context may be appropriate.

Principal Office: when used with respect to the Trustee, the Tender Agent or the Remarketing Agent, the office of such entity located at the address specified in the Indenture, or any other office designated as such by such entity in writing to the Authority, the Corporation and, as appropriate, the Trustee, the Tender Agent and the Remarketing Agent.

Prior Bonds: the Series Three-L1 Bonds maturing on November 1, 2012 and currently outstanding in the principal amount of \$10,000,000 and the Series Four-N Bonds maturing on November 1, 2008 and thereafter and to be refunded in the principal amount of \$16,670,000.

Prior Bonds Documents: the Series Three-L1 Bond Documents and the Series Four-N Bond Documents.

Prior Bonds Bond Account: the Series Three-L1 Bond Account and the Series Four-N Bond Account.

Prior Bonds Indenture: means the Series Three-L1 Indenture and the Series Four-N Indenture.

Prior Bonds Loan Agreement: the Series Three-L1 Loan Agreement and the Series Four-N Loan Agreement.

Prior Bonds Project: the Series Three-L1 Project and the Series Four-N Project.

Prior Bonds Trustee: the Series Three-L1 Trustee and the Series Four-N Trustee.

Project: The Project consists of demolition of Watson House and construction, furnishing and equipping of a three-story townhouse for student housing at that site and acquisition and renovation of selected properties within three blocks of the campus perimeter for academic or residential use.

Project Buildings: The facilities acquired, improved, or constructed with proceeds of the Bonds, including investment earnings.

Project Costs: Costs properly payable from the Construction Account for improvement, acquisition, construction and equipping of the Project and for other purposes as provided in the Indenture.

Project Equipment: all fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds or the proceeds of the Prior Bonds, including investment earnings, generally described in the Prior Bonds Documents and in Exhibit B to the Loan Agreement and described in the Certificate of the Project Supervisor to be furnished pursuant to the Prior Bonds Documents or to be furnished pursuant to the Loan Agreement.

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

Project Site: the land on which any of the Project Buildings are or will be located or otherwise improved or to be improved as part of the Project or the Prior Bonds Project, described in Exhibit A to the Loan Agreement, as may be amended from time to time.

Project Supervisor: the Project Supervisor appointed as provided in the Indenture.

Provider: when used in connection with any particular Series Six-D Bonds means the provider of a Liquidity Facility for such Series Six-D Bonds delivered in accordance with the provisions of the Indenture.

Purchase Account: the account so designated and established within the Purchase and Remarketing Fund pursuant to the Indenture.

Purchase and Remarketing Fund: the Series Six-D Bonds Purchase and Remarketing Fund established pursuant to the Indenture.

Purchased Bond: any Series Six-D Bond during the period from and including the date it is purchased or paid for by a Provider pursuant to a Liquidity Facility to, but excluding, the earliest of (i) the date on which the principal, Redemption Price or Purchase Price of such Series Six-D Bond, together with all interest accrued thereon, is paid with amounts other than amounts drawn under the Liquidity Facility, (ii) the date on which the registered owner of a Series Six-D Bond has given written notice of its determination not to sell such Series Six-D Bond following receipt of a purchase notice from the Remarketing Agent with respect to such Series Six-D Bond, or, if notice of such determination is not given on or before the Business Day next succeeding the day such purchase notice is received, the second Business Day succeeding receipt of such purchase notice or (iii) the date on which such Series Six-D Bond is to be purchased pursuant to an agreement by the registered owner of such Series Six-D Bond to sell such Series Six-D Bond following receipt of a purchase notice from the Remarketing Agent with respect to such Series Six-D Bond, if the Trustee then holds, in trust for the benefit of such registered owner, sufficient moneys to pay the Purchase Price of such Series Six-D Bond, together with the interest accrued thereon to the date of purchase.

Purchased Bond Rate: the rate at which a Purchased Bond bears interest in accordance with a Liquidity Facility or any Reimbursement Agreement providing for the issuance of a Liquidity Facility; provided, however, that in no event shall such rate exceed the Maximum Rate applicable thereto.

Purchase Price: (i) when used in relation to Tendered Bonds, other than Series Six-D Bonds tendered upon a Conversion from the Fixed Rate Mode or Term Rate Mode, an amount equal to (a) one hundred percent (100%) of the principal amount of any Series Six-D Bond tendered or deemed tendered to the Tender Agent for purchase pursuant to Section 4.01 hereof or (b) the amount payable to the registered owner of a Purchased Bond following receipt by such owner of a purchase notice from the Remarketing Agent; and (ii) when used in relation to Tendered

Bonds mandatorily tendered pursuant to Section 4.01(d)(i) hereof upon Conversion from the Fixed Rate Mode or a Term Rate Mode on a date other than a Reset Date, an amount equal to the Redemption Price that would be payable if such Series Six-D Bonds had been called for redemption on the Conversion Date; plus in each case accrued and unpaid interest thereon to the date of purchase; provided, however, that, in each case, if the date of purchase is an Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest, which shall be paid to the Holder of record on the applicable Record Date.

Qualified Purchaser: a person in whose name a Purchased Bond may, as provided in the applicable Liquidity Facility or the Reimbursement Agreement with the Provider thereof, be registered or to whom a Purchased Bond may be transferred by or upon the order of such Provider without affecting the character of such Series Six-D Bond as a Purchased Bond.

Rate: the Initial Rate, any Daily Rate, Commercial Paper Rate, Weekly Rate, Term Rate, Purchased Bond Rate, the Indexed Put Rate, the Fixed Rate or the Auction Rate.

Rate Mode: the Daily Rate Mode, Commercial Paper Mode, Weekly Rate Mode, Term Rate Mode, Indexed Put Rate Mode, Fixed Rate Mode or Auction Rate Mode.

Rate Period: any Initial Rate Period, any Daily Rate Period, any Commercial Paper Rate Period, any Weekly Rate Period, any Term Rate Period, any Indexed Put Rate Period, the Fixed Rate Period or any Auction Period.

Rating Agency: Moody's, if the Bonds are then rated by Moody's and Standard & Poor's, if the Bonds are then rated by Standard & Poor's.

Rating Category: one of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such Rating Category by a numerical or other modifier.

Record Date: with respect to each Interest Payment Date, (i) during any Daily Rate Period, any Commercial Paper Rate Period, any Weekly Rate Period, and Indexed Put Rate Period or any Auction Period, the close of business on the Business Day preceding such Interest Payment Date, and (ii) during any Term Rate Period or the Fixed Rate Period, the close of business on the fifteenth (15th) day of the calendar month immediately preceding any calendar month in which there occurs an Interest Payment Date, regardless of whether such day is a Business Day.

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

Redemption Date: when used with respect to any Bond to be redeemed, means the date on which it is to be redeemed pursuant hereto.

Redemption Price: when used with respect to any Bond to be redeemed, means the price at which it is to be redeemed pursuant to the Indenture.

Reference Rate: the interest rate per annum announced from time to time by Wells Fargo Bank, National Association, as its prime or reference rate.

Reimbursement Agreement: any agreement by and between the Corporation and/or the Authority and the Provider of a Liquidity Facility pursuant to which the Provider has provided the Liquidity Facility and the Corporation has agreed to reimburse the Provider for money advanced by the Provider for payment of the Purchase Price of Series Six-D Bonds tendered or deemed tendered for purchase in accordance herewith.

Remarketing Agent: a person appointed pursuant to a Remarketing Agreement to serve as the Corporation's agent in connection with the remarketing of Series Six-D Bonds in the Commercial Paper Mode, the Daily Rate Mode, the Weekly Rate Mode, the Indexed Put Rate Mode or the Term Rate Mode and to perform the duties of a Remarketing Agent under the Indenture, or any successor remarketing agent. The initial Remarketing Agent hereunder is Morgan Stanley & Co. Incorporated.

Remarketing Agreement: the agreement by and between the Corporation and the Remarketing Agent relating to the remarketing of particular Series Six-D Bonds in the Commercial Paper Mode, the Daily Rate Mode, the Term Rate Mode, the Indexed Put Rate Mode or the Weekly Rate Mode, as the same may be amended or supplemented from time to time in accordance with the provisions thereof, or any subsequent agreement relating to the powers, duties and obligations of a successor remarketing agent.

Remarketing Proceeds Account: the account so designated and established within the Purchase and Remarketing Fund pursuant to the Indenture.

Reset Date: with respect to a Series Six-D Bond in a Daily Rate Mode, a Commercial Paper Mode, a Weekly Rate Mode, an Indexed Put Rate Mode or a Term Rate Mode, the date on which the interest rate borne by such Series Six-D Bond is to be determined in accordance with the provisions of the Indenture.

Responsible Officer: of any Trustee means and includes the chairman of the board of directors, the president, every vice president, every assistant vice president, the cashier, every assistant cashier, every corporate trust officer, and every officer and assistant officer of such trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular subject.

Revenues: all payments received or receivable by the Authority which pursuant to the Loan Agreement are required to be paid to the Trustee (except payments to the Trustee for the administrative costs and expenses or fees of the Trustee and payments to the Trustee to comply with the Arbitrage Regulations).

Series Four-N Bond Account: the Bond and Interest Sinking Fund Account created under the Series Four-N Indenture.

Series Four-N Bonds: the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-N (Carleton College), dated June 1, 1997, issued in the original principal amount of \$24,440,000, the proceeds of which were loaned by the Authority to the Corporation to finance the Series Four-N Project.

Series Four-N Bond Documents: the Series Four-N Loan Agreement and the Series Four-N Indenture.

Series Four-N Escrow Agreement: the Escrow Agreement, dated as of April 1, 2005, between the Authority, the Corporation and Wells Fargo Bank, National Association, related to the refunding of the Series Four-N Bonds.

Series Four-N Escrow Fund: the Escrow Fund established under the Series Four-N Escrow Agreement.

Series Four-N Indenture: the Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, now known as Wells Fargo Bank, National Association, as trustee, dated as of June 1, 1997.

Series Four-N Loan Agreement: the Loan Agreement between the Authority and the Corporation dated as of June 1, 1997.

Series Four-N Project: (a) the construction, furnishing and equipping of (i) an approximately 80,000 square foot recreation center and related site improvements, including athletic fields, surface parking areas and restoration of Lyman Lake, and (ii) an approximately 15,000 square foot dining hall, (b) the renovation of (i) Mudd Hall for chemistry and geology, (ii) Goodhue Dining Hall for recreational use, and (iii) Evans Dining Hall for housing and social use, and (c) the acquisition and installation of (i) a chiller and related piping system and (ii) a computer system, all on the Corporation's campus.

Series Four-N Trustee: Wells Fargo Bank, National Association, formerly known as Norwest Bank Minnesota, National Association.

Series Six-D Bonds: the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-D (Carleton College), described in Section 2.01 hereof.

Series Three-L1 Bond Account: the Bond and Interest Sinking Fund Account created under the Series Three-L1 Indenture.

Series Three-L1 Bonds: the Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Three-L1 (Carleton College), dated October 1, 1992, issued in the original principal amount of \$10,000,000, the proceeds of which were loaned by the Authority to the Corporation to finance the Series Three-L1 Project.

Series Three-L1 Bond Documents: the Series Three-L1 Loan Agreement and the Series Three-L1 Indenture.

Series Three-L1 Escrow Fund: the Escrow Fund established under the Series Three-L1 Escrow Agreement.

Series Three-L1 Escrow Agreement: the Escrow Agreement, dated as of April 1, 2005, between the Authority, the Corporation and Wells Fargo Bank, National Association, related to the refunding of the Series Three-L1 Bonds.

Series Three-L1 Indenture: the Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, now known as Wells Fargo Bank, National Association, as trustee, dated as of October 1, 1992.

Series Three-L1 Loan Agreement: the Loan Agreement between the Authority and the Corporation dated as of October 1, 1992.

Series Three-L1 Project: the financing of the acquisition and construction of Johnson House and Alumni Guest House, the Center for Mathematics and Computing, Hulings Hall and a student housing facility, remodeling, expansion and improvement of Boliou Hall, Olin Hall, Mudd Hall, and electrical, heating, cooling and telecommunication systems on the Corporation's campus.

Series Three-L1 Trustee: Wells Fargo Bank, National Association, formerly known as Norwest Bank Minnesota, National Association.

Sinking Fund Installment: as of any date of calculation, (a) when used with respect to any Bonds, other than Option Bonds or Variable Interest Rate Bonds, so long as any such Bonds are Outstanding, the amount of money required hereby to be paid on a single future April 1 for the retirement of any Outstanding Bonds that mature after said future April 1, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future April 1 is deemed to be the date when a Sinking Fund Installment is payable and the date

of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment, and (b) when used with respect to Option Bonds or Variable Interest Rate Bonds, so long as such Bonds are Outstanding, the amount of money required to be paid on a single future date for the retirement of any Outstanding Bonds that mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Option Bonds or Variable Interest Rate Bonds are deemed to be Bonds entitled to such Sinking Fund Installment.

Standard & Poor's: Standard & Poor's Rating Services, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the Authority.

Standby Bond Purchase Agreement: an agreement by and among the Authority and/or the Corporation and another person pursuant to which such person is obligated to purchase any Option Bond tendered for purchase.

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.

Tender Agent: the Trustee, who is appointed as Tender Agent pursuant to the Indenture and having the duties, responsibilities and rights provided therein, and its successor or successors and any successor Trustee which may at any time be substituted in its place pursuant thereto.

Tender Date: Each Optional Tender Date and each Mandatory Tender Date.

Tender Notice: the notice given pursuant to the Indenture by the Holders of a Series Six-D Bond upon an election to tender such Series Six-D Bond.

Tendered Bond: a Series Six-D Bond or portion thereof in an Authorized Denomination mandatorily tendered or tendered at the option of the Holder thereof for purchase in accordance with Section 4.01 hereof, including a Series Six-D Bond or portion thereof deemed tendered, but not surrendered on the applicable Tender Date.

Term Bonds: the Bonds payable from Sinking Fund Installments.

Term Rate: the rate at which a Series Six-D Bond bears interest during a Term Rate Period, as established in accordance with the Indenture.

Term Rate Mode: a Rate Mode designated as such in a Conversion Notice in which a Series Six-D Bond in such Rate Mode bears interest at a Term Rate.

Term Rate Period: a period commencing on the Conversion Date or a Reset Date and extending (i) to and including the next succeeding Reset Date, which Reset Date must be a Business Day at least three hundred sixty-five (365) days from the Conversion Date or the immediately proceeding Reset Date or (ii) to, but not including, the Conversion Date on which Series Six-D Bonds in the Term Rate Mode are converted to another Rate Mode except as otherwise provided in the Indenture.

Termination Date: when used in connection with a particular Liquidity Facility means the date on which such Liquidity Facility will expire by its terms, as such date may be extended from time to

time, or any earlier date on which such Liquidity Facility shall terminate or expire or be cancelled upon delivery of a substitute Liquidity Facility in accordance with the Indenture.

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.

Trustee: the trustee at the time serving as such under the Indenture; initially, Wells Fargo Bank, National Association.

Underwriter: Morgan Stanley & Co. Incorporated, as original purchaser of the Series Six-D Bonds.

Variable Interest Rate or *Variable Rate*: the rate or rates of interest to be borne by the Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Indenture and which shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times; provided, however, that such variable interest rate may be subject to a Maximum Rate or (ii) a stated interest rate that may be changed from time to time as provided in the Indenture.

Variable Interest Rate Bond: any Bond which bears a Variable Interest Rate; provided, however, that a Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be a Variable Interest Rate Bond.

Weekly Rate: the rate at which a Series Six-D Bond bears interest during a Weekly Rate Period, as established in accordance with the Indenture.

Weekly Rate Mode: a Rate Mode in which a Series Six-D Bond in such Rate Mode bears interest at a Weekly Rate.

Weekly Rate Period: a period commencing on a Conversion Date or the Thursday of a calendar week and extending to and including the next succeeding Wednesday.

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The Corporation agrees that it will proceed with all reasonable dispatch to (a) acquire, construct, furnish, equip and improve the Project Buildings substantially in accordance with the construction documents now or subsequently on file in the office of the Corporation as such construction documents are from time to time amended by the Corporation, (b) acquire and install all items of Project Equipment and all Building Equipment and (c) acquire additional real estate to comprise the Project Site which, in the opinion of the Corporation, all necessary for the full use and enjoyment of the Project Facilities. The Corporation may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, or to add any real estate to comprise the Project Site and upon approval of the Authority which shall not be unreasonably withheld, the description of the Project or the Project Site shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the Corporation, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds and an Opinion of Counsel who is bond counsel to the Authority shall be furnished to the Corporation, the Authority and the Trustee to such effects. The acquisition, construction and installation of the Project shall be in accordance with all applicable zoning, planning and building regulations of governmental authorities having jurisdiction of the Project. The construction of the Project Buildings and acquisition and installation of the Project Equipment and Building Equipment may be performed in the manner determined by the Corporation and by any means available to the Corporation with or without advertisement for bids. At such times as the Corporation acquires real estate to comprise the Project Site and amends the Loan Agreement accordingly, the Corporation shall provide to the Authority one or more title insurance commitments, owners and encumbrance report, title opinion or any combination thereof satisfactory to the Authority covering the Corporation's title to the acquired real estate to become part of the Project Site, subject only to Permitted Encumbrances. The Corporation will cause said construction, acquisition and installation of the Project and the Project Site to be substantially completed by no later than April 13, 2008 and all amounts in the Construction Account to be expended by no later than April 13, 2008, delays subject to "force majeure," as that term is used in the Loan Agreement, only excepted and will cause the proceeds of the Bonds to be expended in their entirety.

Loan Repayments and Payment of Purchase Price of Bonds

Under the Loan Agreement, the Corporation covenants and agrees to repay the Loan, together with interest and premium, if any, in Loan Repayments which in the aggregate shall be in an amount sufficient to pay, in full and when due, all of the Bonds. To provide for the repayment of the Loan, until the principal of, premium, if any, and interest on the Series Six-D Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance

with the Indenture, the Corporation covenants and agrees to pay for the account of the Authority the following amounts:

(a) Into the Bond and Interest Sinking Fund Account, on or before the date payable, the amount payable as interest on the Bonds on the Interest Payment Date and the amount payable as principal or Sinking Fund Installments of the Bonds due on the principal payment date; and

(b) Forthwith, into the Bond and Interest Sinking Fund Account, as required, the amount of any deficiency in the event the funds on deposit in the Bond and Interest Sinking Fund Account are for any reason insufficient to pay principal, premium (if any) and interest on the Bonds then due (whether at maturity, or by redemption or acceleration of maturity in event of default); and

(c) Into the Bond and Interest Sinking Fund Account, at least fifteen (15) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased, other than an Option Bond to be purchased or redeemed pursuant to an optional or mandatory tender thereof, is to be paid, the amount required to pay the Redemption Price or purchase price of such Bonds; and

(d) By 5:00 P.M., New York City time, on the day notice thereof is given to the Corporation by the Authority or the Trustee, the amount, in immediately available funds, required to pay the Purchase Price of Option Bonds tendered for purchase and not remarketed or remarketed at less than the principal amount thereof and which is not to be paid from moneys to be made available pursuant to a Liquidity Facility; provided, however, that if such notice is given to the Corporation by 10:00 A.M., New York City time, then such amount shall be paid, in immediately available funds, by 12:30 P.M., New York City time, on such day; provided, further, that, if such notice is given to the Corporation after 3:00 P.M., New York City time, then such amount shall be paid, in immediately available funds, by 10:00 A.M., New York City time, on the next succeeding day.

The Corporation shall receive a credit against the amount required to be paid by the Corporation during a Bond Year pursuant to paragraph (c) of this Section on account of any Sinking Fund Installments if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through any Sinking Fund Installments during the next succeeding Bond Year, the Corporation delivers to the Trustee for cancellation one or more Bonds to be so redeemed during such Bond Year. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

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

Use of Project Facilities

The Corporation will own, use and operate the Project Facilities at all times as educational facilities, eligible to be and defined as a "project" under the Act, and not as facilities for sectarian instruction or as a place of religious worship nor primarily in connection with any part of a program of a school or department of divinity for any religious denomination. The Corporation agrees that it will not use or permit to be used the Project Facilities in such manner or to such an extent as would cause interest on the Bonds to be includable in gross income of the recipient for federal income tax purposes or loss of the Corporation's status as an exempt organization under Section 501(c)(3) of the Code.

Maintenance of Project Facilities

The Corporation agrees that so long as the Bonds are outstanding, the Corporation will keep the Project Facilities in good repair and good operating condition at its own cost and will make such repairs, modifications and replacements as are necessary in the judgment of the Corporation that the Project and the Prior Bonds Project will remain a "project" under the Act and the interest on the Bonds will be exempt from federal income taxation. The Corporation represents that it has no present intention to sell or otherwise dispose of the Project Facilities except to the extent Project Facilities become obsolete or worn out. Except as otherwise provided by the Loan Agreement, the Corporation shall maintain its title to and possession of the Project Facilities, provided that the Corporation may lease or sublease or enter into agreements in the ordinary course of business for the use of all or any part of the Project Facilities so long as (i) the tax exempt status of the Bonds will not be affected thereby, (ii) no such lease, sublease or agreement shall be inconsistent with the provisions of the Loan Agreement, the Indenture, or the Act, (iii) the Corporation shall remain fully obligated under the Loan Agreement, as if such lease, sublease or agreement had not been made, and (iv) in the case of any lease to or occupancy by persons who are not students, employees or faculty of the Corporation, an opinion of Bond Counsel is provided to the Trustee to the effect that tax exemption of the interest on the Bonds is not adversely affected.

Operating Expenses and Liens

The Corporation will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities, and will not, except as otherwise permitted herein, permit to be established or to remain unsatisfied any lien or encumbrance against the Project Facilities other than Permitted Encumbrances, including any mechanics' liens for labor or materials furnished in connection with the acquisition and construction of the Project or the Prior Bonds Project or with any remodeling, additions, modifications, improvements, repairs, renewals or replacements; provided, that the Corporation may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the Corporation that, in the opinion of Independent Counsel, by nonpayment of any such items the Project Facilities or any part thereof will be subject to loss or forfeiture, in which event the Corporation shall promptly pay or cause to be satisfied or discharged all such unpaid items.

Taxes and Other Governmental Charges

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

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

Installation of Equipment

The Corporation may, from time to time in its discretion, install or place Building Equipment and other tangible personal property in the Project Facilities. In the event that a lessor, vendor or purchase money lender is entitled to and does remove, or the Corporation removes, any equipment or other property, any damage resulting to the Project Facilities therefrom shall be repaired and the Project Facilities restored to their previous condition at the sole expense of the Corporation.

Insurance

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

(a) Insurance against loss and/or damage to the Project Facilities and contents under a policy or policies covering such risks as are ordinarily insured against by similar institutions, including (without limiting the generality of the foregoing) fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Facilities, but any such policy may have a deductible amount of not more than \$250,000. No policy of insurance shall be so written that the proceeds thereof will produce less than the minimum coverage required by the preceding sentence, by reason of co-insurance provisions or otherwise, without the prior consent thereto in writing by the Trustee. The term "full insurable replacement value" shall mean the actual replacement cost of the Project Buildings (excluding foundation, excavation costs and costs of underground flues, pipes, drains and other uninsurable items) and contents and the Project Equipment. All policies evidencing insurance required by this subparagraph (a) with respect to the Project Buildings and Project Equipment shall be carried in the names of the Corporation and the Trustee as their respective interests may appear.

(b) Comprehensive general public liability insurance, including blanket contractual liability and personal injury liability and automobile insurance, including owned, non-owned and hired automobiles, against liability for injuries to persons in the minimum amount for each occurrence of \$5,000,000 and aggregate for each year of \$10,000,000, with a deductible amount of not more than \$250,000 per occurrence, and against liability for injury to property in the minimum amount for each occurrence of \$100,000.

(c) Workers' compensation insurance respecting all employees of the Corporation in such amount as is customarily carried by like organizations engaged in like activities of comparable size and liability exposure; provided that the Corporation may be self-insured with respect to all or any part of its liability for workers' compensation.

Upon the written request of the Corporation, the Trustee (A) may permit modifications to the insurance requirements and deductible amounts hereinabove provided, including permission for the Corporation to be self-insured in whole or in part for any such coverage described in paragraph (b) relating to comprehensive general public liability insurance, upon such terms and conditions as the Trustee may require, and (B) shall permit modifications to such insurance requirements and deductible amounts, including permission for self-insurance, in accordance with the recommendation of an Independent insurance consultant employed by the Corporation and satisfactory to the Trustee. The Corporation shall pay any fees charged by such consultant and any expenses incurred by the Trustee. The Trustee shall give written notice to the Corporation as to the making and effective date of the making of any modifications so made.

The Corporation is required to provide to the Trustee, on or before April 1 of each year, a Certificate of Insurance Compliance in the form attached to the Loan Agreement. Each required

policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the Corporation at least thirty days before the cancellation or modification becomes effective.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to the Project Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, there shall be no abatement in the Loan Repayments.

Removal or Release of Project Equipment and Building Equipment

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

(a) The Corporation shall have the privilege from time to time of substituting equipment and related property for any Project Equipment and Building Equipment, provided that the effect of such substitution shall not be to materially impair the character or revenue producing significance or value of the Project Facilities; provided that if the depreciated book value of any item of Project Equipment so substituted is \$100,000 or more, the Corporation shall furnish to the Trustee a Certificate of an Authorized Institution Representative to such effect. Such substitution of any Building Equipment may be effected without a Certificate of an Authorized Institution Representative irrespective of its depreciated book value.

(b) The Corporation shall also have the privilege of releasing any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor provided that the Corporation pays a sum equal to the then value of said released equipment as determined by an Independent engineer selected by the Corporation if and so long as any of the Bonds remain outstanding. The Corporation shall pay such amounts to the Trustee for deposit in the Bond and Interest Sinking Fund Account and shall deliver to the Trustee a Certificate signed by said engineer setting forth the value of said Project Equipment and a Certificate signed by the Authorized Institution Representative stating that the release and, if applicable, the removal of such equipment will not impair the character or revenue producing significance of the Project Facilities, provided that if the depreciated book value of any item of equipment so released is less than \$100,000, such release without substitution and such deposit to the Bond and Interest Sinking Fund Account may be effected without such determination of value and Certificate by an Independent engineer or an Authorized Institution Representative upon such showing by the Corporation as may be satisfactory to the Trustee.

(c) The Corporation shall also have the privilege of removing any Building Equipment without substitution therefor, provided that such removal shall not materially impair the character or revenue producing significance or value of the Project Facilities and the Corporation shall furnish to the Trustee a Certificate of an Authorized Institution Representative to such effect; provided that if the depreciated book value of any item of Building Equipment so removed is less than \$100,000, such removal may be effected without such certificate of an Authorized Institution Representative.

Indemnification

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

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

Existence and Accreditation of Corporation and Institution

The Corporation agrees that, so long as the Series Six-D Bonds are outstanding, it will maintain its existence as a nonprofit corporation and will maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets or all or substantially all the assets of the Institution, or consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) If the surviving, resulting or transferee corporation or institution, as the case may be, is other than the Corporation, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the Corporation in the Loan Agreement and shall be either a state 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 Corporation shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

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

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

Institution to be Nonsectarian

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

Federal Income Tax Status

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

Other Covenants

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

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

Events of Default

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

(a) If the Corporation shall fail to make or cause to be made any Loan Repayment to the Trustee when due, and either (i) on a Bond principal or Interest Payment Date or Redemption Date (established or required to be established), the available moneys on deposit in the Bond and Interest Sinking Fund Account and the Purchase and Remarketing Account are insufficient to pay when due principal of and interest on the Bonds, or (ii) such failure shall continue for five (5) Business Days after notice from the Trustee or the Authority to the Corporation that such payment has not been made; or

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

(c) If the Corporation fails to pay or cause to be paid when due the amount of any Purchase Price required to be paid under the Loan Agreement; or

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

(e) If the Corporation files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency

law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the Corporation; or

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

(g) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Corporation or of the whole or any substantial part of the property of the Corporation, and such custody or control shall not be terminated within ninety (90) days from the date of assumption of such custody or control.

The term “force majeure” as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Corporation. The provisions of paragraph (d) above are subject to the further limitation that if the Default can be remedied but not within a period of thirty (30) days after notice and if the Corporation has taken all action reasonably possible to remedy such default within such thirty (30) day period, the Default shall not become an Event of Default for so long as the Corporation shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The Corporation agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the Corporation from carrying out its agreements.

Remedies on Default

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

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

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

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

Amendments

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

THE INDENTURE

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

Granting Clauses

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

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

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

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

Accounts

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

Payment of Interest

Interest shall be payable on each Interest Payment Date (i) during any Initial Rate Period, any Daily Rate Period, any Commercial Paper Rate Period, any Indexed Put Rate Period, any Weekly Rate Period or any Auction Period in immediately available funds payable by check mailed to each registered owner of a Series Six-D Bond on the Record Date immediately preceding such Interest Payment Date to the address thereof as it appears on the registry books of the Trustee, or, at the request of a registered owner, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has not later than the Record Date immediately preceding such Interest Payment Date directed the Trustee to wire such interest payment, and, (ii) during any Term Rate Period or the Fixed Rate Period, by check, payable in New York Clearing House funds, mailed to each registered owner of a Series Six-D Bond on the Record Date to the address thereof as it appears on the registry books of the Trustee.

The Series Six-D Bonds shall bear interest as provided in the Indenture from, and including, the Issue Date to, but excluding, the date on which the Series Six-D Bonds mature computed on the basis of a three hundred sixty-five (365) or three hundred sixty-six (366) day year, as appropriate, and actual days elapsed during any Initial Rate Period, any Daily Rate Period, any Commercial Paper Rate Period, any Indexed Put Rate Period or any Weekly Rate Period, and a three hundred sixty (360) day year of twelve thirty (30) day months during any Term Rate Period

and the Fixed Rate Period. Interest on Series Six-D Bonds in the Auction Rate shall be calculated on the basis of a three hundred sixty (360) day year for the actual number of days elapsed to the Interest Payment Date.

Determination of Interest Rates

(a) Daily Rate. Each Series Six-D Bond in a Daily Rate Mode (other than a Purchased Bond) will bear interest at the Daily Rate. The Remarketing Agent for each Series Six-D Bond in a Daily Rate Mode shall determine a Daily Rate for each Daily Rate Period by 10:00 A.M., New York City time, on each Business Day. The Daily Rate for any day during the Daily Rate Period which is not a Business Day shall be the Daily Rate established on the immediately preceding Business Day. The Daily Rate for a Series Six-D Bond shall be determined by the Remarketing Agent to be the rate of interest that, if borne by such Series Six-D Bond for such Daily Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities the interest on which is excludable from gross income for federal income tax purposes of the same general nature as such Series Six-D Bond and which are comparable as to credit and maturity or tender dates with the credit and maturity or tender dates of such Series Six-D Bond, would be the lowest interest rate that would enable such Series Six-D Bond to be sold on the day of the applicable Daily Rate Period at a price of par, plus accrued interest, if any.

The Remarketing Agent shall (a) make the Daily Rate available to any Holder, the Trustee, the Tender Agent, the Authority, the Corporation and the Provider requesting such rate, (b) on the last Business Day of each calendar month, give notice to the Trustee, the Tender Agent and the Authority of the Daily Rates that were in effect for each day of such calendar month and (c) give notice to the Trustee, the Tender Agent and the Authority at least weekly the Daily Rates that were in effect for each day of such week via Electronic Notice.

(b) Commercial Paper Rate. The Commercial Paper Rate Period for and Commercial Paper Rate on each Series Six-D Bond in a Commercial Paper Mode (other than a Purchased Bond) shall be determined by the Remarketing Agent for such Series Six-D Bond on or before 12:30 P.M., New York City time, on the first day of each Commercial Paper Rate Period; provided, however, that if the Remarketing Agent fails to specify the next succeeding Commercial Paper Rate Period for a Series Six-D Bond, such Commercial Paper Rate Period for such Series Six-D Bond shall be the shorter of (i) seven (7) days or (ii) the period remaining to and including the final maturity date of the Series Six-D Bond. The interest rate for each Series Six-D Bond in a Commercial Paper Mode to take effect on such day shall be determined by the Remarketing Agent to be the rate of interest that, if borne by such Series Six-D Bond for its Commercial Paper Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities the interest on which is excludable from gross income for federal income tax purposes of the same general nature as such Series Six-D Bond and which are comparable as to credit and maturity or tender dates with the credit and maturity or tender dates of such Series Six-D Bond, would be the lowest interest rate that would enable such Series Six-D Bond to be sold on the first day of the applicable Commercial Paper Rate Period at a price of par, plus accrued interest, if any.

Each Series Six-D Bond in a Commercial Paper Mode (other than a Purchased Bond) shall bear interest during a particular Commercial Paper Rate Period at a rate per annum equal to the interest rate determined above corresponding to the Commercial Paper Rate Period. A Series Six-D Bond can have a Commercial Paper Rate Period, and bear interest at a Commercial Paper Rate, different from other Series Six-D Bonds in the Commercial Paper Mode. The Remarketing Agent shall notify the Trustee, the Tender Agent, the Authority, the Corporation and the Provider by Electronic Notice (confirmed in writing) of the term or terms of and the interest rate or rates borne by the Series Six-D Bonds in the Commercial Paper Mode on the first day of each Commercial Paper Rate Period.

(c) Weekly Rate. **The Series Six-D Bonds will initially bear interest in the Weekly Rate Mode.** Each Series Six-D Bond in a Weekly Rate Mode (other than a Purchased Bond) will bear interest at the Weekly Rate. The Weekly Rate shall be determined by the Remarketing Agent for such Series Six-D Bond to be the rate of interest that, if borne by such Series Six-D Bond for such Weekly Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities the interest on which is excludable from gross income for federal income tax purposes of the same general nature as such Series Six-D Bond and which are comparable as to credit and maturity or tender dates with the credit and maturity or tender dates of such Series Six-D Bond, would be the lowest interest rate that would enable such Series Six-D Bond to be sold on the first day of the applicable Weekly Rate Period at a price of par, plus accrued interest, if any.

On the last Business Day of each calendar month, the Remarketing Agent shall notify the Trustee, the Tender Agent, the Authority, the Corporation and the Provider, via Electronic Notice of the interest rate borne by the Series Six-D Bonds on each day of that calendar month. In addition, on each Wednesday after such rate is determined, the Remarketing Agent shall notify the Trustee and the Tender Agent and the Corporation via Electronic Notice of the interest rate on the Series Six-D Bonds to be in effect beginning on Thursday of such week.

The Remarketing Agent shall determine a Weekly Rate for each Weekly Rate Period on the Business Day next preceding the commencement date of the Weekly Rate Period to which it relates and shall provide such rate to the Trustee and Tender Agent by Electronic Notice by 5:00 p.m., New York City time, on such preceding Business Day and on Wednesday of each week, or if such Wednesday is not a Business Day the next succeeding Business Day.

(d) Term Rate. During each Term Rate Period each Series Six-D Bond in a Term Rate Mode (other than a Purchased Bond) will bear interest at the Term Rate. No less than twenty (20) Business Days prior to the end of each Term Rate Period for a Series Six-D Bond, the Authority at the direction of the Corporation shall deliver to the Trustee and the Remarketing Agent for such Series Six-D Bond written notice of the Authority's determination of the next succeeding Term Rate Period, which Term Rate Period shall end on a Business Day and shall not be the maturity date of such Series Six-D Bond; provided, however, that if the Authority fails to specify the next succeeding Term Rate Period, such Term Rate Period shall be the shorter of (i) a period ending on the April 1 that as nearly as practicable result in a Term Rate Period that is the same as the immediately preceding Term Rate Period, or (ii) the period remaining to and including the final maturity date of such Series Six-D Bond.

The Term Rate shall be the interest rate determined by the Remarketing Agent not later than a date two (2) Business Days prior to the Conversion Date or the next Reset Date. The interest rate applicable to a Series Six-D Bond in the Term Rate Mode shall be the lowest rate which, in the judgment of the Remarketing Agent for such Series Six-D Bond, having due regard for the prevailing financial market conditions for bonds or other securities the interest on which is excludable from gross income for federal income tax purposes of the same general nature as such Series Six-D Bond and which are comparable as to credit and maturity or tender dates with the credit and maturity or tender dates of such Series Six-D Bond, would be the lowest interest rate that would enable such Series Six-D Bond to be sold on the Conversion Date or the Reset Date at a price of par, plus accrued interest, if any. If the Remarketing Agent is unable to remarket all of the Series Six-D Bonds in the Term Rate Mode at the interest rate determined by the Remarketing Agent pursuant to the preceding sentence, the Remarketing Agent may at any time prior to the Conversion Date or Reset Date increase the interest rate to that rate of interest which is the lowest rate which, in the judgment of the Remarketing Agent having due regard for the prevailing financial market conditions for bonds or other securities the interest on which is excludable from gross income for federal income tax purposes of the same general nature as the Series Six-D Bonds and which are comparable as to credit and maturity or tender dates with the credit and maturity or tender dates of the Series Six-D Bonds, would be the lowest interest rate that would enable the Series Six-D Bonds to be sold on the Conversion Date or the Reset

Date at a price of par, plus accrued interest, if any. No more than five (5) Business Days prior to the Conversion Date or Reset Date, the Trustee shall notify by mail the Authority and the Provider and each Holder of the Series Six-D Bonds of any such adjustment in the interest rate. The Remarketing Agent shall not increase the interest rate later than two (2) Business Days prior to the Conversion Date or Reset Date and written notice of the increased interest rate shall be given by the Remarketing Agent concurrently to the Trustee, the Provider, the Corporation and the Authority.

The interest rate on the Series Six-D Bonds in the Term Rate Mode will not be reset on any Reset Date unless at least five (5) Business Days prior to such Reset Date and again on such Reset Date, the Trustee, the Authority, the Corporation the Insurer, Provider and Remarketing Agent, receive an Opinion of Bond Counsel; provided, however, that such Opinion of Bond Counsel shall not be required if the duration of the new Term Rate Period is the same as the immediately preceding Term Rate Period.

If for any reason, the interest rate for a Series Six-D Bond in the Term Rate Mode is not or cannot be determined by the Remarketing Agent for such Series Six-D Bond in the manner specified above, the interest rate on such Series Six-D Bond will be equal to the Municipal Market Data General Obligation Yield published by The Bond Buyer or its successor on bonds with the same long term ratings that mature on a date that is as nearly as practical the same date as the date on which the new Term Rate Period for such Series Six-D Bond will end. Such interest rate shall be based upon the Municipal Market Data General Obligation Yield published by The Bond Buyer or its successor for the most recent period for which such information is available on the date the interest rate is to be determined. If such index or its equivalent is no longer published, the interest rate on such Series Six-D Bond shall be the interest rate then in effect on such Series Six-D Bond.

(e) Fixed Rate. Each Series Six-D Bond in the Fixed Rate Mode (other than a Purchased Bond) will bear interest at a Fixed Rate. The Fixed Rate for each such Series Six-D Bond shall be determined by the Remarketing Agent for such Series Six-D Bond or other investment banking firm or firms with which the Authority has entered into an agreement for the purchase, as underwriters, of such Series Six-D Bond to be converted to the Fixed Rate Mode on the Conversion Date as agreed to by the Authority. The Fixed Rate shall be either (i) the lowest rate which, in the judgment of the Remarketing Agent or such other investment banking firm or firms, having due regard for prevailing financial market conditions for bonds or other securities the interest on which is excludable from gross income for federal income tax purposes of the same general nature as such Series Six-D Bond and which are comparable as to credit and maturity with the credit and maturity of such Series Six-D Bond, would be the lowest interest rate that would enable such Series Six-D Bond to be sold on the Conversion Date at a price of par, plus accrued interest, if any, or (ii) if the Authority, the Trustee, the Corporation and the Insurer and Remarketing Agent shall have received an Opinion of Bond Counsel, such other rate of interest as the Authority at the direction of the Corporation shall determine. If for any reason the Fixed Rate is not determined as aforesaid, then the Rate Mode shall on the Conversion Date convert to a Weekly Rate Mode unless (i) the Authority at the direction of the Corporation elects another Rate Mode for such Series Six-D Bonds, exercised by filing a certificate to such effect with the Trustee and the Insurer and Provider, and (ii) on or prior to the Conversion Date an Opinion of Bond Counsel is delivered to the Trustee and the Insurer and Provider, whereupon the Rate to be borne by such Series Six-D Bonds shall be a Rate for such other Rate Mode determined as provided in the Indenture.

(f) Auction Rate. During the Auction Rate Mode, a Series Six-D Bond shall bear interest at the Auction Rate for each Auction Period determined as set forth in the Indenture (including Exhibit A thereto). The Auction Period commencing immediately after any change in the Rate Mode applicable to a Series Six-D Bond to an Auction Rate Mode, shall commence from and include the Conversion Date and shall expire on the date determined and certified to the Trustee (with a copy to the Corporation and to each Insurer, Broker-Dealer and Provider) by

the Authority on or before the Conversion Date. The initial Auction Date immediately after any change in the Mode applicable to a Series Six-D Bond to an Auction Rate Mode, shall be the date determined and certified to the Trustee (with a copy to each Insurer, Broker-Dealer, Auction Agent and Provider) by the Authority on or before the Conversion Date. The Auction Rate for the first Auction Period immediately after any change in the Rate Mode applicable to a Series Six-D Bond to an Auction Rate Mode, shall be the rate of interest per annum determined and certified to the Trustee (with a copy to the Authority and each Insurer and Provider) by the initial Broker-Dealer on a date not later than the Conversion Date as the minimum rate of interest which, in the opinion of the Broker-Dealer, would be necessary as of such date to market such Series Six-D Bond in an Auction Rate Mode in a secondary market transaction at a price equal to the principal amount thereof; provided, however, that such interest rate shall not exceed the Maximum Rate. The first Auction Period following the initial Auction Period shall be an Auction Period determined and certified by the Authority to the Trustee, the Broker-Dealer, the Auction Agent and the Insurer and Provider. Thereafter, each Auction Period shall be an Auction Period of the same duration, unless such Auction Period is changed to another Auction Period in accordance with Exhibit A to the Indenture. For any other Auction Period that is not an initial Auction Period, the Auction Rate shall be the rate of interest determined in accordance with Exhibit A to the Indenture.

If all conditions to the Conversion are met, the Rate Period(s) or the Auction Period for the new Rate Mode shall commence on the Conversion Date and the interest rate(s) (together, in the case of a change to the Commercial Paper Mode, with the Rate Period(s)) shall be determined by the Remarketing Agent in the manner provided in the Indenture.

With respect to a change in the Rate Mode from an Auction Rate Mode to any other Rate Mode, in the event the conditions to the Conversion have not been satisfied by the Conversion Date, the Series Six-D Bonds that are subject to the Conversion Notice will continue to bear interest in the Auction Rate Mode and the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures; provided, however, that the Auction Rate for the Auction Period commencing on the failed Conversion Date shall be the Maximum Auction Rate and the Auction Period shall be a seven-day Auction Period.

(g) Indexed Put Rate. The Indexed Put Rate shall be adjusted each Thursday and shall be equal to the BMA Municipal Index on such day plus the Applicable Spread. If the BMA Municipal Index is no longer available, then the Indexed Put Rate, as calculated by the Remarketing Agent, shall be 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day such Indexed Put Rate would otherwise be determined as provided herein for such Indexed Put Rate Period, plus the Applicable Spread. Any adjustment to the Applicable Spread made following the occurrence and continuance of an Event of Default (an "Adjustment Event") shall be made and announced by the Remarketing Agent as soon as practicable following receipt by the Trustee of notice from the Corporation or from the Remarketing Agent or any Holder of Indexed Put Bonds (subject to verification by the Trustee as described below) that an Adjustment Event has transpired that gives rise to an adjustment in the Applicable Spread. If the Trustee has received notice from a Holder of an Indexed Put Bond of the occurrence of an Adjustment Event, the Trustee shall independently verify the occurrence of the Adjustment Event. Any such adjustment to the Applicable Spread shall be effective immediately and shall be retroactive to the first Thursday following the occurrence of the Adjustment Event.

The Remarketing Agent shall determine the Indexed Put Rate during each Indexed Put Rate Period as provided above and shall furnish to the Authority and the Corporation, no later than the Business Day next succeeding the date of determination, the Indexed Put Rate by Electronic Notice promptly confirmed in writing.

Any Bonds bearing interest at an Indexed Put Rate are subject to tender at the option of the Bondholder pursuant to the terms of the Indenture.

(h) Purchased Bond Rate. Purchased Bonds will bear interest at the Purchased Bond Rate payable at the time and in the manner provided in the applicable Reimbursement Agreement with the Provider of the Liquidity Facility for such Purchased Bonds.

(i) Limitations on Rates. No Series Six-D Bond shall bear interest at a rate which exceeds the Maximum Rate.

(j) Limitation on Rate Periods. No Rate Period shall extend beyond the scheduled Termination Date of the Liquidity Facility then in effect, if any (or if such day is not a Business Day, the immediately preceding Business Day).

(k) No Liability. In determining the Rate, the Authority, the Auction Agent, a Broker–Dealer and the Remarketing Agent shall have no liability to any Holder, the Trustee, the Tender Agent, the Provider or any Bondholder, except for its respective willful misconduct or gross negligence.

(l) Deferred Interest on Purchased Bonds. If on any date the Purchased Bond Rate would, but for this sentence, exceed the Maximum Rate, then each Purchased Bond shall bear interest at the Maximum Rate applicable thereto, and if thereafter the Purchased Bond Rate would, but for this sentence, be less than such Maximum Rate, each Purchased Bond shall, to the extent permitted by law, continue to bear interest at the Maximum Rate until such time as the total interest paid and accrued in respect to said Purchased Bond is equal to the total interest that the Holder thereof would have received (together with, to the extent permitted by law, interest, at the rate therefor set forth in the applicable Liquidity Facility or in the related Reimbursement Agreement, on any amounts the payment of which was deferred by reason of the limitation contained in the first clause of this sentence) if such Purchased Bonds had borne interest without regard to the limitation contained in the first sentence of this paragraph.

(m) Notices to Authority. All notices of rate information to the Authority required in the Indenture may be provided to the Authority's financial advisor.

Determination of Rate Mode

(a) Optional Conversion of Rate Modes. In order to designate a new Rate Mode for any Series Six-D Bond, the Authority, at the direction of the Corporation, shall deliver a Conversion Notice in accordance with the provisions of paragraph (d)(i) below. No Conversion of a Rate Mode shall occur unless:

(i) on the Conversion Date no Event of Default has occurred and is continuing;

(ii) on or prior to 11:00 a.m., New York City time, on the day that the Authority, at the direction of the Corporation, delivers a Conversion Notice in accordance with paragraph (d)(i) below, the Authority shall receive a letter from Bond Counsel stating that, based on the then current law, such Bond Counsel knows of no reason why the Opinion of Bond Counsel required by clause (iv) below could not be rendered on the Conversion Date;

(iii) on or prior to 11:00 a.m., New York City time, on the Conversion Date, the Authority, the Corporation, Bond Counsel and the Trustee shall receive the consent of the Insurer if applicable;

(iv) on or prior to 11:00 a.m., New York City time, on the Conversion Date, the Authority, at the direction of the Corporation, shall deliver to the Trustee, the Tender Agent, the Authority and the Insurer, Provider, Remarketing Agent and Broker-Dealer an Opinion of Bond Counsel with respect to such proposed Conversion;

(v) the Conversion Date of any Series Six-D Bond in the Fixed Rate Mode or the Term Rate Mode to be converted to any other Rate Mode is an Interest Payment Date or a Reset Date on which such Series Six-D Bond could be redeemed at the option of the Authority as provided in the Indenture;

(vi) if the Conversion is to the Auction Rate Mode, on or prior to the Conversion Date an Auction Agent and one or more Broker-Dealers shall have been appointed; and

(vii) if any of the Series Six-D Bonds are to be converted to the Daily Rate Mode, the Commercial Paper Mode, the Indexed Put Rate Mode, the Weekly Rate Mode or a Term Rate Mode for a Term Rate Period of five years or less, on or prior to the Conversion Date, a Remarketing Agent shall have been appointed for the Series Six-D Bonds to be converted and the Authority, at the direction of the Corporation, shall have delivered to the Trustee, the Tender Agent, the Corporation and the Remarketing Agent (1) rating confirmations of the Rating Agency and (2) the Liquidity Facility to be provided and the related Reimbursement Agreement in accordance with the Indenture.

(b) In the event that:

(i) the requirements of paragraph (a) above have not been met on a scheduled Conversion Date;

(ii) on the Business Day preceding a scheduled Conversion Date, the Remarketing Agent notifies the Trustee, the Authority and the Corporation and the Insurer and Provider that the Series Six-D Bond to be converted cannot be remarketed; or

(iii) on or prior to the Business Day preceding a Conversion Date, the Authority, at the direction of the Corporation, notifies the Remarketing Agent, the Provider and the Trustee of its election not to convert such Series Six-D Bonds to the new Rate Mode;

then, in each such case, except as otherwise provided in the Indenture (with respect to Series Six-D Bonds in the Auction Rate Mode), the Series Six-D Bonds shall (x) automatically convert to the Weekly Rate Mode upon satisfaction of the applicable requirements of the Indenture or (y) be converted to such other Rate Mode as the Authority shall have specified in the notice given pursuant to clause (iii) above upon satisfaction of its applicable requirements of the Indenture, whereupon, in each case, the Rate to be borne by such Series Six-D Bonds shall be a Rate for such Rate Mode determined as provided in the Indenture.

(c) Additional Provisions Regarding Conversion to the Fixed Rate Mode or Term Rate Mode.

(i) No Series Six-D Bond shall be converted to the Fixed Rate Mode or to the Term Rate Mode unless:

(A) the Conversion Date is (1) at least fifteen (15) days after receipt by the Trustee and the Tender Agent of the Conversion Notice (or such shorter period as may be agreed to by the Trustee and the Depository) and (2) at least

three (3) days after the Tender Agent has mailed the notice referred to in paragraph (d)(iii) below; and

(B) at least three (3) days prior to the proposed Conversion Date, the Trustee has received a certificate of an Authorized Authority Representative stating that a written agreement has been entered into by the Authority and a firm or firms of investment bankers providing for the purchase as underwriters and resale to the public of the Series Six-D Bonds to be converted on the Conversion Date at a price equal to the principal amount thereof (or such other price as the Authority, at the direction of the Corporation, may determine if the sale of such Series Six-D Bonds at such other price would not prevent the Opinion of Bond Counsel required by paragraph (a)(iv) above from being delivered upon such sale), which written agreement (Y) reflects current market standards and (Z) must include a provision requiring payment of the Purchase Price for the Series Six-D Bonds to be converted to be made in immediately available funds.

(ii) If on the Conversion Date a remarketing has been arranged for less than all the Series Six-D Bonds to have been converted to the Term Rate Mode or the Fixed Rate Mode, only the Series Six-D Bonds for which a remarketing has been arranged shall be converted to the Term Rate Mode or the Fixed Rate Mode. The Series Six-D Bonds to have been converted for which no remarketing has been arranged shall continue in the Rate Mode in effect prior to the Conversion Date.

(iii) The Authority, at the direction of the Corporation, may, by notice given to the Trustee at the same time and in the same manner as a Conversion Notice of the Conversion to the Fixed Rate Mode or the Term Rate Mode is given (which notice may be contained in such Conversion Notice), elect that after the Conversion Date (A) one or more of the Sinking Fund Installments of any Series Six-D Bonds to be converted that is a Term Bond may be converted to Serial Bonds maturing on the dates on which and in the principal amounts of each such Sinking Fund Installment are due and payable, (B) two or more Serial Bonds to be converted that mature sequentially in consecutive years may be combined and converted to a Term Bond maturing on the latest date on which any such Serial Bond matures and establish the date on which each such Serial Bond matured to be a date on which a Sinking Fund Installment shall be due and payable in the amount of the Serial Bond maturing on said date or (C) any Series Six-D Bond to be converted that matures in any year and is not subject to redemption through mandatory Sinking Fund Installments may be converted either to Serial Bonds maturing sequentially in consecutive years or to a Term Bond subject to redemption through mandatory Sinking Fund Installments due sequentially in consecutive years; provided, however, that the principal amount of each Serial Bond or Sinking Fund Installment shall be in an Authorized Denomination; provided, further, that the Authority shall obtain an Opinion of Bond Counsel prior to electing (A), (B) or (C) above. In the event the Outstanding aggregate principal amount of Series Six-D Bonds that are Term Bonds and are to be converted on the Conversion Date is less than the aggregate of the Sinking Fund Installments established for such Term Bonds pursuant to the Indenture and the Authority, at the direction of the Corporation, has made an election pursuant to the Indenture, the principal amount of Series Six-D Bonds to mature in any one or more years may be reduced by the Authority in any manner the Authority, at the direction of the Corporation, shall determine.

(d) Notice Requirements.

(i) Not less than fifteen (15) days prior to any Conversion Date or, if the Series Six-D Bonds to be converted are Book Entry Bonds, such shorter period as the Depository will permit, the Authority, at the direction of the Corporation, shall deliver to the Trustee, the Corporation, the Tender Agent, the Depository and the Remarketing

Agent, Provider, Auction Agent, and Broker–Dealer a written notice (a “Conversion Notice”), which notice shall be deemed received upon Electronic Notice confirmation of receipt thereof by the Remarketing Agent and the Trustee, specifying (A) the Series Six-D Bonds to be converted, (B) the Conversion Date or Conversion Dates, and (C) the Rate Mode or Rate Modes that will be effective upon such Conversion.

(ii) If less than all of the Series Six-D Bonds then subject to a particular Rate Mode or Rate Modes are to be converted to a new Rate Mode or Rate Modes, the particular Series Six-D Bonds that are to be converted to a new Rate Mode or Rate Modes shall be selected by the Trustee in such manner as the Trustee deems appropriate subject to the provisions hereof regarding Authorized Denominations of Series Six-D Bonds subject to such Rate Mode.

(iii) As soon as practicable after receipt of a Conversion Notice, but in any event not more than three (3) days after the date such Conversion Notice is received, the Tender Agent shall give notice by first-class mail to the Holders of the Series Six-D Bonds to be converted, which notice shall contain the substantive requirements provided in the Indenture.

Neither the failure to mail the foregoing notice to any Holders of the Series Six-D Bonds to be converted nor any defect therein, shall affect the validity of any Rate, the change in the Rate Mode or Rate Modes, the mandatory tender on the Conversion Date of Series Six-D Bonds to be converted, or extend the period for tendering any Series Six-D Bonds for purchase. Absent gross negligence or willful misconduct, the Trustee shall not be liable to any Bondholder by reason of its failure to mail such notice or any defect therein.

Tender of Series Six-D Bonds for Purchase

(a) Optional Tender of Book Entry Bonds. For so long as a Series Six-D Bond bears interest in a Daily Rate Mode, a Weekly Rate Mode or an Indexed Put Rate Mode during which such Series Six-D Bond is a Book Entry Bond and DTC is the Depository therefor, a DTC Participant, acting on behalf of a Beneficial Owner, shall have the right to tender all or any portion, in an Authorized Denomination, of the principal amount of such Beneficial Owner's interest in such Series Six-D Bond for purchase on any Optional Tender Date, by the giving or delivering to the Remarketing Agent and the Tender Agent at their respective Principal Offices a Tender Notice which states (i) the aggregate principal amount in an Authorized Denomination of each Series Six-D Bond or portion thereof to be purchased and (ii) that such principal amount of the Series Six-D Bond (in an Authorized Denomination) shall be purchased on such Optional Tender Date pursuant to this Indenture.

Such Tender Notice shall be delivered (i) in the case of Series Six-D Bonds bearing interest at a Daily Rate, not later than 11:00 A.M. New York City time on the Optional Tender Date, (ii) in the case of Series Six-D Bonds bearing interest at a Weekly Rate, not later than 5:00 P.M., New York City time, on the seventh calendar day prior to the Optional Tender Date, and (iii) in the case of Series Six-D Bonds bearing interest at an Indexed Put Rate, on any Business Day at least six months prior to the Indexed Put Date, as further provided and meeting the requirements of Section 3.02(g)(2) of the Indenture.

(b) Optional Tender of Other Bonds. For so long as a Series Six-D Bond bears interest in a Daily Rate Mode, a Weekly Rate Mode or an Indexed Put Rate Mode during which the Series Six-D Bond is not a Book Entry Bond or DTC is not the Depository therefor, the Holders of the Series Six-D Bonds shall have the right to tender any Series Six-D Bond (or portion thereof in an Authorized Denomination) to the Tender Agent for purchase on any Optional Tender Date, but only upon:

(i) giving or delivering to the Remarketing Agent and the Tender Agent at their respective Principal Offices, (A) not later than 11:00 A.M. New York City time on the Optional Tender Date in the case of Series Six-D Bonds in a Daily Rate Mode, (B) not later than 5:00 P.M., New York City time, on the seventh calendar day prior to the Optional Tender Date in the case of Series Six-D Bonds in a Weekly Rate Mode, and (C) on any Business Day at least six months prior to the Indexed Put Date in the case of Series Six-D Bonds in an Indexed Put Rate Mode, an irrevocable telephonic Tender Notice subsequently confirmed in writing the same day which Tender Notice states (A) the aggregate principal amount in an Authorized Denomination of each Series Six-D Bond to be purchased and (B) that such Series Six-D Bond (or portion thereof in an Authorized Denomination) shall be purchased on such Optional Tender Date pursuant to this Indenture; and

(ii) delivery of such Series Six-D Bond (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent at its Principal Office at or prior to 1:00 P.M. New York City time on such Optional Tender Date; provided, however, that no Series Six-D Bond (or portion thereof in an Authorized Denomination) shall be purchased unless the Series Six-D Bond so delivered to the Tender Agent shall conform in all respects to the description thereof in the aforesaid notice.

Any Tender Notice given or delivered in accordance with this paragraph (b) shall be irrevocable and shall be binding on the Bondholder giving or delivering such Tender Notice and on any transferee of such Bondholder.

(c) Additional Notice. The Remarketing Agent shall give the Tender Agent Electronic Notice of the receipt of any Tender Notice given pursuant to paragraph (a) or (b) above.

(d) Mandatory Tender. The Series Six-D Bonds specified below are subject to mandatory tender and purchase at the Purchase Price on the following dates:

(i) The Series Six-D Bonds to be converted to a different Rate Mode shall be tendered for purchase on the Conversion Date for such Series Six-D Bonds; provided, however, that Series Six-D Bonds being converted from one Auction Period to another Auction Period shall not be subject to tender;

(ii) The Series Six-D Bonds in the Commercial Paper Mode or the Term Rate Mode shall be tendered for purchase on each Reset Date for such Series Six-D Bonds;

(iii) The Series Six-D Bonds in connection with which a Liquidity Facility is then in effect shall be tendered for purchase on a Business Day that is not less than three (3) Business Days prior to the Termination Date of such Liquidity Facility unless the Termination Date of such Liquidity Facility has been extended at least twenty (20) days prior to such Termination Date, and the Purchase Price of such tendered Series Six-D Bonds shall be paid with money drawn under such Liquidity Facility prior to its Termination Date;

(iv) The Series Six-D Bonds in connection with which a Liquidity Facility or a substitute Liquidity Facility is delivered shall be tendered for purchase on the effective date (or if such date is not a Business Day, on the immediately preceding Business Day) of either (A) a Liquidity Facility for such Series Six-D Bonds if immediately prior thereto no Liquidity Facility was then in effect for such Series Six-D Bonds, (B) a substitute Liquidity Facility delivered pursuant to the Indenture with respect to such Series Six-D Bonds, or (C) the election of the Corporation to maintain Liquid Assets in substitution of a Liquidity Facility; provided, however, that the Purchase Price of such tendered Series

Six-D Bonds in connection with which a substitute Liquidity Facility is being delivered shall be paid with money drawn under the then existing Liquidity Facility;

(v) The Series Six-D Bonds in connection with which a Liquidity Facility is then in effect shall be tendered for purchase on a Business Day that is not less than one Business Day prior to the Termination Date of such Liquidity Facility specified in a Default Notice delivered by the Provider or its agent in accordance with the provisions of the Liquidity Facility or the applicable Reimbursement Agreement, and the Purchase Price of such tendered Series Six-D Bonds shall be paid by money drawn under such Liquidity Facility prior to such Termination Date; and

(vi) The Series Six-D Bonds in connection with which a Credit Facility is then in effect shall be tendered for purchase on a Business Day that is not less than three (3) Business Days prior to the stated Termination Date of such Credit Facility unless the Termination Date of such Credit Facility has been extended at least thirty (30) days prior to the stated Termination Date, and the Purchase Price of such tendered Series Six-D Bonds shall be paid with money drawn under such Credit Facility prior to its stated Termination Date.

(e) Notices of Mandatory Tenders. Whenever Series Six-D Bonds are to be tendered for purchase upon Conversion to a new Rate Mode, the Tender Agent shall give the notices required by Section 3.03(d)(iii) of the Indenture. Whenever Series Six-D Bonds are to be tendered for purchase in accordance with paragraph (d)(iii) above, the Tender Agent shall, not less than twelve (12) days prior to the Tender Date, give notice by first-class mail to the Holders of the Series Six-D Bonds to be tendered that such Series Six-D Bonds are subject to mandatory tender for purchase on the Tender Date specified in such notice. Whenever Series Six-D Bonds are to be tendered for purchase upon the initial delivery of a Liquidity Facility, the delivery of a substitute Liquidity Facility, the Corporation's election to maintain Liquid Assets in lieu of a Liquidity Facility or the termination of a Liquidity Facility in accordance with paragraph (d)(iv) or (v) above, the Tender Agent shall, not less than five (5) days prior to the effective date of the expiration or earlier termination of the Liquidity Facility then in effect or of the effective date of the substitute Liquidity Facility or the Corporation's election to maintain Liquid Assets in lieu of a Liquidity Facility, give notice by first-class mail to the Holders of the Series Six-D Bonds (i) that the Series Six-D Bonds are subject to mandatory tender for purchase on the date specified in such notice, (ii) the ratings expected to be effective on the Series Six-D Bonds following such substitution or election and (iii) the identity of the Provider of the substitute Liquidity Facility, if any.

(f) Tendered and Deemed Tendered Bonds. If a Bondholder fails to deliver to the Tender Agent, on or before the applicable Tender Date, all or any portion of a Series Six-D Bond subject to mandatory tender for purchase or any Series Six-D Bond, other than a Book Entry Bond, for which an election to tender has been duly made, such Series Six-D Bond (or portion thereof in an Authorized Denomination) shall be deemed to have been properly tendered to the Tender Agent.

(g) Purchase of Tendered Bonds. On each Tender Date the Tendered Bonds shall be purchased (but solely from Available Moneys) at the applicable Purchase Price, which shall be paid by 2:30 P.M., New York City time, on the Tender Date. The Purchase Price for the Tendered Bonds shall be paid by the Tender Agent from amounts available in the Purchase and Remarketing Fund as provided in the Indenture. Tendered Bonds so purchased shall be delivered as provided in the Indenture. No Tendered Bond so purchased by a Provider or with moneys made available by a Provider shall cease to be Outstanding solely by reason of the purchase thereof.

Remarketing of Series Six-D Bonds

(a) Duty to Remarket. Except as otherwise provided in the Indenture, upon receipt of any notice that any Series Six-D Bond will be or is required to be tendered for purchase in accordance with the Indenture, the Remarketing Agent for such Series Six-D Bond shall use its best efforts to remarket such Tendered Bond on its Tender Date at a price equal to the Purchase Price; provided, however, that if such Series Six-D Bonds are being remarketed upon their Conversion from the Term Rate Mode or the Fixed Rate Mode, such Series Six-D Bonds will be remarketed at a price equal to par unless on or prior to the date of such remarketing the Trustee and the Authority have received an Opinion of Bond Counsel to the effect that a remarketing at a price other than par will not materially adversely affect the tax-exempt status of interest on such Series Six-D Bonds. By 11:30 A.M., New York City time, on each Tender Date, the Remarketing Agent shall give Electronic Notice of the principal amount of Tendered Bonds for which it has arranged a remarketing (and such other particulars with respect thereto as the Authority or the Remarketing Agent deem necessary), along with the principal amount of Tendered Bonds, if any, for which it has not arranged a remarketing, to the Trustee, the Tender Agent, the Corporation, the Authority and each affected Provider. The Remarketing Agent by 12:30 P.M., New York City time, on a Tender Date shall transfer to the Tender Agent the proceeds of the remarketing of the Tendered Bonds. By (x) 1:00 P.M., New York City time, on each Optional Tender Date for Series Six-D Bonds bearing interest at a Daily Rate, a Weekly Rate or an Indexed Put Rate and on each Mandatory Tender Date, and (y) 3:30 P.M., New York City time, on the Business Day prior to the Conversion Date, the Tender Agent shall notify the Authority, the Corporation and each affected Provider of the amount required to be paid for the Purchase Price of Series Six-D Bonds to be tendered; provided, however, that the failure to give such notice shall not affect the right of the Tender Agent to obtain moneys under the applicable Liquidity Facility. By 1:30 P.M., New York City time, on each Tender Date, the Tender Agent shall take such actions as may be required under a Liquidity Facility to obtain moneys thereunder in an amount equal to the full Purchase Price of all Tendered Bonds to which such Liquidity Facility relates, less the proceeds of the remarketing of such Tendered Bonds theretofore transferred to the Tender Agent by the Remarketing Agent. The Tender Agent shall notify the Authority of the amounts so obtained.

(b) Deposit of Remarketing Proceeds. All moneys received by the Tender Agent as proceeds of the sale of the Tendered Bonds pursuant to paragraph (a) above that have been transferred to the Tender Agent pursuant to such Section shall be deposited and held by the Tender Agent in the Remarketing Proceeds Account established pursuant to the Indenture.

(c) Limitation on Remarketings. The Remarketing Agent shall not, during any period during which a Liquidity Facility is in effect, remarket Tendered Bonds (A) if upon such remarketing the amount available to be drawn under the Liquidity Facility for the payment of the Purchase Price of the Outstanding Series Six-D Bonds to which such Liquidity Facility relates is less than the principal of such Series Six-D Bonds that are not Purchased Bonds or Bonds held for the account of the Authority, plus an amount available for payment of interest determined in accordance with the Indenture, (B) if the Liquidity Facility related to such Tendered Bonds then in effect will expire or terminate within twenty (20) days after the Tender Date of the Tendered Bonds, unless and until such Liquidity Facility has been extended or a substitute Liquidity Facility or the Corporation's election to maintain Liquid Assets in lieu of a Liquidity Facility shall have been delivered to the Tender Agent in accordance with the Indenture, and (C) if the Provider has delivered a Default Notice or a No Remarketing Notice and such Default Notice or No Remarketing Notice remains in effect and has not been annulled or rescinded.

So long as a Liquidity Facility is in effect for Tendered Bonds, no such Tendered Bonds shall be remarketed by the Remarketing Agent for purchase by the Corporation unless there has been delivered to the Trustee an Opinion of Bond Counsel and an opinion of counsel reasonably satisfactory to the Trustee to the effect that payment of the Purchase Price of Tendered Bonds from moneys paid by or on behalf of the Corporation for the purchase of such

Tendered Bonds will not constitute a voidable preference under Section 547 of the United States Bankruptcy Code in a proceeding commenced by or against the Corporation thereunder, which opinion may be delivered contemporaneously with the delivery of the Liquidity Facility.

Purchase and Remarketing Fund

(a) Establishment of and Deposits to Fund. The following Accounts shall be established within the Series Six-D Bonds Purchase and Remarketing Fund: (i) the Purchase Account, (ii) the Remarketing Proceeds Account and (iii) the Available Moneys Account. Neither the Purchase Account nor the Remarketing Proceeds Account nor the moneys derived from the remarketing of Tendered Bonds or from the Liquidity Facility from time to time on deposit therein is pledged to or secures payment of the interest on or principal, Redemption Price or, except as expressly provided in the Indenture, Purchase Price of any Bonds. The Purchase Account, the Remarketing Proceeds Account and the moneys derived from the remarketing of the Series Six-D Bonds or from a Liquidity Facility from time to time on deposit therein are pledged by the Authority pursuant to the Indenture, and, pursuant to the Indenture, the Authority grants a security interest therein to the Trustee to secure payment of the Purchase Price of Tendered Bonds. Amounts in the Purchase Account and the Remarketing Proceeds Account shall be held separate and apart from and not be commingled with amounts held in any other fund or account established hereunder or with any other moneys of the Authority, the Tender Agent or the Trustee. The moneys in such accounts within the Purchase and Remarketing Fund shall be held uninvested.

(b) All amounts received by the Tender Agent from a Remarketing Agent representing the proceeds from the remarketing of Tendered Bonds shall be deposited in the Remarketing Proceeds Account and shall be used only for the payments of the Purchase Price of Tendered Bonds so remarketed as provided in the Indenture, or for the payment of the Provider for Tendered Bonds purchased by it and remarketed. All amounts derived from a drawing on a Liquidity Facility to pay the Purchase Price of Tendered Bonds shall be deposited in the Purchase Account and used only for the payment of the Purchase Price of Tendered Bonds in the manner and at the times specified in the Indenture. All other Available Moneys to be applied to the payment of the Purchase Price of Tendered Bonds shall be deposited in the Available Moneys Account and used only for the payment of the Purchase Price of Tendered Bonds in the manner specified in the Indenture or for the payment of the Provider for Tendered Bonds purchased by it.

(c) No moneys provided by the Authority or the Corporation shall be accepted for deposit to the credit of the Purchase Account or the Remarketing Proceeds Account, nor shall any such moneys, if deposited by mistake or otherwise, be used to pay the Purchase Price of Tendered Bonds. Moneys in the Series Six-D Bonds Purchase and Remarketing Fund shall be held uninvested and without liability for interest thereon.

(d) The Purchase Price of Tendered Bonds shall be paid solely with Available Moneys on deposit in the accounts within the Series Six-D Bonds Purchase and Remarketing Fund in the following order of priority:

First: From Available Moneys in the Remarketing Proceeds Account;

Second: From Available Moneys in the Purchase Account; and

Third: From Available Moneys in the Available Moneys Account.

Remarketing Agent

The Remarketing Agent shall be authorized by law to perform all the duties imposed upon it hereby and by the Indenture and the Remarketing Agreement. Acceptance of the duties and

obligations of the Remarketing Agent for the Series Six-D Bonds under the Indenture and the Remarketing Agreement shall be signified and acknowledged by execution of the Remarketing Agreement.

The Corporation may remove the Remarketing Agent and the Remarketing Agent may resign at such times and upon such conditions as provided in the Remarketing Agreement. Upon such removal or resignation the Corporation and the Provider shall appoint a successor thereto. Any successor Remarketing Agent must meet the requirements provided in the Indenture.

Auction Agent

If the Bonds bear interest in the Auction Rate Mode, the Authority, at the direction of the Corporation, shall direct the Trustee to appoint the Auction Agent for the Series Six-D Bonds in the Auction Rate Mode and to enter into an Auction Agreement by and among the Trustee, the Auction Agent, the Authority and the Corporation. The Trustee shall have the right to remove an Auction Agent as provided in the Auction Agreement. The Trustee shall, upon a written direction of an Insurer, with consent of the Corporation, remove an Auction Agent for the Series Six-D Bonds if the Auction Agent fails to comply with its obligations under the Auction Agreement. Any successor Auction Agent must be approved by the Corporation and the Insurer.

If the Bonds bear interest in the Auction Rate Mode, the Authority, at the direction of the Corporation, shall appoint a Broker-Dealer for the Series Six-D Bonds.

Liquidity Facilities

During any Daily Rate Period, any Weekly Rate Period, Indexed Put Rate Period, any Commercial Paper Rate Period or any Term Rate Period of five years or less the Authority or the Corporation shall provide a Liquidity Facility which meets the requirements of the Indenture applicable to the substitution of a Liquidity Facility.

During any Rate Mode, the Authority or the Corporation may provide a Liquidity Facility for all, but not less than all of the Series Six-D Bonds then bearing interest in such Rate Mode. Such Liquidity Facility must meet the requirements of the Indenture.

The minimum amount of moneys available to be obtained under a Liquidity Facility on any date shall be the sum of (i) the then Outstanding principal amount of Series Six-D Bonds to which the Liquidity Facility relates that are Outstanding on such date (other than Purchased Bonds or Series Six-D Bonds held by or for the account of the Authority), plus (ii) an amount with respect to interest on such Series Six-D Bonds equal to interest accruing for such period and at such rate of interest as in the determination of an Authorized Representative of the Authority is necessary in order to maintain the ratings on such Series Six-D Bonds from each Rating Service. The Authority shall at or prior to the effective date of any Liquidity Facility deliver to the Trustee a Certificate of Determination setting forth (i) the required amount of the Liquidity Facility and the calculation of the components thereof with respect to the payment of the principal of and interest on the Series Six-D Bonds to which such Liquidity Facility relates and (ii) the interest rate and the number of days of interest accruing at such rate used to calculate the interest component of the Liquidity Facility.

The Trustee and the Tender Agent shall take such actions as may be required by the Liquidity Facility in accordance with its terms to obtain moneys at the times and in the amounts sufficient to pay the Purchase Price of Tendered Bonds to which the Liquidity Facility relates, less the amount available therefor in the Remarketing Proceeds Account, as the same is due and payable.

The Authority may replace such Liquidity Facility with a substitute Liquidity Facility, in accordance with the terms of the Indenture; provided, however, that in no event shall an existing Liquidity Facility be surrendered to the Provider thereof upon delivery of a substitute Liquidity Facility until a drawing to pay the Purchase Price of the Series Six-D Bonds tendered for purchase pursuant to the Indenture and not remarketed has been honored by such Provider.

Notwithstanding the foregoing, in lieu of maintaining of a Liquidity Facility, the Corporation may, in order to provide a source of funds to pay the Purchase Price of Tendered Bonds, maintain any combination of Liquid Assets, in such amount as may be necessary, in the reasonable opinion of the Corporation, to assure the marketability of such Bonds. For purposes of this paragraph, "Liquid Assets" shall mean, without duplication: (i) cash and cash equivalents; (ii) unrestricted board designated funds invested in marketable securities which, in the reasonable opinion of the Corporation, could be liquidated, or are available for use under repurchase agreements, within five Business Days; and/or (iii) amounts available to be borrowed under one or more bank lines of credit and letters of credit with banks or other financial institutions. If the Corporation elects to maintain Liquid Assets as provided in this paragraph, it shall notify the Trustee and the Remarketing Agent, and shall provide to the Trustee (i) an opinion of Bond Counsel to the effect that maintaining such Liquid Assets as proposed by the Corporation will not adversely affect the exemption of the interest on the Bonds from federal income taxation and (ii) confirmation of any Rating Agency then rating the Bonds that the Corporation's maintenance of Liquid Assets in lieu of maintaining a Liquidity Facility as provided in this paragraph will not adversely affect the rating then in effect with respect to the Bonds. If, in connection therewith, it is necessary or appropriate to amend this Indenture in order to reflect or accommodate the Corporation's covenant and agreement to maintain Liquid Assets, such an amendment may be made and entered into and be effective without the consent of or notice to any Holders of any Bonds, but only with the written consent of the Trustee and the Authority not to be unreasonably withheld.

Liquidity Facility Requirements

Provided the Insurer is not in default under the Policies, any Liquidity Facility provided pursuant to the Indenture shall meet the following additional requirements:

- (a) Initial Term of Facility: Minimum initial term of 364 days.
- (b) Renewals and Amendments: Any renewal on terms not identical to the terms of the initial (or then renewing) Liquidity Facility, or with a different Provider, shall be subject to the prior written consent of the Insurer. The Insurer shall be provided with notice (and a copy) of all Liquidity Facility renewals, amendments and supplements.
- (c) Immediate Termination Events: Upon the occurrence of only the following events, the Provider may terminate the Liquidity Facility prior to the stated expiration date thereof without offering Bondholders one last opportunity to tender the Series Six-D Bonds to the Provider for purchase:
 - (i) Policy Default. Failure by the Insurer to pay principal and interest when, as and in the amounts required under the Credit Facility, including interest at the "bank rate" due the Provider on disbursements under the Liquidity Facility if such amount is included as interest on the Series Six-D Bonds under the terms of the Series Six-D Bonds;
 - (ii) Payment Default Under Other Insurance. Any default by the Insurer in making payment when, as and in the amounts required to be made pursuant to the express terms and provisions of any other municipal bond insurance policy or surety bond issued by the Insurer;

(iii) Nullity of Policy. The Credit Facility for any reason ceases to be in full force and effect or is declared by a court of competent jurisdiction to be null and void, or the Insurer denies that it has any further liability under the terms thereof; or

(iv) Insolvency Proceeding Against the Insurer. A proceeding has been instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Insurer under the Insurance Law of the State of New York or any successor provision thereto and such proceeding is not terminated for a period of 60 consecutive days or such court enters an order granting the relief sought in such proceeding.

(d) Termination Event Requiring “One Last Put” Opportunity: Upon the occurrence of *only* the following events, the Provider may terminate the Liquidity Facility prior to the stated expiration date thereof but must provide Bondholders with one last opportunity to tender their Series Six-D Bonds to the Provider for purchase prior to termination:

(i) The financial strength rating assigned to the Insurer or the rating assigned to securities insured by the Insurer, as applicable, is withdrawn, suspended or reduced to A or A2, or below by both S&P and Moody’s.

(ii) Failure of the Corporation to pay the Provider commitment fees for the Liquidity Facility.

(e) No Other Termination Events: The only events permitting termination of the Liquidity Facility by the Provider prior to its stated expiration date are as specified in (c)(iv) and (v) above. In particular, neither failure by the Corporation to comply with any covenants made by it in the Liquidity Facility nor breach by the Corporation of any representation or warranty made by it in the Liquidity Facility nor continuation of such failure or breach following receipt by the Corporation of notice thereof is a permissible event of termination. The sole remedy allowed to the Provider upon such an event of default shall be the ability to sue for specific performance.

(f) Events Permitting Acceleration: Upon the occurrence of an event described in (c)(iv), the Provider may tender its Series Six-D Bonds to the Authority for immediate repurchase, and no limitations shall be imposed on the exercise by the Provider of any remedies available to it against the Corporation should the Corporation default on any such repurchase obligation to the Provider.

(g) Conditions to Effectiveness of Liquidity Facility:

(i) The Insurer may be required to provide its customary enforceability and disclosure opinion with respect to the Credit Facility.

(ii) An opinion of counsel to the Provider (including a separate opinion of foreign counsel in the case of a U.S. branch of a foreign bank) regarding corporate matters, validity, enforceability and such other matters as the Insurer shall require, shall be addressed to (or shall be the subject of a reliance letter addressed to) the Insurer.

(h) Form of Liquidity Facility: Either a letter of credit or a standby bond purchase agreement shall be acceptable.

(i) Parity Payments: The Liquidity Facility shall provide that only the following amounts are payable on a parity with principal of and interest on the Series Six-D Bonds: (i) the Provider's periodic commitment fee and (ii) interest on the Series Six-D Bonds held by the Provider calculated at the "provider rate." All other amounts (e.g., "increased obligation of the debtor enforceable in accordance with its terms costs," uninsured "claw-back" amount, penalty interest charges and indemnification amounts) shall be payable on a subordinated basis to payment of principal and interest on the Series Six-D Bonds and payment of the fees of the Trustee, and the Liquidity Facility shall specifically so provide.

(j) Increased Costs: Any "increased costs" payable by the Corporation pursuant to the Liquidity Facility shall be subordinated to the payment of principal and interest on the Series Six-D Bonds and payment of the fees of the Trustee, and the Liquidity Facility shall expressly so provide. The Liquidity Facility shall limit "increased costs" to increases in costs to the Provider or any participant of its obligations under the Liquidity Facility as the result of the imposition, increase or applicability of any reserve, special deposit, capital adequacy or similar requirement against the obligations of the Provider or any participant under the Liquidity Facility (other than as a result of the acts, omissions or financial condition of the Provider or such participant) due to any change in any law or regulation or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof.

(k) Notice of Non-Renewal: The Provider shall be required to give not less than 3 days' notice to the Trustee and the Insurer before the Trustee is required to give Bondholders notification to tender Series Six-D Bonds as a result of a non-renewal ("Non-Renewal Mandatory Tender"). (If the Trustee is required to send out a Mandatory Tender Notice 12 days prior to the Liquidity Facility termination, the Provider will be required to give the Trustee notice of non-renewal 15 days prior to the expiration date of the Liquidity Facility of its intention not to renew or extend the Liquidity Facility.) Early termination pursuant to paragraph (c)(iv) above requires no prior notice.

(l) Certain Mandatory Conversions to Fixed Rate: The Trustee shall commence the process required by this Indenture to effect a mandatory Conversion of the interest rate on the Series Six-D Bonds to a Fixed Rate (sufficient to accomplish the complete remarketing at par of all Series Six-D Bonds then held by the Provider) on or as soon as practicable after the Termination Date of the Liquidity Facility, in the case of a termination pursuant to paragraph (c)(iv) and a Non-Renewal Mandatory Tender. If such a remarketing cannot be effected, the Series Six-D Bonds shall continue to bear interest at the Variable Rate and the Remarketing Agent shall attempt at least weekly to convert the Series Six-D Bonds to a Fixed Rate sufficient to effect the remarketing at par of all Series Six-D Bonds then held by the Provider.

(m) Holding Periods: For amortization periods of less than 5 years, no amortization shall be permitted prior to the first anniversary of the date the tendered Series Six-D Bonds are purchased by the Provider. For amortization periods of 5 years or more, no amortization shall be permitted prior to 6 months from the date the tendered Series Six-D Bonds are purchased by the Provider. Whether during the term of the Liquidity Facility or subsequent to the termination thereof, the Provider shall not be permitted to tender unremarketed Series Six-D Bonds to the Authority and shall be required to hold such Series Six-D Bonds for the periods and in accordance with the conditions set forth above (except that no holding period is required in the event of a termination of the Liquidity Facility pursuant to (c)(iv) hereof). The Insurer shall pay only principal and interest on the Series Six-D Bonds as scheduled, in accordance with the terms of the Credit Facility, unless the Insurer has provided, at the request of the Provider, an endorsement to its Credit Facility to cover a special mandatory redemption under the authorizing document.

Tender Agent

The Trustee shall serve as Tender Agent for the Series Six-D Bonds. The Tender Agent shall be entitled to all of the protections afforded the Trustee under the Indenture.

The Tender Agent shall perform all the duties imposed upon it by the Indenture, any Liquidity Facility in effect from time to time and the Remarketing Agreement.

The Tender Agent may not resign or be removed except upon its resignation or removal as Trustee. No such removal or resignation shall take effect until a successor Trustee has been appointed.

Any successor Tender Agent appointed under the provisions of the Indenture shall execute, acknowledge and deliver to its predecessor, and also to the Authority, an instrument accepting such appointment, and thereupon such successor, without any further act, deed or conveyance shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of its predecessor under the Indenture, with like effect as if originally appointed as Tender Agent. However, the Tender Agent then ceasing to act shall nevertheless, on request by the Authority or of such successor, and upon payment of all amounts owed to it by the Corporation under the Indenture, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the right, title and interest of such Tender Agent in and to any property held by it under the Indenture, and shall pay over, assign and deliver to such successor any moneys or other properties subject to the trusts and conditions set forth in the Indenture.

Trustee's Right to Payment

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

The Trustee has no lien upon or right to receive payment of any fees, expenses or other amounts received by the Tender Agent from a Remarketing Agent representing the proceeds from the remarketing of Tendered Bonds and deposited in the Remarketing Proceeds Account, amounts derived from a drawing on a Liquidity Facility to pay the Purchase Price of Tendered Bonds deposited in the Purchase Account, or all other Available Moneys to be applied to the payment of the Purchase Price of Tendered Bonds deposited in the Available Moneys Account, all as provided in the Indenture.

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to keep, observe and perform all obligations and regulations lawfully imposed on it by law, contract or otherwise; to execute all necessary instruments to perfect the pledge of and lien on the Trust Estate; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any

expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or moneys in the Accounts established by the Indenture.

Events of Default

The following are Events of Default under the Indenture:

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

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

(c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty (60) days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the Corporation (giving the Corporation the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

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

(e) If there is a default in the due and punctual payment of the Purchase Price of Bonds required to be purchased pursuant to Section 4.01 or Section 4.02 of the Indenture (relating to optional and mandatory tender of Bonds) when payment of such amount has become due and payable; or

(f) If the Corporation fails to perform its obligations under Section 4.10 of the Loan Agreement (relating to the Liquidity Facility).

Remedies

(a) Upon an Event of Default under paragraph (a), (b) or (e) under the foregoing section "Events of Default" the Trustee shall declare the principal of all Bonds secured by the Indenture 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, to annul such declaration at anytime as provided in paragraph (c) of this section.

(b) Upon and during the continuance of an Event of Default under paragraph (c), (d), or (f) of the foregoing section, the Trustee 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 secured by the Indenture then outstanding and the interest accrued thereon immediately due and payable, subject, however, to the right of (i) 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 at anytime as provided in paragraph (c) of this section.

(c) If the Trustee is instructed by the Holders in accordance with the Indenture to annul such declaration of acceleration, the Trustee shall annul such declaration if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest, the reasonable expenses and charges of the Trustee, 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 proceed, and upon the written request of the Provider or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed to protect and enforce its rights and the rights of the Bondholders hereunder or of such Facility Provider or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained hereunder or in aid or execution of any power herein or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

Concerning the Trustee

The Trustee has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the Corporation to the same extent as if it were not Trustee.

There shall at all times be a trustee under the Indenture which shall be a national association or a corporation organized and doing business under the laws of the United States or the State of Minnesota, authorized under such laws to exercise corporate trust powers, having an office and place of business in the State of Minnesota, having a combined capital, surplus and undivided profits of at least Ten Million Dollars (\$10,000,000), and subject to supervision or examination by Federal or State authority.

Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor.

The Trustee may resign and be discharged from the trusts created by the Indenture by giving to the Rating Agency, the Corporation and the Authority thirty days' notice in writing of such resignation specifying a date when such resignation shall take effect. Such resignation shall take effect on the

day specified in such notice unless previously a successor trustee shall have been appointed by the Bondholders as hereinafter provided, in which event such resignation shall take effect immediately on the appointment of such successor trustee.

Any Trustee may be removed at any time by the holders of a majority in principal amount of the Bonds outstanding or by the Authority at the request of the Corporation.

In case at any time the Trustee shall resign or shall be removed or otherwise shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory officer shall take charge or control of the Trustee or of its property or affairs, a successor Trustee may be appointed by the Holders of a majority in principal amount of the said Bonds secured by the Indenture and then outstanding, but until a new Trustee shall be appointed by the Bondholders, the Authority shall, subject to the provisions hereof, appoint a Trustee to fill such vacancy.

If no appointment of a successor Trustee shall be made pursuant to the Indenture within six months after a vacancy shall have occurred in the office of Trustee, the Holder of any Bond hereby secured or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor trustee.

Concerning the Bondholders

Neither the Holder of any of the Bonds nor the Insurer of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Indenture, or for any other remedy under the Indenture unless such Holder or Insurer previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted hereby or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Notwithstanding any other provision hereof, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

The Trustee may, and upon written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall waive any default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Indenture or before the completion of the enforcement of any other remedy under the Indenture; provided, however, that no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon and no waiver shall be effective without the express written consent of the Insurer of such Outstanding Bonds.

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

Defeasance

If the Authority and the Corporation shall:

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

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

(c) deliver to the Trustee (1) proof that notice of redemption of all of such outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the Corporation for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such 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 all Letter of Credit Obligations, 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(f) of the Internal Revenue Code and regulations thereunder,

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

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

Supplemental Indentures

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

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

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

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

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

(e) to modify the Indenture as authorized by Holders; and

(f) as permitted by Sections 2.09 and 7.03 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 then outstanding, with the prior written consent of the Bank, shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds directly or indirectly affected (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or the Loan Agreement as set forth in the Indenture.

Any supplemental indenture affecting the rights or obligations of the Remarketing Agent or the Tender Agent shall not be effective without written consent of the party affected thereby.

Amendments to the Loan Agreement

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

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

Any amendment to or other modification of the Loan Agreement which affects any of the rights or obligations of the Tender Agent shall not be effective without the written consent of the Tender Agent.

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 only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and interest rate of any Authorized Denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, upon request by a registered Owner of more than \$1 million principal amount of Bonds, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable payment procedures while in book entry form.

**FINANCIAL STATEMENTS INCLUDING REPORT OF INDEPENDENT AUDITORS,
JUNE 30, 2004**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Report of Independent Auditors

To the Board of Trustees
Carleton College

In our opinion, the accompanying balance sheet and the related statements of activities and changes in net assets, and cash flows present fairly, in all material respects, the financial position of Carleton College (the "College") as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the College's 2003 financial statements; and in our report dated September 5, 2003, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



September 10, 2004

Carleton College
Balance Sheet
June 30, 2004, with Comparative Totals for June 30, 2003

	General Operations	Physical Capital	Financial Capital	2004 Totals	2003 Totals
Assets					
Cash and cash equivalents	\$ 8,253,341	\$ 1,640,495	\$ -	\$ 9,893,836	\$ 5,563,155
Receivables, net					
Pledges	-	-	3,485,602	3,485,602	4,355,248
Government	4,137,256	-	-	4,137,256	3,753,673
Other	1,214,805	-	-	1,214,805	995,655
Inventories, prepaid expenses and deferred charges	1,755,392	-	-	1,755,392	1,847,537
Loans to students	6,364,447	-	-	6,364,447	6,378,603
Deposits with bond trustee	-	206,667	-	206,667	203,279
Investments	25,976,797	-	554,206,577	580,183,374	517,575,488
Property, plant and equipment, net of depreciation	-	114,727,020	-	114,727,020	114,188,521
Total assets	<u>\$ 47,702,038</u>	<u>\$ 116,574,182</u>	<u>\$ 557,692,179</u>	<u>\$ 721,968,399</u>	<u>\$ 654,861,159</u>
Liabilities and Net Assets					
Liabilities					
Accounts payable	\$ 1,843,257	\$ -	\$ -	\$ 1,843,257	\$ 2,563,290
Accrued expenses	6,523,323	-	-	6,523,323	5,893,005
Deferred income and deposits	12,714,849	-	-	12,714,849	10,302,244
Annuities payable	-	-	21,864,563	21,864,563	18,128,731
Bonds payable	-	65,088,799	-	65,088,799	66,047,937
Interfund loans	-	5,440,000	(5,440,000)	-	-
Refundable government grants for student loans	5,156,146	-	-	5,156,146	5,134,119
Total liabilities	<u>26,237,575</u>	<u>70,528,799</u>	<u>16,424,563</u>	<u>113,190,937</u>	<u>108,069,326</u>
Net assets					
Unrestricted					
Operations	2,343,634	-	-	2,343,634	2,728,125
Student loan funds	3,245,521	-	-	3,245,521	3,111,672
Plant funds	-	(261,983)	-	(261,983)	(1,722,809)
Net investment in plant	-	45,833,584	-	45,833,584	44,320,087
Appreciation on endowments	-	-	289,988,768	289,988,768	244,379,089
Funds functioning as endowment	-	-	60,742,444	60,742,444	59,130,232
Total unrestricted net assets	<u>5,589,155</u>	<u>45,571,601</u>	<u>350,731,212</u>	<u>401,891,968</u>	<u>351,946,396</u>
Temporarily restricted					
Operations	15,875,308	-	-	15,875,308	20,121,795
Plant funds	-	473,782	-	473,782	625,502
Appreciation on true endowment	-	-	38,437,988	38,437,988	32,976,374
Funds functioning as endowment	-	-	2,906,266	2,906,266	3,217,397
Split interest funds	-	-	19,538,005	19,538,005	15,352,118
Total temporarily restricted net assets	<u>15,875,308</u>	<u>473,782</u>	<u>60,882,259</u>	<u>77,231,349</u>	<u>72,293,186</u>
Permanently restricted					
True endowments	-	-	122,610,388	122,610,388	116,535,603
Split interest fund	-	-	7,043,757	7,043,757	6,016,648
Total permanently restricted net assets	<u>-</u>	<u>-</u>	<u>129,654,145</u>	<u>129,654,145</u>	<u>122,552,251</u>
Total net assets	<u>21,464,463</u>	<u>46,045,383</u>	<u>541,267,616</u>	<u>608,777,462</u>	<u>546,791,833</u>
Total liabilities and net asset	<u>\$ 47,702,038</u>	<u>\$ 116,574,182</u>	<u>\$ 557,692,179</u>	<u>\$ 721,968,399</u>	<u>\$ 654,861,159</u>

The accompanying notes are an integral part of these financial statements.

Carleton College
Statement of Activities and Change in Net Assets
Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	General Operations		Physical Capital		Financial Capital			2004 Totals	2003 Totals
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues and other additions									
Tuition and fees	\$ 55,131,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,131,371	\$ 51,490,840
Room and board	8,641,529	-	-	-	-	-	-	8,641,529	8,185,403
Scholarships	(17,545,615)	-	-	-	-	-	-	(17,545,615)	(15,485,440)
Net student fees	46,227,285	-	-	-	-	-	-	46,227,285	44,190,803
Private gifts and pledges	6,033,129	1,721,759	301,000	590,845	1,243,923	3,984,359	6,070,076	19,945,091	20,337,012
Government reimbursements	758,976	-	-	-	-	-	-	758,976	1,043,325
Interest and dividends	266,488	137,085	3,598	-	2,030,045	5,084,297	-	7,521,513	9,288,630
Net realized gain (loss)	-	-	-	-	41,042,974	17,331,671	-	58,374,645	(33,547,818)
Net unrealized gain	-	-	536,660	-	9,395,665	6,970,097	-	16,902,422	33,593,038
Net change in split interest	-	-	-	-	-	(5,532,810)	1,027,109	(4,505,701)	(23,233)
Bookstore, rents and other	3,532,571	181,936	144,038	(312,500)	172,662	-	4,709	3,723,416	3,777,744
Subtotal revenue	56,818,449	2,040,780	985,296	278,345	53,885,269	27,837,614	7,101,894	148,947,647	78,659,501
Investment returns utilized	6,859,003	18,027,831	-	-	(6,859,003)	(18,027,831)	-	-	-
Net assets released from restrictions	24,592,886	(24,315,096)	430,065	(430,065)	195,625	(473,415)	-	-	-
Total revenues and other additions	88,270,338	(4,246,485)	1,415,361	(151,720)	47,221,891	9,336,368	7,101,894	148,947,647	78,659,501
Expenses									
Instruction	29,330,236	-	6,903,258	-	-	-	-	36,233,494	36,046,717
Academic support									
Library	3,784,292	-	219,172	-	-	-	-	4,003,464	4,013,043
Other	6,028,621	-	(285,933)	-	-	-	-	5,742,688	5,758,649
Student services	8,304,456	-	3,534,269	-	-	-	-	11,838,725	12,383,812
Institutional support									
Administration	4,167,796	-	2,742	-	-	-	-	4,170,538	3,895,500
External relations	3,099,507	-	-	-	-	-	-	3,099,507	3,647,005
Fund raising	3,190,666	-	56,498	-	-	-	-	3,247,164	3,204,112
General	4,827,781	-	210,731	-	-	-	-	5,038,512	4,519,682
Plant operations	9,618,598	-	(9,618,598)	-	-	-	-	-	-
Debt	3,938,018	-	(3,938,018)	-	-	-	-	-	-
Auxiliary enterprises	12,231,010	-	1,356,916	-	-	-	-	13,587,926	14,965,220
Total expenses	88,520,981	-	(1,558,963)	-	-	-	-	86,962,018	88,433,740
Change in net assets	(250,643)	(4,246,485)	2,974,324	(151,720)	47,221,891	9,336,368	7,101,894	61,985,629	(9,774,239)
Net assets									
Beginning of year	5,839,798	20,121,793	42,597,277	625,502	303,509,321	51,545,891	122,552,251	546,791,833	556,566,072
End of year	\$ 5,589,155	\$ 15,875,308	\$ 45,571,601	\$ 473,782	\$ 350,731,212	\$ 60,882,259	\$ 129,654,145	\$ 608,777,462	\$ 546,791,833

The accompanying notes are an integral part of these financial statements.

Carleton College
Statement of Cash Flows
Years Ended June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Change in net assets	\$ 61,985,629	\$ (9,774,239)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	6,259,617	6,099,120
Net realized and unrealized gain on investments	(75,277,067)	(45,220)
Private gifts for long-term investments	(12,225,626)	(13,675,082)
Bond discount amortized	15,862	15,862
Changes in operating assets and liabilities		
Receivable, net - pledges	869,646	5,705,918
Receivable, net - government	(203,749)	(690,142)
Receivable, net - other	(398,984)	(97,018)
Inventories, prepaid expenses and deferred charges	92,145	(102,368)
Loans to students	14,156	279,444
Accounts payable	(720,033)	(559,507)
Accrued expenses	630,318	(277,168)
Deferred income and deposits	2,412,605	2,947,218
Refundable government grants for student loans	22,027	205,932
Annuities payable	3,735,832	1,362
Net cash used in operating activities	<u>(12,787,622)</u>	<u>(9,965,888)</u>
Cash flows from investing activities		
Purchase of investments	(727,378,259)	(435,093,264)
Proceeds from sale of investments	740,047,440	445,375,349
Acquisition of property, plant and equipment	<u>(6,798,116)</u>	<u>(11,803,878)</u>
Net cash provided by (used in) investing activities	<u>5,871,065</u>	<u>(1,521,793)</u>
Cash flows from financing activities		
Changes in deposits with bond trustee	(3,388)	5,449
Proceeds from private gifts for long-term investment	12,225,626	13,675,082
Principal payments	<u>(975,000)</u>	<u>(930,000)</u>
Net cash provided by financing activities	<u>11,247,238</u>	<u>12,750,531</u>
Net increase in cash and cash equivalents	4,330,681	1,262,850
Cash and cash equivalents		
Beginning of the year	<u>5,563,155</u>	<u>4,300,305</u>
End of the year	<u>\$ 9,893,836</u>	<u>\$ 5,563,155</u>

Additional disclosure

The College paid \$2,385,326 and \$2,559,849 in interest during fiscal years 2004 and 2003, respectively.

Noncash disclosure

As of June 30, 2004 and 2003, the College had \$400,284 and \$233,945, respectively, of acquisitions of land, building and equipment in both property, plant and equipment, net of depreciation and accounts payable.

The accompanying notes are an integral part of these financial statements.

Carleton College

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Accrual Basis

The financial statements of Carleton College (the "College") have been prepared on the accrual basis of accounting.

Basis of Presentation

The financial statements include certain prior year summarized comparative information in total and by net asset class. Such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2003.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as unrestricted, temporarily restricted, or permanently restricted and within those classifications the College has chosen to reflect three categories: general operations, physical capital, and financial capital. Further explanation is as follows:

- Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.
- Temporarily restricted - Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted - 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 of, or part of, the income earned on related investments for general or specific purposes.
- Operations - Net assets arising from the annual, recurring flow of revenue and expenses. Operations reflect the annual operating budget and include gifts and the income from endowed funds that support operations.
- Physical plant - Net assets arising from gifts for building projects, funds internally designated for physical plant maintenance, and plant debt service, and the accumulated investment in physical assets, net of depreciation and borrowed funds.
- Financial capital - Net assets arising from gifts and the related gains on investments that are held as endowment and the split interest gifts and their related gains.

Revenues are reported as increases in unrestricted net assets unless use of the revenue is restricted 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.

Temporarily restricted net assets for which donor-imposed restrictions are met in the current period are reclassified to unrestricted net assets and reported as assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing money market accounts and short-term investments with an original maturity of less than three months.

Investments

Investments are stated at quoted market value or the value provided by an external investment manager. Changes in quoted market value are recorded as unrealized gains or losses in the period of change.

Endowment and board-designated funds are invested on the basis of a total return policy to provide income and to realize appreciation in investment values. Under this policy, a portion of realized and unrealized gains accumulated, in addition to accumulated net investment income, are used to support operations. Any such gains used to support operations are utilized in accordance with the same restrictions, if any, imposed by donors on the use of income earned by the endowment and similar funds.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (3 to 40 years). Expenditures for new construction, interest on construction, major renewals and replacements and equipment costing over \$10,000 are capitalized. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the assets' estimated useful life.

Inventories

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

Gift Annuity Contracts

Annuities payable represent the College's liability under annuity contracts with donors. Specific contract terms vary by donor. The liability is established at the time of the contribution using life expectancy actuarial tables and discount rates and is revalued annually. Actual gains and losses resulting from the annual revaluation of annuity obligations are reflected as temporarily or permanently restricted, consistent with the method used to initially record the contributions. The basis used to recognize the asset is fair value.

Carleton College
Notes to Financial Statements
June 30, 2004

Income Taxes

The College qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and similar statutes of Minnesota law. The College is subject to federal income tax only on net unrelated business income under the provisions of Section 501(c)(3) of the Internal Revenue Code. The College has no obligation for unrelated business income tax. Accordingly, no provisions for federal or state income taxes are required.

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 these estimates.

Risks and Uncertainties

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values will occur in the near term and that such changes could materially affect the financial statements.

Concentration of Credit Risk

Financial instruments, which potentially subject the College to concentrations of credit risk, consist primarily of cash accounts. Cash accounts are generally held in federally insured banks. As of June 30, 2004, the College exceeds the FDIC limit by \$2,252,565.

Reclassification

Certain prior year financial information has been reclassified to conform with the 2004 presentation. The reclassifications had no impact on previously reported net assets.

2. Long-Term Investments

The long-term investments include funds traditionally considered the endowment of the College as well as assets of deferred gifts, funds designated for debt service and funds temporarily restricted for building projects.

Allocations at market value are as follows:

	2004	2003
Permanent endowment	\$ 122,031,052	\$ 115,397,753
Gains related to permanent endowment	229,577,003	193,410,325
Funds functioning as endowment	60,742,444	59,130,233
Gains related to funds functioning as endowment	98,849,753	83,945,139
	<u>511,200,252</u>	<u>451,883,450</u>
Split-interest agreements	48,446,324	39,497,495
Other invested assets	20,536,798	26,194,543
Total long-term investments	<u>\$ 580,183,374</u>	<u>\$ 517,575,488</u>

Carleton College
Notes to Financial Statements
June 30, 2004

The assets of the long-term investments include:

	June 30, 2004		June 30, 2003	
	Cost	Market Value	Cost	Market Value
Cash and short-term investments	\$ 34,848,354	\$ 35,138,833	\$ 18,357,836	\$ 18,712,032
Bonds	108,298,993	113,135,166	111,913,310	123,920,957
Marketable equity securities	232,963,608	289,554,225	234,966,572	275,411,011
Private Capital	52,517,116	42,431,023	50,808,153	37,945,616
Marketable Alternatives	62,015,633	68,963,550	29,406,515	37,033,148
Other	28,228,379	30,960,577	24,838,194	24,552,724
	<u>\$ 518,872,083</u>	<u>\$ 580,183,374</u>	<u>\$ 470,290,580</u>	<u>\$ 517,575,488</u>

The majority of the long-term investment assets are pooled on a market value basis with each individual fund subscribing to or disposing of shares on the basis of the market value per share at the beginning of the calendar quarter within which the transaction takes place. At June 30, 2004, the endowment and similar funds owned 37,343,069 shares and the annuity and life income funds owned 1,263,014 shares, each share having a market value of approximately \$13.4720. At June 30, 2003, the endowment and similar funds owned 36,722,057 shares and the annuity and life income funds owned 1,138,514 shares, each having a market value of approximately \$12.1166. In addition, included in investments is \$7,984,261 and \$6,882,330 of separately invested endowment funds, \$31,560,949 and \$25,756,928 of split-interest agreement gifts primarily comprised of annuities, charitable remainder trusts and pooled income funds, and \$20,536,797 and \$26,194,543 of other invested assets at June 30, 2004 and 2003, respectively.

The majority of private capital investments are carried at the estimated fair value provided by the general partners of these investment partnerships or funds as of March 31, 2004 and 2003, adjusted for cash and securities distributions as well as capital calls.

The College believes that the carrying amount of its private capital investments is a reasonable estimate of fair value as of June 30, 2004 and 2003. Because private capital investments are not publicly traded and are expected to be held for several years, however, the estimated value is subject to uncertainty. The amount of gain or loss associated with these investments is reflected in the accompanying financial statement using the equity method of accounting.

At June 30, 2004, the College had outstanding commitments of \$69,200,000 to private capital investments that have not yet been drawn down by the general partners of these funds. Typically, committed capital is drawn down and invested over a several year period. In the past, draw downs on outstanding commitments have been funded by distributions from the private capital portfolio.

Carleton College
Notes to Financial Statements
June 30, 2004

3. Investment Income

The College utilizes the total return method of accounting for income from its investments. Under this method, a spending rate per share is established which is considered to be a prudent use of the return on investments, consisting of both yield (dividends and interest) and realized and unrealized appreciation. Each year, the spending rate per share is increased by 4.5% from the previous year, independent of the market value changes in investments. Due to the market value decline the Board of Trustees approved a variance over a three-year period to return to a level of 4.5% of current market value. For the year ended June 30, 2004, the spending amount per share was \$0.6710, down from \$0.7899 as of June 30, 2003.

Investment expense totaled \$3,080,270 and \$2,811,513 for the years ended June 30, 2004 and 2003, respectively, and is netted with investment income.

4. Property, Plant and Equipment

Property, plant and equipment as of June 30, 2004 and 2003, are as follows:

	2004	2003
Land and real estate improvements	\$ 3,010,324	\$ 3,010,324
Buildings	139,076,393	136,846,342
Equipment and books	59,674,264	55,106,199
	<u>201,760,981</u>	<u>194,962,865</u>
Less: Accumulated depreciation	(87,033,961)	(80,774,344)
	<u>\$ 114,727,020</u>	<u>\$ 114,188,521</u>

5. Bonds Payable

Bonds payable at June 30, 2004 and 2003, are as follows:

	2004	2003
Minnesota Higher Education Facilities Authority (MHEFA)		
First Mortgage Revenue Bond Series T	\$ 1,425,000	\$ 1,545,000
Variable and Fixed Rate Demand Revenue Bonds		
Series 3L1, 2	20,300,000	20,300,000
Revenue bonds Series 4N	20,570,000	21,425,000
Revenue bonds Series 5G	23,000,000	23,000,000
	<u>65,295,000</u>	<u>66,270,000</u>
Less: Unamortized discount	(206,201)	(222,063)
	<u>\$ 65,088,799</u>	<u>\$ 66,047,937</u>

Carleton College
Notes to Financial Statements
June 30, 2004

The Series T bonds bear interest at 5.625% per annum payable semi-annually, and mature March 1, 2007. The financing was structured through leases with MHEFA under the terms of which the College has an option to purchase the facilities at the termination of the leases for \$500. The transactions have been accounted for as capitalized leases with the related assets and liabilities being reflected in the statement of financial position. The Series T bonds are collateralized by a first mortgage on the facilities for which the funds were used and first liens and pledge of the net revenues derived from the operations of these facilities.

The Series 3-L1, in the amount of \$10,000,000, bear interest at a fixed rate of 5.75% and matures November 1, 2012. The Series 3-L2, in the amount of \$10,300,000, bears a variable rate of interest and matures November 1, 2012. The interest rate was 0.92% and 0.85% at June 30, 2004 and 2003, respectively. The proceeds from these bonds were used to finance construction projects. These bonds require the College to comply with various covenants, including maintaining a positive change in unrestricted net assets for at least two of the preceding three fiscal years.

Revenue Bonds, Series 4N, bear interest at a fixed rate of interest ranging from 5.0% to 5.5%. Principal and interest is payable semi-annually. The Series 4N mature November 1, 2018. The proceeds from these bonds were used to finance construction projects. These bonds require the College to comply with various covenants, including specifying a maximum amount of bonds outstanding of \$150,000,000.

Revenue Bonds, Series 5G, bear interest at a variable rate, with interest payable monthly. The interest rate was 0.92% and 0.85% at June 30, 2004 and 2003, respectively. The interest rate on these bonds may be converted to a fixed rate at the direction of the College, at which time interest will be payable semi-annually. Interest and principal payments are required to be deposited to a Bond and Interest Sinking fund as they become due. This bond requires the College to comply with various covenants, including maintaining a positive change in unrestricted net assets, adjusted for certain items, for at least two of the preceding three fiscal years.

The College has deposited \$30,000 for Series T bonds in general bond reserve accounts of the MHEFA for the purpose of collateralizing the College's bonds issued by MHEFA. The Series T issue contains a sinking fund requirement of \$120,000 per year continuing through 2006. The College must also maintain a debt service reserve account for Series T bonds with qualified reserve investments having market values equal at least to 110% of the principal amount of the bonds outstanding less any balances in the sinking funds. Such investments, whose market value aggregates \$1,707,634 and \$2,268,380 at June 30, 2004 and 2003, respectively, have been recorded as unrestricted investments of the College.

The maturities of debt in each of the five years subsequent to June 30, 2004, are as follows:

2005	\$ 1,020,000
2006	1,065,000
2007	2,185,000
2008	1,055,000
2009	1,115,000
Thereafter	58,855,000
	<u>\$ 65,295,000</u>

Carleton College
Notes to Financial Statements
June 30, 2004

Effective for ten years commencing on July 1, 1998 and October 1, 1998, the College entered into two interest rate swap agreements with Wells Fargo Bank Minnesota (the "Bank") under which the College makes payment to the Bank whenever the floating PSA Municipal Swap Index (the "Index") lies below the agreed-upon fixed interest rate and the Bank pays the College if ever the Index lies ahead the fixed rate. The notional amount of each agreement is \$5,150,000, corresponding, in total, to the \$10,300,000 outstanding MHEFA Series 3L-2 variable rate bonds. Fixed rates are 4.47% and 4.12%, respectively, and the all-in interest rates of the College are expected to average 4.32% and 3.97% assuming that "spread" between the interest rate paid on the MHEFA bonds continue to average 15 basis points less than the Index.

6. Retirement Plan

Substantially all nonunion employees of the College participate in an arrangement whereby the individuals and the College contribute to individual employee TIAA-CREF retirement accounts which fund individual retirement benefits.

Expenses for the College's share of the contributions were \$4,086,403 and \$4,026,033 in 2004 and 2003, respectively.

7. Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue in the appropriate net asset category.

Pledges receivable are summarized as follows at June 30, 2004 and 2003:

	2004	2003
Unconditional promises expected to be collected in		
Less than one year	\$ 1,381,630	\$ 2,424,896
One year to five years	2,504,840	2,214,434
Over five years	414,403	511,000
Less: Discount	(815,271)	(795,082)
	<u>\$ 3,485,602</u>	<u>\$ 4,355,248</u>

8. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and pledges receivable approximate fair value because of the short maturity of these financial instruments. The carrying values of investments, which are the fair value, are based upon values provided by an external investment manager or quoted market values.

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements. It is not practicable to estimate the fair value of these receivables since they contain federally-mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition.

Carleton College
Notes to Financial Statements
June 30, 2004

The carrying amount of bonds payable approximates fair value because these financial instruments bear interest at rates which approximate current market rates for bonds with similar maturities and credit quality.

9. Expenses by Object

The expenses of \$86,962,018 reported by function on the Statement of Activities and Changes in Net Assets are summarized by object as follows:

	General Operations Unrestricted	Physical Capital Unrestricted	Total
Salaries and wages	\$ 38,651,619	\$ -	\$ 38,651,619
Employee benefits	11,779,901	-	11,779,901
Supplies and equipment	9,333,157	(3,365,922)	5,967,235
Utilities and buildings	11,015,732	(3,477,658)	7,538,074
Debt service	3,938,018	(975,000)	2,963,018
Depreciation	-	6,259,617	6,259,617
Food service	4,124,494	-	4,124,494
Travel	2,255,975	-	2,255,975
Other	7,422,085	-	7,422,085
	<u>\$ 88,520,981</u>	<u>\$ (1,558,963)</u>	<u>\$ 86,962,018</u>

WELLS FARGO BANK, NATIONAL ASSOCIATION

The information under this heading has been provided solely by the Wells Fargo Bank, National Association (the "Bank") and is believed to be reliable. This information has not been verified independently by the Issuer, the College or the Underwriter. The Issuer, the College and the Underwriter make no representation whatsoever as to the accuracy, adequacy or completeness of such information.

The Bank is a national banking association organized under the laws of the United States of America with its main office at 101 North Phillips Avenue, Sioux Falls, South Dakota 57104, and engages in retail, commercial and corporate banking, real estate lending and trust and investment services. The Bank is an indirect, wholly owned subsidiary of Wells Fargo & Company, a diversified financial services company, a financial holding company and a bank holding company registered under the Bank Holding Company of 1956, as amended, with its principal executive offices located in San Francisco, California ("Wells Fargo").

As of December 31, 2004, the Bank had total consolidated assets of approximately \$366.2 billion, total domestic and foreign deposits of approximately \$281.6 billion and total equity capital of approximately \$34.6 billion. In February 2004, Wells Fargo completed a consolidation of the Bank and Wells Fargo's 18 other nationally chartered banks into a single, national community bank charter and under the name "Wells Fargo Bank, National Association." The consolidation also included transfers of certain stores in Idaho, Oregon, Utah and Washington to the Bank.

Each quarter, the Bank files with the FDIC financial reports entitled "Consolidated Reports of Condition and Income for Insured Commercial Banks with Domestic and Foreign Offices," commonly referred to as the "Call Reports." The Bank's Call Reports are prepared in accordance with regulatory accounting principles, which may differ from generally accepted accounting principles. The publicly available portions of the Call Reports for the period ending December 31, 2004, and for Call Reports filed by the Bank with the FDIC after the date of this Offering Memorandum may be obtained from the FDIC, Disclosure Group, Room F518, 550 17th Street, N.W., Washington, D.C. 20429 at prescribed rates, or from the FDIC on its Internet site at <http://www.fdic.gov>, or by writing to Corporate Secretary's Office, Wells Fargo Center, Sixth and Marquette, MAC N9305-173, Minneapolis, MN 55479.

The Standby Bond Purchase Agreement will be solely an obligation of the Bank and will not be an obligation of, or otherwise guaranteed by, Wells Fargo & Company, and no assets of Wells Fargo & Company or any affiliate of the Bank or Wells Fargo & Company will be pledged to the payment thereof. Payment of the Standby Bond Purchase Agreement will not be insured by the FDIC.

The information contained in this section, including financial information, relates to and has been obtained from the Bank, and is furnished solely to provide limited introductory information regarding the Bank and does not purport to be comprehensive. Any financial information provided in this section is qualified in its entirety by the detailed information appearing in the Call Reports referenced above. The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank since the date hereof

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

