

OFFICIAL STATEMENT DATED OCTOBER 10, 2007

NEW ISSUE

Rating: Moody's Aa1 / 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 taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code. (See "TAX EXEMPTION.")

\$18,155,000

**Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Six-Q
(Concordia University, St. Paul)
(DTC Book Entry Only)**

Dated Date: Date of Issue

CUSIP 60416H KM 5

Maturity Date: April 1, 2037

Price: 100%

This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date or with respect to other information herein after the initial offering.

The Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota, payable solely from Loan Payments made by or on behalf of Concordia University, St. Paul, a Minnesota nonprofit corporation (the "University") and, while the Bonds pay interest at a Daily, Weekly, or Commercial Paper Rate (collectively, a "Variable Rate"), drawings on the Letter of Credit.

The Bonds will be issued as fully registered bonds without coupons in minimum 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 Appendix V, "THE DEPOSITORY TRUST COMPANY" herein.)

Unless extended or earlier terminated or replaced, while the Bonds pay interest at a Daily Rate or a Weekly Rate, payment of principal of and 35 days of interest on the Bonds at the Maximum Rate will be secured by an irrevocable, direct-pay Letter of Credit issued by

U.S. Bank National Association

(the "Credit Bank") or by any provider of an Alternate Letter of Credit. Pursuant to a Reimbursement Agreement between the University and Bremer Bank, National Association (the "Reimbursement Bank"), the Reimbursement Bank will cause the Credit Bank to issue the Letter of Credit. The Letter of Credit will permit the Trustee to draw amounts sufficient to pay when due (i) principal of and up to 35 days' interest on the Bonds at the maximum rate of 10% per annum, and (ii) the purchase price of Bonds on an Optional Tender Date or a Mandatory Tender Date. The Letter of Credit will expire on August 1, 2010, if it is not extended. (See "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT.")

The Bonds are subject to redemption prior to maturity as more fully provided 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 will initially bear interest at a Daily Rate, and the interest rate may be converted at the University's option to a Weekly Rate, a Commercial Paper Rate, a Long-Term Rate, or a Fixed Rate. Interest on the Bonds shall be payable on each Interest Payment Date as described herein. Interest on Bonds at a Daily Rate, Weekly Rate, or Commercial Paper Rate shall be computed on the basis of a 365- or 366-day year and actual days elapsed; interest on Bonds in a Long-Term Rate or the Fixed Rate shall be computed on the basis of a 360-day year of 12 30-day months. At the option of the University and upon the conditions set forth in the Indenture, the interest rate on the Bonds may be converted to the Fixed Rate. Prior to the Fixed Rate Conversion Date, Bondowners have the right to tender their Bonds for purchase by presentation to U.S. Bank National Association (the "Trustee") at certain times upon prior written notice as described herein at a purchase price equal to 100% of the principal amount thereof plus (unless the purchase date is an Interest Payment Date) accrued interest thereon, as more fully described herein. The initial Remarketing Agent is Stern Brothers & Co.

BONDHOLDERS ARE REQUIRED TO TENDER AND SELL THEIR BONDS ON A MANDATORY TENDER DATE AT A PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS ACCRUED INTEREST THEREON, UPON THE OCCURRENCE OF CERTAIN EVENTS, ALL AS MORE FULLY DESCRIBED HEREIN. Any Bond to be purchased which is not timely delivered to the Trustee on the Mandatory Tender Date or the Optional Tender Date and as to which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof shall be "deemed purchased" for purposes of the Indenture and shall be deemed no longer outstanding and shall cease to accrue interest on such Tender Date.

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 Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by The Stolar Partnership LLP, St. Louis, Missouri and by Moore, Costello & Hart, PLLP, Saint Paul and Minneapolis, Minnesota; for the Credit Bank by its internal counsel; for the Reimbursement Bank by Winthrop & Weinstine, P.A., Minneapolis, Minnesota; and for the Underwriter by Spencer Fane Britt & Browne, LLP, St. Louis, Missouri. It is expected that the Bonds in definitive form will be available for delivery to the Underwriter at DTC on or about October 18, 2007.

Stern Brothers & Co.

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 University, the Credit Bank, the Reimbursement Bank or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the University, the Credit Bank, the Reimbursement Bank or the Underwriter. The information contained herein, except as it relates to the Authority, DTC, the Credit Bank, the Reimbursement Bank, the Trustee, and the Underwriter, has been obtained from the University and is not guaranteed as to accuracy or completeness. Information relating to DTC, the Credit Bank, the Reimbursement Bank and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority 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 Credit Bank, the Reimbursement Bank or the University since the date hereof.

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

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

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

The Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such Acts. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The registration or qualification of these securities in accordance with applicable provisions of securities laws of the jurisdictions in which the Bonds may be registered or qualified and the exemption from registration or qualification in other jurisdictions shall not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

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Financial Advisor
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TABLE OF CONTENTS

	<u>Page</u>
Introductory Statement.....	1
Risk Factors	3
Continuing Disclosure	7
The Bonds.....	7
The Letter of Credit and the Reimbursement Agreement	21
Use of Proceeds	25
Estimated Sources and Uses of Funds.....	26
Source of Payment for the Bonds	26
Accounts	27
General Bond Reserve Account	27
Future Financing	27
The Authority.....	27
Financial Advisor.....	28
Underwriting.....	28
Rating.....	28
Litigation.....	29
Legality.....	29
Tax Exemption	29
Not Qualified Tax-Exempt Obligations	31
Financial Information.....	31
Miscellaneous	31
 The University	 Appendix I
Proposed Form of Legal Opinion	Appendix II
Definition of Certain Terms	Appendix III
Summary of Documents	Appendix IV
The Depository Trust Company	Appendix V
Audited Financial Statements, Concordia University, St. Paul – St. Paul, Minnesota for the Years Ended June 30, 2007 and 2006	Appendix VI
U.S. Bank National Association	Appendix VII

OFFICIAL STATEMENT

\$18,155,000

**MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
VARIABLE RATE DEMAND REVENUE BONDS, SERIES SIX-Q
(CONCORDIA UNIVERSITY, ST. PAUL)
(DTC BOOK ENTRY ONLY)**

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota, and Concordia University, St. Paul, a Minnesota nonprofit corporation, a 501(c)(3) organization and the owner and operator of an institution of higher education with its campus located in Saint Paul, Minnesota (the "University"), in connection with the issuance of the Authority's \$18,155,000 Variable Rate Demand Revenue Bonds, Series Six-Q (Concordia University, St. Paul) (the "Bonds").

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

The Bonds are also being issued pursuant to the Trust Indenture (the "Indenture") dated as of October 1, 2007 between the Authority and U.S. Bank National Association, Saint Paul, Minnesota, as trustee (the "Trustee").

Pursuant to a Loan Agreement (the "Loan Agreement") dated as of October 1, 2007 between the University and the Authority relating to the Bonds, the Authority is loaning the proceeds of the Bonds to the University, and the University will covenant as a general obligation of the University 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 Bond proceeds, along with available University funds, will be used to:

- (1) construct, furnish and equip a residence hall on the University campus consisting of a four-story building with approximately 86 units and 300 beds (the "Project"); and
- (2) pay certain issuance costs.

The Project will be owned and operated by the University and located on the University campus in Saint Paul, Minnesota. See "USE OF PROCEEDS" herein.

The Bonds are secured by a pledge of the Loan Payments, the payment of which is a general obligation of the University and, prior to conversion to a Long-Term Rate or a Fixed Rate, draws under a Letter of Credit, as further described herein. The University may, but is not required, to provide a Letter of Credit after the Bonds are converted to a Long-Term Rate or a Fixed Rate.

At the time of the issuance of the Bonds, an irrevocable, transferable, direct pay letter of credit (the "Letter of Credit," which term includes any extensions or renewals thereof, together with an

alternate letter of credit delivered in accordance with the provisions of the Indenture and the Loan Agreement, the "Letter of Credit") will be delivered by U.S. Bank National Association, Minneapolis, Minnesota, a national banking association (the "Credit Bank"), to the Trustee. Pursuant to a Reimbursement Agreement dated as of October 1, 2007 (the "Reimbursement Agreement"), between the University and Bremer Bank, National Association (the "Reimbursement Bank"), the Reimbursement Bank will cause the Credit Bank to issue the Letter of Credit. The Trustee will be authorized to draw an amount equal to the aggregate principal amount of the Bonds plus 35 days of interest to accrue thereon (assuming a maximum interest rate (the "Maximum Rate") of 10% per annum on the Bonds while the Bonds pay interest at a Daily Rate or a Weekly Rate). If the Letter of Credit is not renewed or replaced prior to its stated expiration date (August 1, 2010), unless terminated earlier pursuant to the terms thereof, the Bonds are subject to mandatory tender. The University has agreed in the Loan Agreement to maintain with the Trustee at all times while the Bonds pay interest at a Variable Rate a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, calculated at the Maximum Rate, for a period equal to 35 days (or such other period as the rating agency then rating the Bonds may require).

For information concerning the Credit Bank, including certain financial information, see Appendix VII hereto. In addition, copies of the Credit Bank's Annual Report for the year ended December 31, 2006 and any more recent Condensed Interim Statements of Condition may be obtained in the manner described in Appendix VII.

The Bonds shall not be legal or moral obligations of the State of Minnesota, nor shall they constitute a debt for which the faith and credit of the Authority or the State of Minnesota, or the taxing powers of the State, are pledged. The Authority has no taxing powers.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices 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 AND, WITH RESPECT TO THE TERM OF THE LETTER OF CREDIT, INVESTORS ARE CAUTIONED THAT IT BEARS A STATED EXPIRATION DATE OF AUGUST 1, 2010, THOUGH BY ITS TERMS IT MAY BE TERMINATED SOONER OR EXTENDED. SEE "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" HEREIN.

This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after a conversion of the Bonds to a Commercial Paper, Long-Term or Fixed Rate or with respect to other information herein after the initial offering. This Official Statement must not be used or relied upon by a Holder or purchaser of Bonds in connection with the remarketing of Bonds, the optional tender of Bonds by a Holder, the provision of an Alternate Letter of Credit or conversion of the Bonds to a Commercial Paper, Long-Term or Fixed Rate.

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.

General

The Bonds are special, limited obligations of the Authority, payable solely from amounts drawn under the Letter of Credit and from payments to be made by the University under the Loan Agreement and certain other funds held by the Trustee under the Indenture. No representation or assurance can be given that the University will realize revenues in amounts sufficient to make such payments under the Loan Agreement with respect to the Bonds and to pay other expenses and obligations of the University. The realization of future revenues is dependent upon, among other things, the capabilities of the management of the University and future changes in economic and other conditions that are unpredictable and cannot be determined at this time.

Letter of Credit

The ability of the Credit Bank to honor drawings on the Letter of Credit will depend solely on the Credit Bank's general credit. There can be no assurance that the Credit Bank will be able to meet its obligations under the Letter of Credit. Certain information with respect to the Credit Bank is set forth in Appendix VII. Such information was provided by the Credit Bank and no representation is made as to the adequacy, accuracy or completeness thereof.

The Letter of Credit expires August 1, 2010 subject to extension at the Reimbursement Bank's option as provided in the Reimbursement Agreement, but in no event beyond August 1, 2017. No assurances can be given that the University will be able to obtain an extension of the Letter of Credit or to obtain an Alternate Letter of Credit to secure the Bonds at their stated interest rates and original terms until and including the final stated maturity of the Bonds. In the event the Letter of Credit expires or terminates or an Alternate Letter of Credit is substituted, the Bonds will be subject to mandatory tender in whole. Interest owing on the Bonds as of such date will be paid as on any other Interest Payment Date.

Bankruptcy or Insolvency and Receivership

The obligations of the Credit Bank under the Letter of Credit are general obligations of the Credit Bank and rank equally in priority of payment and in all other respects with all other unsecured obligations of the Credit Bank. In the event of a bankruptcy or insolvency or if for any other reason the Credit Bank fails or is unable to honor a draw on the Letter of Credit, each Bondowner would have to depend entirely on the ability of the University to pay the principal of, purchase price and interest on the Bonds.

In the event of a bankruptcy by the University and/or the Credit Bank the ability of the Trustee to exercise rights under the Loan Agreement, the Letter of Credit and the Indenture may be limited by bankruptcy, insolvency, reorganization, receivership or other similar laws or by equitable principles related to or affecting the enforcement of creditors' rights.

Redemption 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 tendered for purchase at the option of the owners thereof as described under the heading "THE BONDS – Optional Tender." The Bonds shall be mandatorily tendered as described under the heading "THE BONDS – Mandatory Tender."

Enrollment

The University's revenues and financial strength will depend in part upon its maintaining certain enrollment levels. The University's enrollment may be adversely impacted by tuition increases which the University may need to implement to maintain its financial strength in the future. Due to the costs associated with the Project (including making the Loan Payments), the University may be required to increase tuition further to pay for these costs, in addition to allocating funds for further program development, with potential adverse consequences to the University. The enrollment may also be impacted by adverse events affecting the University, including adverse publicity respecting the University, its programs, or the existence of environmental hazards near the University, the administration, faculty or students, receptivity to specific programs, requirements or educational methodologies adopted by the University, receptivity to the philosophy and educational tenets of the University and its approach to higher education, general economic downturns, and similar adverse factors. In addition, the University competes for enrollment with other private colleges and universities in Minnesota, as well as with the public universities.

General Risks of Private Universities

There are many diverse factors, not within the University's control, which have a substantial bearing on the risks generally incident to the operation of the University. These factors include generally imposed fiscal policies, adverse use of adjacent or neighboring real estate, the ability to maintain the Project, community acceptance of the University, changes in demand for private universities like the University, changes in the number of competing universities, changes in the costs of operation of the University, changes in the recognition or accreditation of the University, or withdrawal of accreditation, general economic conditions and the availability of working capital. There can be no assurance that the University will not experience one or more of the adverse factors that caused other universities to fail. Many other factors may adversely affect the operation of the University and cannot be determined at this time.

Financial Aid

A significant percentage of the University's students receive financial support in the form of federally supported loans and scholarships and grants from the University. There can be no assurance that the amount of federally supported loans or other financial aid will remain stable or increase in the future. If the amount of such loans or other financial aid decreases in the future, there can be no assurance that the University will be able to increase the amount of financial aid provided by it. Any change in the availability of financial aid could adversely affect the University's enrollment.

Tuition

A significant portion of the University's operating revenues is provided through tuition and related fees. Although the University in the past has been able to successfully raise tuition and related fees, there can be no assurance that it will continue to be able to do so in the future. Future tuition increases and any adverse change in enrollment could adversely affect the University's financial position and results of operations.

Gifts, Grants and Bequests

The University annually solicits gifts, grants and bequests for both current operating purposes and other needs. There can be no assurance that the amount of gifts, grants and bequests received by the Institution will remain stable or increase in the future.

Limited Obligation

No entity or person other than the University is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Indenture, the Reimbursement Agreement or the other obligations of the University. While the Bonds bear interest at a Variable Rate, the Bonds are payable solely from drawings under the Letter of Credit or any Alternate Letter of Credit and from payments made by the University pursuant to the Loan Agreement in amounts sufficient to pay, when due, the principal of and interest on and the purchase price of the Bonds.

Covenant Default

The University has failed to maintain the coverage ratio required by the Reimbursement Agreement related to its outstanding Series Five-P1 and Series Five-P2 Bonds, based on the University's Fiscal Year 2006 and Fiscal Year 2007 financial statements. The debt service coverage ratio required under the Reimbursement Agreement with respect to the Bonds is identical. The Reimbursement Bank for the Series Five-P1 and Series Five-P2 Bonds has waived compliance with that covenant for Fiscal Years 2006 and 2007. Should the University fail to so comply in the future the Reimbursement Bank may elect to enforce its remedies under the Reimbursement Agreement with respect to either the Series Five-P1 and Series Five-P2 Bonds or the Bonds and there may be a mandatory tender or redemption of all such Bonds prior to maturity.

Other Factors Affecting the Financial Performance of the University

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the University's operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Management.* Changes in key management personnel that could affect the capability of management of the University.

2. *Future Economic Conditions.* Increased unemployment or other adverse economic conditions or changes in demographics in the service area of the University that could increase the proportion of students who are unable to pay the cost of tuition to the University; cost and availability of energy; an inability to control expenses in periods of inflation and difficulties in increasing charges and other fees while maintaining the quality of educational services.

3. *Competition.* Increased competition from other educational institutions, which could adversely affect the enrollment at or revenues of the University, which could force the University to offer discounted rates, or which could adversely affect the ability of the University to attract faculty or other staff.

4. *Organized Labor Efforts.* Efforts to further organize employees of the University into collective bargaining units could result in adverse labor actions or increased labor costs. The University's maintenance and custodial staff is currently represented under a collective bargaining agreement.

5. *Natural Disasters.* The occurrence of natural disasters, such as tornados, could damage the facilities of the University, interrupt services or otherwise impair operations and the ability of the University to produce revenues.

Tax-Exempt Status

Tax-exempt status of the Bonds

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States, and a requirement that the issuers file an information report with the IRS. The Authority and the University have covenanted in certain of the documents referred to herein that they will comply with such requirements. Future failure by the University to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Bonds as taxable, possibly from the original date of issuance.

Tax-exempt Status of the University

The tax-exempt status of the Bonds presently depends upon the University's maintenance of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities.

Currently, the primary penalty available to the IRS under the Code is the revocation of tax-exempt status. Loss of tax-exempt status by the University could potentially result in loss of tax exemption of the Bonds and of other tax-exempt debt of the University, and defaults in covenants regarding the Bonds and other related tax-exempt debt would likely be triggered. Loss of tax-exempt status could also result in substantial tax liabilities on income of the University. For these reasons, loss of tax-exempt status of the University could have material adverse consequences on the financial condition of the University.

State Income Tax Exemption and Local Property Tax Exemption

It is likely that the loss by the University of federal tax exemption would trigger a challenge to its state tax exemption. Depending on the circumstances, such event could be adverse and material.

In recent years, state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt entities with respect to their real property tax exemptions. All of the real property of the University is exempt from real property taxation. Although the real property tax exemption of the University is not, to the knowledge of management of the University, under challenge by such authorities, an investigation or audit

could lead to a challenge that could ultimately affect the real property tax exemption of the University.

Certain Matters Relating to Enforceability

The remedies available upon a default under the Indenture, the Loan Agreement or the Letter of Credit will, in many respects, be dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code and state laws concerning the use of assets of charitable organizations, the remedies specified in the Indenture, the Loan Agreement and the Letter of Credit may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Bonds will be expressly subject to the qualification that the enforceability of the Indenture, the Loan Agreement, the Letter of Credit and other legal documents is limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors and by the exercise of judicial discretion in appropriate cases. The opinions with respect to obligations of the University will be further qualified with respect to the ability to enforce payment of monies or assets which are donor restricted or subject to a charitable or constructive trust.

Marketability

The Underwriter may engage in secondary market transactions with respect to the Bonds but it is under no obligation to do so. There is no assurance that a secondary market for the Bonds will develop.

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 University has not agreed and is not required to provide annual financial information, notices of certain material events or any other disclosure which might otherwise be required by the Rule. The University has not been subject to any previous undertaking and therefore has never failed to comply with any previous undertakings under the Rule to provide annual reports or notices of material events. The University will enter into an undertaking for continuing disclosure following a conversion of the Bonds to a Long-Term Rate or a Fixed Rate.

THE BONDS

The following is a summary of certain terms and provisions of the Bonds. Reference is hereby made to the Bonds and the provisions with respect thereto in the Indenture and the Loan Agreement for the detailed terms and provisions thereof.

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

General

The Bonds will be issued as fully registered Bonds without coupons in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof so long as the Bonds bear interest

at a Daily Rate, a Weekly Rate, a Commercial Paper Rate or a Long-Term Rate, and in denominations of \$5,000 and integral multiples thereof so long as the Bonds bear interest at a Fixed Rate. The Bonds will mature, subject to prior redemption, on April 1, 2037. The Bonds will be dated as of the date of first authentication and delivery of the Bonds under the Indenture.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC. Payment of the principal of, premium, if any, and interest on each Bond will be made, and notices and other communications to Bondowners will be given, directly to DTC or its nominee, Cede & Co., by the Trustee. In the event the Bonds are not in a book-entry only system, payment of principal of, premium, if any, and interest on the Bonds will be made and such notices and communications will be given as described in the Indenture. See "THE BONDS – Book Entry System" below and Appendix V, "THE DEPOSITORY TRUST COMPANY" herein.

The principal of and premium, if any, on the Bonds shall be payable by check or draft at the maturity or redemption date thereof to the person in whose name the Bonds are registered upon the presentation and surrender of such Bonds at the principal corporate trust office or other designated office of the Trustee. The interest payable on each Bond on any Interest Payment Date shall be paid by the Trustee to the Bondowner as shown on the bond register at the close of business on the Regular Record Date for such interest, (1) by check or draft mailed to such Bondowner at the address as it appears on the bond register or at such other address as is furnished to the Trustee in writing by such Bondowner, or (2) with respect to Bonds accruing interest at Daily or Weekly Rates, and with respect to Bonds accruing interest at Fixed Rates or Long-Term Rates if such Bonds are held by a Securities Depository, or at the written request addressed to the Trustee by any Bondowner in the aggregate principal amount of at least \$100,000, by wire transfer in immediately available funds. Such request shall be signed by such Bondowner, contain the name of the bank (which shall be in the continental United States), its address, its ABA routing number and the account number to which credit shall be made and be filed with the Trustee no later than 10 Business Days before the applicable Regular Record Date preceding such payment date. Interest accrued during any Commercial Paper Rate Period shall be paid only upon presentation and surrender of Bonds.

At any given time, the Bonds may operate in one of five Rate Periods: a Daily Rate Period, a Weekly Rate Period, a Commercial Paper Rate Period, a Long-Term Rate Period or a Fixed Rate Period. While in any of those Rate Periods, the Bonds will bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Long-Term Rate or a Fixed Rate, respectively. All Bonds shall operate in the same Rate Period at any given time. The Rate Period for the Bonds may be changed from time to time as described herein. **Initially, the Bonds will be issued in a Daily Rate Period.**

The Bonds are subject to optional and mandatory tender for purchase under certain circumstances as summarized below under "Optional Tender" and "Mandatory Tender." Payment of the purchase price for Bonds (other than Bank Bonds and Corporation Bonds) tendered or required to be tendered for purchase initially will be supported by funds made available (i) from the remarketing of the Bonds, (ii) under the terms of the Letter of Credit to the extent described therein, and (iii) other moneys made available by the University.

Interest Rates and Rate Periods

General

The Bonds will bear interest at a Daily, Weekly, Commercial Paper, Long-Term or Fixed Rate. When the Bonds are in a Daily, Weekly or Long-Term Rate Period, the interest rate on such Bonds will be determined by the Remarketing Agent as the lowest rate of interest which in its judgment will cause such Bonds to have a market value, as of the date of determination, equal to the principal amount of such Bonds, taking into account prevailing market conditions. With

respect to Commercial Paper Rates, the Remarketing Agent will determine the Commercial Paper Rate and the Commercial Paper Rate Period for each Bond at such rate and for such period as it deems advisable in order to minimize the net interest cost on such Bonds, which, in the judgment of the Remarketing Agent, would cause such Bonds to have a market value as of the date of determination equal to the principal amount thereof, taking into account prevailing market conditions. In no event will interest on the Bonds exceed the Maximum Rate. The interest rate on the Bonds in the Fixed Rate Period will be established as described below under "Interest Rates and Rate Periods – Fixed Rate."

Interest on Bonds will be calculated on the basis of (i) a 365 or 366-day year, as appropriate, for the actual number of days elapsed while such Bonds bear interest at a Daily Rate, Weekly Rate or Commercial Paper Rate, and (ii) a 360-day year of twelve 30-day months while such Bonds bear interest at a Long-Term Rate or a Fixed Rate.

Interest on the Bonds will be paid to the Registered Owners thereof with respect to (i) the Bonds accruing interest at Daily or Weekly Rates, on the first Business Day of each calendar month following a month in which interest at such Rate has accrued and on any day which is a Conversion Date from a Daily Rate Period or a Weekly Rate Period, respectively, and any principal payment or redemption date; (ii) the Bonds accruing interest at a Commercial Paper Rate, on the first Business Day after the last day of each Commercial Paper Rate Period applicable thereto, and any principal payment or redemption date; (iii) the Bonds accruing interest at a Long-Term Rate, each April 1 and October 1, beginning with the first of such dates which is at least six months after the date of a conversion to a Long-Term Rate, except that the last Interest Payment Date for any Long-Term Rate Period which is followed by a Daily, Weekly or Commercial Paper Rate Period will be the Conversion Date for such Daily, Weekly or Commercial Paper Rate Period and will be the first Business Day of the sixth month following the month of the preceding Interest Payment Date; and (iv) the Bonds accruing interest at a Fixed Rate, each April 1 and October 1, beginning with the first of such dates which is at least six months after the date of a conversion to a Fixed Rate through and including the Maturity Date of such Bonds accruing interest at a Fixed Rate. The first Interest Payment Date for the Bonds will be November 1, 2007.

Daily Rate Period; Daily Rate

The Bonds shall initially bear interest at the Daily Rate. Thereafter, a Daily Rate Period will commence on a Daily Rate Conversion Date, which will be a Business Day, and on each Business Day thereafter until the type of Rate Period for the Bonds is converted to another type of Rate Period and will extend to, but not include, the next succeeding Business Day, provided that the initial Daily Rate will begin on the Issue Date. Bonds in a Daily Rate Period will bear interest at a Daily Rate.

When interest on the Bonds is payable at a Daily Rate, the Remarketing Agent will set a Daily Rate on the first Business Day of the Daily Rate Period to which it relates and will provide the Daily Rate to the Trustee by Electronic Notice by 10:00 a.m., Central time, on that same day. The Daily Rate for each Daily Rate Period will be effective from and including the commencement date thereof to, but not including, the next succeeding Business Day.

Weekly Rate Period; Weekly Rate

A Weekly Rate Period will commence on a Thursday and end on Wednesday of the following week and each Weekly Rate Period will be followed by another Weekly Rate Period until the Rate Period of the Bonds is converted to another type of Rate Period; provided that (i) in the case of a conversion to a Weekly Rate Period from a different Rate Period, the Weekly Rate Period will commence on the Weekly Rate Conversion Date and will end on Wednesday of the following week; (ii) in the case of a conversion from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period prior to a conversion will end on the day immediately

preceding the Conversion Date to the new rate period; and (iii) the day of the week on which Weekly Rate Periods will commence and end may be changed by the Remarketing Agent, with the consent of the University, if the scheduled rate determination day becomes inappropriate (taking into account general market practice), as determined in the reasonable exercise of the Remarketing Agent's judgment, upon notice to the Trustee not less than 14 days before the change, which notice will promptly be communicated by the Trustee, by first class mail, to the owners of such Bonds, provided, that such notice to the Trustee is, with respect to the Bonds, accompanied by an opinion of nationally recognized bond counsel and a reliance letter to the Reimbursement Bank to the effect that the change will not adversely affect the Tax-Exempt status of interest on the Bonds for federal income tax purposes.

When interest on the Bonds is payable at a Weekly Rate, the Remarketing Agent will set a Weekly Rate on the Business Day next preceding the commencement date of the Weekly Rate Period to which it relates and provide the Weekly Rate to the Trustee by Electronic Notice by 5:00 p.m., Central time, on such preceding Business Day. For the first week, or portion thereof, that the Bonds bear interest at a Weekly Rate, the Weekly Rate will be effective from the first day such Bonds bear interest at the Weekly Rate through the immediately succeeding Wednesday. Thereafter, subject to the provisions of clause (iii) of the preceding paragraph, the Weekly Rate will be effective from each Thursday through the immediately succeeding Wednesday or, if earlier, the day before the effective date of a new method of determining the interest rate on such Bonds.

Commercial Paper Rate Period; Commercial Paper Rate

Each Bond will bear interest during the Commercial Paper Rate Period for such Bond at the Commercial Paper Rate for such Bond. Different Commercial Paper Rates and Commercial Paper Rate Periods may apply to different Bonds at any time and from time to time, provided that the Commercial Paper Rate Period for all Bonds must end on the same day in order to convert from such Commercial Rate Period to another rate period. The Commercial Paper Rate Period and Commercial Paper Rate for each Bond will be determined by the Remarketing Agent on the first Business Day of that Commercial Paper Rate Period and the Remarketing Agent will provide the Commercial Paper Rate to the Trustee by Electronic Notice by 1:00 p.m., Central time, on that same day.

Each Commercial Paper Rate Period will be a period of not less than eight (8) days and not more than 270 days determined by the Remarketing Agent to be the period which will, in the judgment of the Remarketing Agent, produce the greatest likelihood of the lowest net interest cost during the term of the Bonds; provided that if the Remarketing Agent has given or received notice of any conversion to a different Rate Period, the Commercial Paper Rate Period for each Bond shall not be longer than the remaining number of days prior to the Conversion Date. Each Commercial Paper Rate Period will commence on a Business Day and end on either a day preceding a Business Day or on the day before the Maturity Date, and in any event shall end no later than the day preceding the Maturity Date. No Commercial Paper Rate Period will extend past the Business Day prior to the stated expiration date of the Letter of Credit.

The Remarketing Agent may, in the reasonable exercise of its judgment, (i) determine Commercial Paper Rate Periods that result in Commercial Paper Rates on the Bonds that are higher than would be borne by Bonds with shorter Commercial Paper Rate Periods in order to increase the likelihood of achieving the lowest net interest cost during the term of such Bonds by assuring the availability of such Commercial Paper Rates for the longer Commercial Paper Rate Periods, and (ii) in view of the uncertainties involved in anticipating Commercial Paper Rates, establish different Commercial Paper Rate Periods for Bonds on the same date in order to achieve an average of Commercial Paper Rate Periods that, in the reasonable exercise of its judgment, is most likely to achieve the lowest net interest cost during the term of such Bonds. In determining the number of days in each Commercial Paper Rate Period, the Remarketing Agent will take into account the relative market yields of the Bonds bearing interest at a

Commercial Paper Rate and other securities that bear interest at a variable rate or at fixed rates that, in the reasonable exercise of the judgment of the Remarketing Agent, are otherwise comparable to such Bonds, or any fact or circumstance relating to such Bonds or affecting the market for such Bonds or affecting such other comparable securities in a manner that, in the reasonable exercise of the judgment of the Remarketing Agent, will affect the market for such Bonds. The Remarketing Agent, in its discretion, may consider such information and resources as it deems appropriate in making the determinations described in this paragraph, including consultations with the University, but the Remarketing Agent's determination of the Commercial Paper Rate Period for each Bond will be based solely upon the reasonable exercise of the Remarketing Agent's judgment.

Long-Term Rate Period; Long-Term Rate

Each Long-Term Rate Period will commence on the Long-Term Rate Conversion Date and subsequently on an April 1 which is at least 12 calendar months after the conversion to the Long-Term Rate and end on the day preceding either the commencement date of the following Long-Term Rate Period or on the date of a conversion to a different rate period. The Remarketing Agent will determine a Long-Term Rate on the Business Day immediately preceding the commencement date of any period during which interest on the Bonds will be payable at a Long-Term Rate and will provide the Long-Term Rate to the Trustee by Electronic Notice by the close of business on such Business Day. Long-Term Rate Periods will not extend to a date beyond the stated expiration date of the Letter of Credit then in effect, if any.

Fixed Rate Period; Fixed Rate

A Fixed Rate Period will commence on a Fixed Rate Conversion Date and will extend to the earlier of the date of redemption or the maturity date for each Bond accruing interest at a Fixed Rate. The Fixed Rate for each Bond accruing interest at a Fixed Rate will be established in accordance with the terms of the Indenture and will be set forth in a firm underwriting or purchase contract described below under "Conversion Between Interest Rate Periods – Conversion to Fixed Rate Period."

Rates Binding

The setting of the rates, the Rate Periods and the calculation of interest payable on the Bonds as described above will be conclusive and binding on the owners of the Bonds, the Authority, the University, the Credit Bank and the Trustee. The interest rate in effect for each Bond will be available to the owner of such Bond on the date such interest rate is determined, between 1:00 p.m. and 5:00 p.m., Central time, from the Remarketing Agent or the Trustee at their respective principal offices.

Conversion Between Interest Rate Periods

Conversion Dates

With the exception of any Bond bearing interest at a Long-Term Rate that extends to the Maturity Date or at a Fixed Rate, the Rate Period in which the Bonds operate may be changed from time to time as described in the Indenture and summarized under this subcaption. A Conversion Date for any Bond means the day on which a particular type of Interest Rate (Daily, Weekly, Commercial Paper, Long-Term or Fixed Rate) becomes effective for such Bonds which is not immediately preceded by a day on which such Bonds have accrued interest at the same type of interest rate and, when used with respect to any Commercial Paper Rate Period or Long-Term Rate Period, means the day after the end of such Commercial Paper Rate Period or Long-Term Rate Period. Each Conversion Date will be an Interest Payment Date for the rate period from which a Bond is being converted, which, with respect to conversion from a

Commercial Paper Rate Period or Long-Term Rate Period, will be the last Interest Payment Date for the then current Commercial Paper Rate Period or Long-Term Rate Period, except that a Bond may be converted from a Daily or Weekly Rate Period on any Business Day.

Notice of Conversion by University

The University may elect to convert the rate period on the Bonds by notifying the Trustee, not fewer than seven (7) Business Days prior to the date the notice to affected owners must be given of the proposed conversion, and upon receipt of such notice from the University, the Trustee shall give notice of the proposed conversion to the Remarketing Agent and the Credit Bank not less than five Business Days prior to the date the notice to affected owners must be given of the proposed conversion. Bonds that are converted to the Fixed Rate Period can not be converted into another Rate Period but will remain in the Fixed Rate Period until maturity or redemption prior to maturity.

Assignment to Remarketing Agent

Pursuant to the Remarketing Agreement, the University may delegate and assign to the Remarketing Agent, and may likewise rescind such delegation and assignment, the University's right to elect to convert the Bonds from one type of rate period to another (except to a Fixed Rate Period), in which case, the Remarketing Agent will agree to carry out any such conversion in the manner and at the times specified in the Indenture.

Notice of Conversion to Bondowners

When a conversion between rate periods is to be made, the Trustee is required to give notice, by first class mail, of the proposed conversion to the affected owners of Bonds not less than **20** days before the proposed Conversion Date. Among other requirements set forth in the Indenture, such notice must state the proposed Conversion Date, the proposed rate period to be effective on such date, the aggregate principal amount to be converted and that such Bonds will be subject to mandatory tender for purchase on the Conversion Date (except in the case of conversions between Daily and Weekly Rate Periods). When applicable, this notice may be combined with the notice of mandatory tender delivered by the Trustee as described below under "Mandatory Tender – Notice by Trustee."

Limitations on Conversions Between Rate Periods

No conversion of rate periods will become effective unless:

- (i) If the conversion is from Commercial Paper Rate Periods, the Trustee has received, prior to the date on which notice of conversion is required to be given to the owners, written confirmation from the Remarketing Agent that it has not established and will not establish any Commercial Paper Rate Periods with respect to such Bonds extending beyond the day before the Conversion Date; and
- (ii) The Reimbursement Bank, the Credit Bank and the Authority have been provided, no later than one day before the Conversion Date, with an opinion of nationally recognized bond counsel to the effect that the conversion is authorized or permitted by the Indenture, and that such conversion will not adversely affect the Tax-Exempt status of interest on the Bonds for federal income tax purposes; and
- (iii) If the conversion is to a Commercial Paper Rate Period, Long-Term Rate Period or Fixed Rate Period (during which Long-Term Rate Period or Fixed Rate Period a Letter of Credit will be in effect), then either (i) the number of days of interest on such Bonds which may be drawn under the Letter of Credit shall be not less than the number of days

in the longest interest period for such Bonds in such interest rate mode plus 24 days (or any such number of days as any Rating Agency requires), or (ii) the Letter of Credit shall permit the Trustee to draw for accrued interest in each calendar month, and on the Interest Payment Date, and to deposit proceeds of each such draw in the applicable Letter of Credit Account of the Debt Service Fund pending payment to the Owners of such Bonds on the next succeeding Interest Payment Date, or (iii) the Trustee and the Authority have been provided, no later than one day before the Conversion Date, with written evidence from each Rating Agency then rating the Bonds that such conversion will not result in a reduction or withdrawal of the then current rating on such Bonds; and

(iv) If the conversion is to a Commercial Paper Rate Period, Long-Term Rate Period or Fixed Rate Period, the Trustee receives from the University the written consent of the Reimbursement Bank to such conversion; and

(v) If the conversion is to a Long-Term Rate Period, the Trustee receives from the University evidence that the University has undertaken all responsibilities for compliance with continuing disclosure requirements as set forth in the Loan Agreement. Upon conversion of Bonds to a Long-Term Rate Period for which a Letter of Credit will not be in effect, the Trustee will release the Letter of Credit in the same fashion for a conversion to a Fixed Rate Period set forth below; and

(vi) Such additional conditions for conversion to a Fixed Rate Period as set forth in the Indenture.

Failure of Conditions to Conversion

In the event any condition precedent to a conversion is not fulfilled, any affected Bonds will continue to be subject to mandatory tender on the proposed Conversion Date (except in the case of proposed conversions between Daily and Weekly Rate Periods) without regard to the failure to fulfill such condition, and any affected Bonds will accrue interest at Weekly Rates for Weekly Rate Periods on and after the proposed Conversion Date, but only if the University furnishes the Trustee, the Reimbursement Bank, the Credit Bank and the Authority an opinion of nationally recognized bond counsel to the effect that such accrual of interest will not adversely affect the Tax-Exempt status of interest on the Bonds if the Rate Period in effect prior to the mandatory tender purchase date exceeded one year, and if any such required opinion is not delivered, at a Long-Term Rate for a Long-Term Rate Period ending on the day prior to the next succeeding April 1 which is at least 365 days later. If the Remarketing Agent fails for any reason to determine any such Weekly Rate or Long-Term Rate, the applicable Weekly Rate will be equal to 115% of the three month London-Interbank Offered Rate-British Bankers Association Fixing for United States Dollar (LIBOR-USD Fix – 3 Month) and effective for that date on which such rate is determined (or if such rate is not available, any other similar rate as is determined by the Trustee in its sole discretion to be appropriate), and the applicable Long-Term Rate will be equal to 125% of the 12 month London-Interbank Offered Rate-British Bankers Association Fixing for United States Dollar (LIBOR-USD Fix - 12 Month) for one year Treasury Bills shown in the table captioned “U.S. Securities Prices” in the edition of *The Bond Buyer* (or if *The Bond Buyer* or such table is no longer published, any other published similar rate as is determined by the Trustee in its sole discretion to be appropriate) published on the day on which such rate is determined, or if such rate is not published on that day, the most recent publication of such rate.

Optional Tender

Bonds bearing interest at Daily or Weekly Rates (except Bank Bonds or Corporation Bonds) may be tendered for purchase at the option of the owners thereof at a purchase price equal to

100% of the principal amount of such Bonds (or portions thereof in an authorized denomination) plus accrued interest, if any, to the purchase date ("Purchase Price") as described below:

Daily Rate Tender

Bonds bearing interest at Daily Rates may be tendered for purchase at the Purchase Price on any Business Day upon Electronic Notice of tender given to the Trustee not later than 9:30 a.m., Central time, on the date of purchase.

Weekly Rate Tender

Bonds bearing interest at Weekly Rates may be tendered for purchase at the Purchase Price on any Business Day upon Electronic Notice of tender given to the Trustee not later than 5:00 p.m., Central time, on a Business Day not fewer than seven days prior to the date of purchase.

Notice of Tender

Each notice of tender (i) must be delivered to the Trustee at its notice address as provided in the Indenture and be in form satisfactory to the Trustee; (ii) must state (A) the principal amount and certificate number of Bonds to which the notice relates, (B) that the Bondowner irrevocably demands purchase of such Bonds or a specified portion thereof, (C) the date on which such Bonds or portion is to be purchased, and (D) payment instructions with respect to the Purchase Price; and (iii) will automatically constitute (A) an irrevocable offer to sell the Bonds (or portion thereof) to which the notice relates on the specified purchase date at the Purchase Price, (B) an irrevocable authorization and instruction to the Trustee to effect transfer of such Bond (or portion thereof) upon payment of the Purchase Price to the Trustee on the purchase date, (C) an irrevocable authorization and instruction to the Trustee to effect the exchange of such Bond to be purchased in whole or in part for other Bonds in an equal aggregate principal amount so as to facilitate the sale of such Bond (or portion thereof to be purchased), (D) an agreement of such owner to deliver such Bond, with all necessary endorsements for transfer and signature guarantees, to the Trustee at its principal office, not later than 3:00 p.m., Central time, on the purchase date, and (E) an acknowledgment that such Bondowner will have no further rights with respect to such Bond (or portion thereof) upon payment of the Purchase Price thereof to the Trustee on the purchase date, except for the right of such Bondowner to receive such Purchase Price upon delivery of such Bond to the Trustee, and that after the purchase date such Bondowner will hold any undelivered bond certificate as agent for the Trustee. The determination of the Trustee as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Bondowner.

Notwithstanding the foregoing, if the Bonds are held in a Book-Entry System, the right to optionally tender Bonds accruing interest at Daily Rates or Weekly Rates may be exercised by a Beneficial Owner. The Beneficial Owner shall exercise such right by delivering the required notice to the Trustee and the Remarketing Agent no later than the required times specified in the preceding paragraph. Such notice shall state that such Beneficial Owner will cause its beneficial interest (or portion thereof in an authorized denomination) to be tendered, the amount of such interest to be tendered, the date on which such interest will be tendered and the identity of the Participant through which the Beneficial Owner maintains its interest. Upon delivery of such notice, the Beneficial Owner must make arrangements to have its beneficial ownership interest in the Bonds being tendered transferred to the Trustee at or prior to 3:00 p.m., Central time, on the purchase date.

Mandatory Tender

The Bonds are subject to mandatory tender for purchase at the Purchase Price (100% of the principal amount plus accrued interest, if any) as follows:

Mandatory Tender of Commercial Paper Rate Bonds

Each Bond bearing interest at a Commercial Paper Rate is subject to mandatory tender for purchase on each Interest Payment Date. The owner of any Bond accruing interest at a Commercial Paper Rate must provide the Trustee with written payment instructions for the Purchase Price on or before tender thereof to the Trustee.

Mandatory Tender upon Conversion between Certain Rate Periods

Bonds to be converted from one rate period to a different rate period (except conversions from a Daily Rate to a Weekly Rate or from a Weekly Rate to a Daily Rate) are subject to mandatory tender for purchase on the Conversion Date.

Mandatory Tender at Beginning of a New Long-Term Rate Period

When the Bonds bear interest at a Long-Term Rate and a new Long-Term Rate is to be determined, the Bonds are subject to mandatory tender for purchase on the effective date of the new Long-Term Rate.

Mandatory Tender Upon Expiration or Termination of the Letter of Credit

Bonds secured by a Letter of Credit will be subject to mandatory tender for purchase on the fifth Business Day prior to the expiration or termination of the Letter of Credit (i) if the Trustee has not received a commitment as required by the Indenture by the 30th day preceding the scheduled Letter of Credit expiration or termination date for either an extension of the then existing Letter of Credit or an Alternate Letter of Credit or (ii) if the Trustee has not received an extension of the existing Letter of Credit or an Alternate Letter of Credit meeting the requirements therefor set forth in the Indenture before the fifth Business Day prior to expiration or termination of the Letter of Credit.

Mandatory Tender Upon Substitution of Alternate Letter of Credit.

Bonds secured by a Letter of Credit will be subject to mandatory tender for purchase on the date of substitution of an Alternate Letter of Credit for the then existing Letter of Credit. The existing Letter of Credit will be used, if necessary, to provide funds for such purchase rather than the Alternate Letter of Credit.

Mandatory Tender Upon Notice of Default Under Reimbursement Agreement

Bonds secured by a Letter of Credit will be subject to mandatory tender for purchase upon receipt by the Trustee of written notice from either the Credit Bank or the Reimbursement Bank stating that an event of default has occurred and is continuing under the Reimbursement Agreement, directing the Trustee to cause a mandatory tender of the Bonds pursuant to the Indenture. In no event shall the purchase date be later than seven days from the date of receipt of such notice of default by the Trustee.

Notice by Trustee

The Trustee will give notice of mandatory tender for purchase (other than a mandatory tender on an Interest Payment Date during a Commercial Paper Rate Period) to the affected owners of Bonds, by first class mail, as soon as practicable and not less than seven days before the mandatory tender date. In the case of a mandatory tender subsequent to an event of default under the Reimbursement Agreement, the Trustee shall give notice as soon as practicable, and shall establish the purchase date in such notice to be a date not less than four nor more than seven days from the date notice is given. If the Bonds are in certificated form, such notice shall include information with respect to required delivery of Bond certificates and payment of the

Purchase Price. When applicable, this notice may be combined with the notice of conversion of Rate Period delivered by the Trustee as described herein under “THE BONDS – Conversion Between Interest Rate Periods – Notice of Conversion to Bondowners.” Any defect in any required notice of mandatory tender shall not affect the validity of such notice.

Delivery of Bonds

An owner of a Bond tendered or required to be tendered for purchase must deliver such Bond to the principal office of the Trustee, at or before 3:00 p.m., Central time, on the purchase date (delivery of a beneficial owner’s interest in a Bond while Cede & Co. is the sole registered owner of the Bonds will occur when the ownership rights in such Bond are transferred by a Direct Participant on DTC’s records (as these terms are defined below) in accordance with DTC’s customary procedures).

If a Bondowner has elected to tender any Bond for purchase, or if any Bond is subject to mandatory tender for purchase, and if, in either case, the Trustee is in receipt of an amount sufficient to pay the Purchase Price, then such Bond (or portion thereof) will be deemed purchased on the Purchase Date and ownership of such Bond (or portion thereof) will be transferred to the purchaser thereof. Any owner who fails to deliver such Bond for purchase will not be entitled to any payment other than the Purchase Price for such Bond upon surrender of such Bond to the Trustee, and such Bond will no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from moneys held by the Trustee for such payment upon presentation and surrender of the Bond. Moneys held by the Trustee for the benefit of an owner of untendered Bonds which remain unclaimed two years after the applicable Purchase Date will, at the request of the University, and if the University is not, at the time, to the knowledge of the Trustee, in default with respect to any covenant in the Loan Agreement or the Bonds, be paid to the University, and the owner of the Bonds for which the deposit was made will thereafter be limited to a claim against the University.

Payment of Purchase Price

Payment of the Purchase Price of Bonds to be purchased upon optional or mandatory tender will be made by the Trustee at or before 3:00 p.m., Central time, on the date of purchase and upon receipt by the Trustee of 100% of the aggregate Purchase Price of the tendered Bonds, in immediately available funds. The Purchase Price of the Bonds tendered for purchase will be paid by the Trustee, first from the proceeds of the remarketing of such Bonds by the Remarketing Agent, second from proceeds made available through drawings under the Letter of Credit and third from other moneys made available by the University.

Remarketing

Unless otherwise instructed by the University, the Remarketing Agent will offer for sale and use its best efforts to find purchasers for all Bonds or portions thereof for which notice of optional tender has been received or which are subject to mandatory tender. The terms of any sale by the Remarketing Agent will provide for the payment of the Purchase Price for tendered Bonds by the Remarketing Agent to the Trustee on the purchase date in immediately available funds at or before 10:30 a.m., Central time. The Remarketing Agent will not sell any Bond as to which a notice of conversion from one type of rate period to another has been given by the Trustee, or as to which the Trustee has given a notice of mandatory tender for purchase as described above under “Mandatory Tender – Notice by Trustee,” unless the Remarketing Agent has advised the person to whom such sale is made of the conversion or notice. Any purchaser so advised must deliver a notice to the Trustee stating that such purchaser will tender such Bonds

for purchase on the related mandatory tender date. The Remarketing Agent will not remarket any Bond to the Authority or the University or any affiliate of the Authority or the University.

Redemption

The Bonds are subject to optional redemption by the Authority, at the direction of the University with the written consent of the Reimbursement Bank if required by the Reimbursement Agreement, as described below:

Optional Redemption During Daily, Weekly or Commercial Paper Rate Period.

Bonds which bear interest at Daily, Weekly or Commercial Paper Rates are subject to optional redemption (with the written consent of the Reimbursement Bank) in whole or in part, and if in part in authorized denominations, on any Business Day with respect to Bonds bearing interest at Daily or Weekly Rates, and on any Interest Payment Date with respect to Bonds bearing interest at a Commercial Paper Rate, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued, if any, to the redemption date.

Optional Redemption During Long-Term or Fixed Rate Period.

Bonds which bear interest at a Long-Term Rate are subject to optional redemption (with the written consent of the Reimbursement Bank) in whole or in part, and if in part in an amount evenly divisible by minimum authorized denominations, on the first Business Day after the end of each Long-Term Rate Period at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued, if any, to the redemption date.

Bonds that bear interest at a Long-Term Rate or a Fixed Rate also are subject to optional redemption (subject to any applicable provisions of the Reimbursement Agreement) in whole or in part, and if in part in authorized denominations, on any Business Day after the No-Call Period shown below, at redemption prices equal to their principal amount plus a premium equal to the percentage of their principal amount shown in the Initial Premium column below, plus interest accrued, if any, to the redemption date; provided the premium shall decline every 12 months after the end of the No-Call Period as shown in the Reduction in Premium column in the following table until the Bonds shall be redeemable without premium:

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<u>Length of Long-Term Rate or Fixed Rate Period⁽¹⁾</u>	<u>No-Call Period⁽²⁾</u>	<u>Initial Premium</u>	<u>Annual Reduction in Premium⁽³⁾</u>
12 years or more	10 years	2.0%	1.0%
10 years up to 12 years	7 years	1.5%	0.5%
7 years up to 10 years	5 years	1.0%	0.5%
5 years up to 7 years	3 years	0.5%	0.5%
3 years up to 5 years	2 years	0.0%	N/A
2 years up to 3 years	1 year	0.0%	N/A
1 year up to 2 years	6 months	0.0%	N/A

- (1) Following the Fixed Rate Conversion Date for any Bond, measured to the latest Maturity Date of any Bond converted to a Fixed Rate on such Fixed Rate Conversion Date, and for any Bond in a Long-Term Rate Period the length of the Long-Term Rate Period then in effect, measured from the related Long-Term Rate Conversion Date.
- (2) The Bonds will not be redeemable during the No-Call Period shown above. The No-Call Period begins on the first day of the Long-Term Rate Period or the Fixed Rate Conversion Date, as the case may be.
- (3) After the end of the No-Call Period, the Bonds will be redeemable at their principal amount plus a premium equal to the percentage of their principal amount shown in the Initial Premium column plus interest accrued, if any, to the redemption date; provided, however, that the premium will decline every twelve months after the end of the No-Call Period as shown in the "Reduction in Premium" column until the Bonds are redeemable without premium.

Pursuant to the Indenture, under certain circumstances, the University may deliver an alternate optional redemption schedule for Bonds converted to a Long-Term Rate or a Fixed Rate.

Extraordinary Optional Redemption.

The Bonds are subject to optional redemption, in whole or in part on any Business Day, at a redemption price equal to 100% of the principal amount being redeemed, plus interest accrued, if any, to the redemption date, upon the occurrence of any of the following events:

- (i) all or a substantial portion of the Facilities is damaged or destroyed by fire or other casualty, or title to, or the temporary use of, all or a substantial portion of such Facilities are condemned or taken for any public or quasi-public use by any authority exercising the power of eminent domain or title thereto is found to be deficient, to such extent that in the determination of the University (A) the Facilities can not be reasonably restored or replaced to the condition thereof preceding such event, or (B) the University is thereby prevented from carrying on its normal operations of the Facilities, or (C) the cost of restoration or replacement thereof would exceed the net proceeds of any casualty insurance, title insurance or condemnation awards with respect thereto; or
- (ii) as a result of any changes in the Constitution of the State of Minnesota or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final direction, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the University in good faith, the Indenture or the Loan Agreement becomes void or unenforceable or impossible of performance; or
- (iii) the University is required or ordered, by legislative, judicial or administrative action of the United States or of the State of Minnesota, or any agency, department or subdivision thereof, to operate the Facilities in a manner inconsistent with the stated goals, purposes and policies of the University, including without limitation its goals,

purposes and policies with respect to its primary operations, and such legislative, judicial or administrative action is applicable to the University because the University is a party to the Loan Agreement.

Mandatory Sinking Fund Redemption After Fixed Rate Conversion Date.

The Bonds that have been converted to a Fixed Rate, will be subject to mandatory redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, in accordance with any mandatory sinking fund requirements provided for upon the conversion of such Bonds to the Fixed Rate Period.

Notice of Redemption.

Unless waived by any owner of Bonds to be redeemed, the Trustee will mail, by first class mail, to the registered owners of all Bonds to be redeemed, at their addresses appearing on the bond register, notice of redemption at least 15 days prior to the redemption date for Bonds accruing interest at Daily, Weekly and Commercial Paper Rates, and at least 30 days prior to the redemption date for Bonds bearing interest at Long-Term or Fixed Rates. Each notice of redemption will state, among other things, (a) the redemption date; (b) the date of issue, series designation and CUSIP numbers of Bonds to be redeemed; (c) the redemption price; (d) the principal amount of Bonds to be redeemed and, if less than all of a maturity of Bonds are to be redeemed, certificate numbers (and, in the case of partial redemption, the respective portions of the principal amounts) of Bonds to be redeemed; (e) that on the redemption date the redemption price shall become due and payable (but only from Eligible Moneys) on each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after such date (unless sufficient Eligible Moneys are not available to pay the redemption price); (f) the place where the Bonds to be redeemed are to be surrendered for payment, which shall be the principal corporate trust office of the Trustee; and (g) that such notice is conditional upon Eligible Moneys being on deposit with the Trustee in an amount sufficient to pay the redemption price. The failure of an owner of any Bond to receive notice by mailing, or any defect in that notice, will not affect the validity of the proceedings for the redemption of any Bonds.

In addition to the foregoing notice, further notice will be given by the Trustee to the Reimbursement Bank and the Credit Bank, if any, the Remarketing Agent and to certain registered securities depositories and information services as provided in the Indenture, but no defect in such further notice nor any failure to give all or any portion thereof will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in the Indenture and summarized above in the preceding paragraph.

So long as DTC is effecting book-entry transfers of the Bonds, the Trustee shall provide the notices specified above to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Trustee, DTC, and a DTC Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Selection of Bonds to be Redeemed; Partial Redemption.

If fewer than all Outstanding Bonds are to be redeemed and paid prior to maturity pursuant to optional redemption or extraordinary optional redemption provisions under the Indenture, such Bonds shall be redeemed from the maturity or maturities selected by the University, provided that Bank Bonds and Corporation Bonds (in that order of priority) shall be redeemed before other Bonds are redeemed. If fewer than all Bonds of any maturity are to be redeemed, the

particular Bonds to be redeemed shall be selected by the Trustee from the Bonds of such maturity which have not previously been called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions equal to minimum authorized denominations of the principal of Bonds of a denomination larger than such minimum authorized denominations. Any Bond which is to be redeemed only in part shall be surrendered at the place of payment therefor (with, if the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Trustee duly executed by the owner thereof or his attorney or legal representative duly authorized in writing) and the Authority shall execute and the Trustee shall authenticate and deliver to the owner of such Bond, without service charge, a new Bond or Bonds of the same maturity of any authorized denomination or denominations as requested by such owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered. If the owner of any such Bond shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, said Bond shall, nevertheless, become due and payable on the redemption date to the extent of the unit or units of principal amount in minimum authorized denominations called for redemption (and to that extent only). In lieu of surrender, payment of the redemption price of a portion of any Bond may be made directly to the registered owner thereof without surrender thereof, if there shall have been filed with the Trustee a written agreement of such owner that payment shall be so made and that such owner will not sell, transfer or otherwise dispose of such Bond unless prior to delivery thereof such owner shall present such Bond to the Trustee for notation thereon of the portion of the principal thereof redeemed or shall surrender such Bond in exchange for a new Bond or Bonds for the unredeemed balance of the principal of the surrendered Bond.

Transfer and Exchange

So long as the Bonds are available through the book-entry only system, transfers of the Bonds may be made as described herein in Appendix V, "THE DEPOSITORY TRUST COMPANY." At any other time, the Bonds may be transferred or exchanged for other Bonds of any authorized denominations upon surrender of such Bonds at the principal corporate trust office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or such owner's duly authorized attorney. A Bond may be transferred or exchanged without cost to the owner thereof, except for any tax or other governmental charge required to be paid with respect to the transfer or exchange. The Trustee will not be required to transfer or exchange any Bond previously selected for redemption during certain periods specified in the Indenture.

The person in whose name any Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes (subject to the provisions of the Indenture relating to the Record Date), and payment of principal of and premium, if any, and interest thereon will be made only to or upon the order of the registered owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Book Entry System

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

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

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Beneficial Owners of the Bonds will not receive or have the right to receive physical delivery of the Bonds, and references herein to the Bondowners or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The following, in addition to the information provided elsewhere in this Official Statement, summarizes certain provisions of the Letter of Credit and the Reimbursement Agreement. Reference is hereby made to the Letter of Credit and the Reimbursement Agreement for the detailed terms and provisions thereof.

The Loan Agreement requires the University at all times to maintain with the Trustee a Letter of Credit for the Bonds in an amount at equal to the principal amount of the Outstanding Bonds and required interest coverage thereon. Provided, however, that upon conversion of Bonds to a Long-Term Rate Period or a Fixed Rate Period, the University shall not be required to maintain a Letter of Credit with respect to the Bonds.

The University has contracted with the Reimbursement Bank to have a Letter of Credit provided to secure payment on the Bonds. The Reimbursement Bank has in turn arranged with the Credit Bank to issue the Letter of Credit. The University and the Reimbursement Bank will enter into the Reimbursement Agreement, whereby the University will reimburse to the Reimbursement Bank when appropriate amounts paid under the Letter of Credit. The Reimbursement Bank will, in turn, reimburse the Credit Bank for amounts paid under the Letter of Credit.

The Credit Bank

The Letter of Credit will be issued by U.S. Bank National Association (together with the issuer of any Alternate Letter of Credit, the "Credit Bank"). For information concerning the Credit Bank, see Appendix VII to this Official Statement. The information contained in Appendix VII was furnished by the Credit Bank which is solely responsible for such information.

THE ABILITY OF THE CREDIT BANK TO HONOR DRAWINGS ON THE LETTER OF CREDIT WILL BE BASED SOLELY ON THE CREDIT BANK'S GENERAL CREDIT. INFORMATION AS TO THE FINANCIAL CONDITION OF THE CREDIT BANK IS SET FORTH IN APPENDIX VII HERETO.

The Reimbursement Bank

Bremer Bank, National Association will serve as the Reimbursement Bank ("Reimbursement Bank"). The Reimbursement Bank will cause the Credit Bank to issue its Letter of Credit to secure payment on the Bonds.

The Letter of Credit

At the time of issuance of the Bonds, the Credit Bank will issue the Letter of Credit to the Trustee in an original stated amount of \$18,329,090 (the "Original Stated Amount"), comprised of the principal amount of the Bonds (the "Principal Amount") and 35 days of interest on the Principal Amount at 10% computed on the basis of a 365 day year (the "Interest Amount"). The

Letter of Credit will expire on August 1, 2010, unless earlier terminated or extended and is subject to reduction as hereinafter described.

The Letter of Credit will provide funds for the payment of the principal and interest due on the Bonds at the scheduled interest payment dates, maturity dates, redemption dates or acceleration date thereof, and for the payment of the purchase price of Bonds tendered for purchase and for which sufficient proceeds of remarketing have not been received.

After payment by the Credit Bank of a drawing under the Letter of Credit and receipt by the Credit Bank of a written reduction certificate (a) to pay principal of the Bonds, the Principal Amount will be permanently reduced by the amount so paid and the Original Stated Amount will be permanently reduced by the amount so paid plus an amount equal to 35 days of interest (computed at the rate of 10% per annum) on the amount of such principal reduction, (b) to pay interest on the Bonds, the Original Stated Amount and the Interest Amount will be reduced by the amount so paid, provided that both amounts will be automatically reinstated in the full amount of such payment at the close of business on date of such payment, or (c) to pay the purchase price (in respect of principal and interest) on the Bonds being purchased, the Original Stated Amount will be reduced by the amount so paid and the Principal Amount and the Interest Amount will be reduced by the amount of such draw allocable to each, provided that such amounts so reduced will be increased upon receipt by the Trustee of notice from the Credit Bank.

The Letter of Credit will expire upon the earliest of (i) the Credit Bank's close of business on August 1, 2010, or (ii) the date which is 15 days following the date upon which all Bonds are converted to a Long-Term Rate or a Fixed Rate, or (iii) the date which is 15 days following the Credit Bank's receipt of a certificate from the Trustee stating that (a) no Bonds remain outstanding within the meaning of the Indenture and all drawings required to be made under the Indenture and available under the Letter of Credit have been made and honored, or (b) an effective Alternate Letter of Credit has been issued to replace the Letter of Credit in accordance with the Indenture and the Reimbursement Agreement, or (iv) the date which is 15 days after the Trustee's receipt of notice from the Credit Bank specifying the occurrence and continuation of an event of default under the Reimbursement Agreement and directing the Trustee to cause a mandatory tender of the Bonds, or acceleration of the maturity of the Bonds, or (v) when the Trustee has drawn and the Credit Bank has paid to the Trustee the Stated Amount of the Letter of Credit (subject to reinstatement under proper circumstances), or (vi) August 1, 2017.

Prior to its expiration, the Letter of Credit may be extended as provided therein or replaced with an Alternate Letter of Credit securing the Bonds in accordance with the provisions of the Indenture. Expiration or termination of the Letter of Credit, substitution of an Alternate Letter of Credit for the then existing Letter of Credit or notice of an event of default under the Reimbursement Agreement from the Credit Bank or the Reimbursement Bank will result in a mandatory tender of the Bonds pursuant to the Indenture. See "THE BONDS – Mandatory Tender" herein and "SUMMARY OF DOCUMENTS – The Indenture – Alternate Letter of Credit" in Appendix IV.

The Reimbursement Agreement

The Reimbursement Agreement, among other things, requires the Reimbursement Bank to cause the Credit Bank to issue the Letter of Credit to the Trustee and requires the University to reimburse the Reimbursement Bank for draws paid by the Credit Bank under the Letter of Credit. Payments to the Trustee by the University under the Loan Agreement will be applied by the Trustee pursuant to the Indenture to reimburse the Reimbursement Bank for draws paid under the Letter of Credit.

The Reimbursement Agreement includes certain covenants of, and restrictions on, the University, including, without limitation, the University's agreement to provide financial statements and other information to the Reimbursement Bank, the University's agreement to maintain its corporate existence and comply with certain laws, and certain financial covenants and other covenants. Such covenants and restrictions are solely for the benefit of the Reimbursement Bank and may be waived by the Reimbursement Bank or amended by the Reimbursement Bank and the University, without the consent of the Trustee, the Issuer, the Credit Bank or the Bondowners. The Bondowners will have no rights or obligations as a result of any such covenants or any amendments or waivers thereof.

The University has previously executed a Mortgage, Security Agreement, Fixture Financing and Assignment of Leases and Rents in favor of the Reimbursement Bank with regard to the University's Series Five-P1 Bonds and Series Five-P2 Bonds. Upon delivery of the Bonds, the University will execute an Amended and Restated Mortgage, Security Agreement, Fixture Financing and Assignment of Leases and Rents granting the Reimbursement Bank a first mortgage on the entire University campus securing the outstanding Series Five-P1 Bonds, the outstanding Series Five-P2 Bonds, and the Bonds.

The Reimbursement Agreement requires the University to make optional redemptions of Bonds according to a predetermined schedule. See: "THE BONDS - Redemption of the Bonds - Optional Redemption" herein for details regarding the process for such redemption. The Reimbursement Bank may waive optional redemption schedules. The Reimbursement Bank and the University may also agree to modify the optional redemption requirement without notice to or the consent of the Trustee or the Bondowners.

Each of the following events constitutes an "Event of Default" under the Reimbursement Agreement:

- a) the University shall fail to pay, when due, any amounts required to be paid by the University under the Reimbursement Agreement and other agreements between the University and the Reimbursement Bank (the "Credit Documents") or any other indebtedness of the University to the Reimbursement Bank or any third party, whether any such indebtedness is now existing or hereafter arises and whether direct or indirect, due or to become due, absolute or contingent, primary or secondary or joint or joint and several;
- b) the University shall fail to observe or perform any of the covenants, conditions or agreements to be observed or performed by it under the Credit Documents, the Loan Agreement, the Indenture, or any credit or security agreement between the University and the Reimbursement Bank for a period of ten (10) days after written notice, specifying such default and requesting that it be remedied, given to such party by the Reimbursement Bank;
- c) the University 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 a petition or answer proposing the adjudication of the University as 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 such petition or answer shall not be discharged or denied within sixty (60) days after the filing thereof; or if a receiver, trustee or liquidator of the University or of all or substantially all of the assets of the University or of the campus shall be appointed in any proceeding brought against the University and shall not be discharged within sixty (60) days of such appointment; or if the University shall consent to or acquiesce in such appointment; or if any property of the University (including, without limitation, the estate

or interest of the University in the campus or any part thereof) shall be levied upon or attached in any proceeding;

- d) final judgment(s) for the payment of money in excess of \$100,000, shall be rendered against the University and shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed;
- e) the University shall be or become insolvent (whether in the equity or bankruptcy sense);
- f) any representation or warranty made by the University in the Credit Documents, the Loan Agreement, the Indenture, or any document related thereto shall prove to be untrue or misleading in any material respect, or any statement, certificate or report furnished under the Reimbursement Agreement or under any of the foregoing documents by or on behalf of the University shall prove to be untrue or misleading in any material respect on the date when the facts set forth and recited therein are stated or certified;
- g) the campus is condemned, destroyed or damaged to any material extent and the same is not covered by insurance;
- h) at the time any disbursement of Bond proceeds for construction of the Project (an "Advance") is requested by the University hereunder the title to the campus is not reasonably satisfactory to the Reimbursement Bank, regardless of whether the lien, encumbrance or other question existed at the time of any prior Advance, unless such lien, or encumbrance has been consented to in writing by the Reimbursement Bank;
- i) the construction and installation of the Project is abandoned or shall be unreasonably delayed or be discontinued for a period of twenty (20) consecutive calendar days following written notice to the University by the Reimbursement Bank, in each instance for reasons other than acts of God, fire, storm, strikes, blackouts, labor difficulties, riots, inability to obtain materials, equipment or labor, governmental restrictions or any similar cause over which the University is unable to exercise control;
- j) the University at any time prior to the completion and installation of the Project shall (i) abandon the same, or (ii) delay construction or suffer construction to be delayed for any period of time, so that the completion of the construction and installation of the Project cannot be accomplished, in the reasonable judgment of the Reimbursement Bank, by August 15, 2008;
- k) the Reimbursement Bank shall, under the provisions of the Reimbursement Agreement, determine in good faith that additional sums need to be deposited with the Trustee in order to complete the Project and the University shall fail to deposit such sums as required by the Reimbursement Agreement;
- l) the conditions precedent to the first Advance as set forth in the Reimbursement Agreement shall not have been satisfied on or before thirty (30) days from the date of the Reimbursement Agreement; or
- m) the Lutheran Church Extension Fund ("LCEF") shall fail to observe or perform any of the covenants, conditions or agreements to be observed or performed by it under the Participation Agreement dated as of October 1, 2007 between LCEF and the Reimbursement Bank.

Upon the occurrence of any Event of Default or at any time thereafter, the Reimbursement Bank may exercise any one or more of the following rights and remedies in addition to any other rights and remedies available to it:

- a) without notice to the University, refrain from approving Advances until such Event of Default is cured (but the Reimbursement Bank may approve Advances after the occurrence of an Event of Default without thereby waiving its rights and remedies);
- b) cause the Credit Bank to instruct the Trustee to either (i) accelerate the maturity of the Bonds or (ii) cause a mandatory tender of the Bonds;
- c) by written notice to the University, declare all indebtedness of every type or description owed by the University to the Reimbursement Bank to be immediately due and payable and the same shall thereupon be immediately due and payable;
- d) enforce its rights and remedies under the documents related to the Reimbursement Agreement, including, without limitation, the Credit Documents and the Bond Documents;
- e) enter upon the campus and proceed either in its own name or in the name of the University (which authority is coupled with an interest and is irrevocable by the University) to complete or cause to be completed the Project, at the cost and expense of the University;
- f) make demand upon the University and forthwith upon such demand the University will pay to the Reimbursement Bank in immediately available funds for deposit in a special cash collateral account maintained with the Reimbursement Bank an amount equal to the maximum amount then available to be drawn under the Letter of Credit (assuming compliance with all conditions for drawing thereunder).

See “RISK FACTORS” and “THE BONDS – Mandatory Tender” herein and “SUMMARY OF DOCUMENTS – The Indenture” in Appendix IV.

USE OF PROCEEDS

The Project

Bond proceeds, along with available University funds, will be used to:

- (1) construct, furnish and equip a residence hall on the University campus consisting of a four-story building with approximately 84 units and 300 beds (the “Project”); and
- (2) pay certain issuance costs.

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ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of Bonds will be used to finance the construction portions of the Project and to pay issuance costs. Estimated sources and uses of funds are as follows:

<u>Sources of Funds</u>	
Bond Proceeds	\$ 18,155,000
University Funds	<u>66,830</u>
Total Sources:	<u>\$ 18,221,830</u>
<u>Uses of Funds</u>	
Fund the Project	\$ 17,000,000
Capitalized Interest	511,040
Letter of Credit Origination Fee	55,000
First Period and Capitalized Letter of Credit Fees	223,890
Underwriter's Discount	95,315
Costs of Issuance	<u>336,585</u>
Total Uses:	<u>\$ 18,221,830</u>

Bond issuance costs, including Underwriter's discount, that exceed 2% of the Bond proceeds, defined as par less original issue discount, will be paid by the University from other than Bond proceeds.

SOURCE OF PAYMENT FOR THE BONDS

General

The Bonds will be special obligations of the Authority payable solely from Loan Payments made by or on behalf of the University as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including, during the Variable Rate Period, drawings under the Letter of Credit.

The Bonds are secured by the pledge of the Loan Payments, which are a general obligation of the University. The University will agree pursuant to the terms of the Loan Agreement to make such payments absolutely and unconditionally, irrespective of any defense or any rights of setoff.

While the Bonds bear interest at a Variable Rate, the Bonds will be secured by draws under the Letter of Credit or Alternate Letter of Credit, as discussed under "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

The Bonds shall not be legal or moral obligations of the State of Minnesota, nor shall they constitute a debt for which the faith and credit of the Authority or the State of Minnesota, or the taxing powers of the State, are pledged. The Authority has no taxing powers.

The Bonds will not be secured by the General Bond Reserve of the Authority (see "GENERAL BOND RESERVE ACCOUNT" below).

ACCOUNTS

The Indenture will provide for the creation of certain trust accounts into which the proceeds of the sale of the Bonds and revenues received as Loan Payments under the Loan Agreement and moneys from draws under the Letter of Credit are to be deposited. For a discussion of provisions relating to these accounts see Appendix IV, "SUMMARY OF DOCUMENTS – The Indenture – Creation of Funds and Accounts".

GENERAL BOND RESERVE ACCOUNT

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. **The Bonds will not be secured by the General Bond Reserve Account, and Bondholders will have no right to require the Authority to apply moneys or investments in the General Bond Reserve Account to the payment of the Bonds or interest thereon.**

FUTURE FINANCING

The University regularly improves and expands its physical plant and incurs long-term financing as needed for those purposes. The University does not anticipate financing any such projects with debt within the next twelve months.

THE AUTHORITY

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

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

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$950 million. The Authority has had 164 issues (including refunded and retired issues) totaling over \$1 billion, of which approximately \$727 million is outstanding as of October 1, 2007. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

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

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

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

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

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

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

FINANCIAL ADVISOR

The Authority has retained Springsted Incorporated, Public Sector Advisors, of Saint Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon University officials and other sources that 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 Stern Brothers & Co. as Underwriter. The Underwriter has agreed to purchase the Bonds at a purchase price of \$18,059,686.25 (which takes into account an Underwriter's discount of \$95,313.75).

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 University 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 long-term rating of "Aa1" and a short-term rating of "VMIG1" to the Bonds, conditioned on the issuance of

the Letter of Credit by the Credit Bank. The rating reflects only the view of such rating agency. Further information concerning the rating is available from Moody's. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

Except as noted under the heading "TAX EXEMPTION – Minnesota Tax Considerations," the Authority and the University are unaware of any pending or overtly threatened in writing litigation which would affect the validity of or the tax-exempt nature of the interest on the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either party to perform as described therein, or the ability of the University to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

The delivery of the Bonds will be subject to the receipt of an opinion as to validity and tax exemption by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at closing for the Bonds.

Certain legal matters will be passed upon for the University by The Stolar Partnership LLP, St. Louis, Missouri and by Moore, Costello & Hart, PLLP, Saint Paul and Minneapolis, Minnesota; for the Credit Bank by its internal counsel; for the Reimbursement Bank by Winthrop & Weinstine, P.A., Minneapolis, Minnesota; and for the Underwriter by Spencer Fane Britt & Browne, LLP, St. Louis, Missouri.

TAX EXEMPTION

Federal Tax Considerations

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

The Loan Agreement, the Indenture and the Tax Compliance Agreement contain provisions (the "Tax Covenants") including covenants of the Authority and the University, 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. (See "SUMMARY OF DOCUMENTS -- The Loan Agreement -- Determination of Taxability" in Appendix V). A determination that interest on the Bonds is includable in the computation of the

alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

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

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

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

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

Minnesota Tax Considerations

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

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. §289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes, if a court determines that Minnesota’s exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued. In January 2006, the Kentucky Court of Appeals held, in *Davis v. Department of Revenue*, that the state’s exemption of interest on its own bonds and those of its political subdivisions and its taxation of interest on the bonds of other states and their political subdivisions unlawfully discriminates against interstate commerce. The Kentucky Supreme Court declined to review this decision. Kentucky officials have sought United States

Supreme Court review of the *Davis* decision. In 1994, the Ohio Court of Appeals had reached the opposite conclusion on this legal issue, upholding a similar Ohio statute, in *Shaper v. Tracy*.

The United States Supreme Court has decided to consider the appeal of the *Davis* decision in its term that begins October 2007. If the Supreme Court affirms the *Davis* decision, it is likely that Minnesota's tax treatment of state and local government bonds would also be held to be unconstitutional. A challenge of Minnesota's treatment of state and local government bonds is possible even in the absence of a decision by the United States Supreme Court. If Minnesota's treatment of state and local government bonds were held to unlawfully discriminate against interstate commerce, the court would have to decide upon a remedy for the tax years at issue in the case. Even if the remedy applied to those and other years preceding the decision were to exempt other states' bond interest rather than to tax Minnesota bond interest, application of the 1995 statute to subsequent years could cause interest on the Bonds to become taxable by Minnesota and the market value of the Bonds to decline.

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

FINANCIAL INFORMATION

The audited financial statements of the University as of and for the fiscal years ended June 30, 2007 and 2006 are included as Appendix VI to this Official Statement.

MISCELLANEOUS

The references herein to the Bonds, the Act, the Indenture, the Loan Agreement, the Letter of Credit and the Reimbursement Agreement are brief outlines of certain provisions thereof and do not purport to be complete. Reference is made to the Act and such documents for full and complete statements of the provisions thereof. Copies of such documents are on file at the office of the Underwriter and following delivery of the Bonds will be on file at the office of the Trustee.

The agreements of the Authority with the owners of the Bonds are fully set forth in the Indenture, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. Statements made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

The Cover Page hereof and the Appendices hereto are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The University has supplied and reviewed the information contained herein which relates to the property and operations of the University and has approved all such information for use within this Official Statement.

The execution, delivery and distribution of this Official Statement has been duly authorized and approved by the University. The Authority has authorized the distribution of this Official Statement. The Authority has not, however, prepared or made any independent investigation of the information herein, other than as to the accuracy of the information contained under the headings "THE AUTHORITY," "FINANCIAL ADVISOR," and "LITIGATION," and on the cover page hereof, but only to the extent it relates to the Authority.

CONCORDIA UNIVERSITY, ST. PAUL

By: /s/ Michael Dorner
Vice President for Finance

THE UNIVERSITY

General

Concordia University, St. Paul (the “University”) is a non-profit corporation incorporated in 1893 under the laws of the State of Minnesota (the “State”), and is a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, exempt from federal income taxation under Section 501(a) of the Code. The University is located on an approximately 42-acre campus in Saint Paul, Minnesota and has a current enrollment of approximately 997 traditional undergraduate, 711 adult degree completion and 338 graduate students for a total enrollment of 2,046 students.

In spring 1893, a group of Minnesota delegates to the Lutheran Church -- Missouri Synod synodical convention in St. Louis, Missouri, recommended that a college be founded in Minnesota to provide professional preparation for both church and lay leaders in the region. On September 13, 1893, Concordia College opened at its present location in Saint Paul with an enrollment of 30 young men in its two-year program. In 1905, the synodical Convention agreed to permit Concordia to offer six-years of study: four in secondary education and two in post-secondary education. To accommodate the need for teachers in parish schools in the Synod, the institution became coeducational in 1953. Other milestones in the school’s history include becoming a four-year senior college in 1962, launching the state’s first-degree completion program for adults in 1985 and changing its name to Concordia University in 1997.

The University is one of ten Concordia colleges and universities located throughout the United States that comprise the Concordia University System. The University has no shareholders and no capital stock.

The Lutheran Church – Missouri Synod

Founded in 1847, The Lutheran Church – Missouri Synod (the “Synod”), a national religious denomination, presently consists of approximately 6,200 member congregations, which have joined together to carry out their commonly adopted objectives. The Synod functions through a number of separately incorporated synodical corporations to support the member congregations in their local ministries. On behalf of the member congregations, the Synod also administers those ministries that can be accomplished more effectively through cooperation with other member congregations. As part of this cooperative system, the Synod is authorized by its constitution and bylaws to support synodical colleges, universities and seminaries, including the ten Concordia Colleges. The members of the University’s Board of Regents are elected by the Synod, the Minnesota South District of The Lutheran Church – Missouri Synod (“Minnesota South District”) and by its own members.

Concordia University System

The Concordia University System (“CUS”) is one of five corporations through which the Synod functions. CUS establishes broad operating and financial policies for all of the Synod’s colleges and universities. CUS also makes an operating line of credit available to the University to support current operations.

Board of Regents

The University is managed by a 13-member Board of Regents (the “Board”), which meets a minimum of three times each year. Five of the 13 members are elected by the Synod in convention and must include one ordained minister, one commissioned minister and three laypersons. Three of the 13 members are elected by the Minnesota South District, and must include one ordained minister, one commissioned minister and one layperson. The Board itself elects four laypersons. The final position on the Board is reserved for the Minnesota South District president. Each member of the Board of Regents must hold membership in a member congregation of the Synod. No more than two of the elected members of the Board may be from the same congregation.

The five Board members that are elected by the Synod and the three Board members that are elected by the District, are elected for three-year terms, and may serve a maximum of two consecutive, three-year terms. The four members that are elected by the Board itself, are elected for staggered three-year terms, and may serve a maximum of three consecutive, three-year terms.

The Board elects the officers of the Board of Regents for a one-year term. The members of the Board serve in a voluntary capacity and receive no remuneration for service rendered in such capacity. As of the date hereof, the members of the University’s Board of Regents are as follows with one position currently vacant:

<u>Regent</u>	<u>Occupation</u>
Dr. Brad Hewitt, Chair	Senior Vice President, Thrivent Financial for Lutherans, Minneapolis, Minnesota
Rev. Tom Evans, Vice Chair	Pastor, Mount Olive Lutheran Church, Mound, Minnesota
Mrs. Darlene Johnson, Secretary	Volunteer, Brooklyn Center, Minnesota
Mr. Ken Behm	Retired Banker, Willmar, Minnesota
Mr. Paul Crisler	High School Principal/Lutheran High School South, St. Louis, Missouri
Rev. Christopher R. Dodge	Pastor, St. Michael Lutheran Church, Bloomington, Minnesota
Mr. Gregg Hein	Business owner/ABCO Supply, Inc., Billings, Montana
Mr. Ed Kuerschner	Principal, St. John’s Lutheran School, Norwood-Young America, Minnesota
Mrs. Charlotte Malotky	Retired teacher, Waconia, Minnesota
Mr. Roger Roberts	Retired businessman, Woodbury, Minnesota
Rev. Dr. Lane Seitz	President, Minnesota South District, The Lutheran Church-Missouri Synod, Burnsville, Minnesota
Mrs. Alicia Winget	Business owner/Philanthropist, Leonard, Michigan

Administration

The University’s Board of Regents has delegated authority for the management and daily operations of the University to the president and the administrative staff. The president and the principal members of the executive management staff with selected biographical information are as follows:

President. Rev. Dr. Robert Holst joined the University in 1991 as its eighth president. Prior to his call to the University, he held faculty positions at Christ College-Irvine, California; Concordia Senior College, Fort Wayne, Indiana; Purdue University, Fort Wayne, Indiana campus; the University of California, Irvine; and the seminaries of the Lutheran Church – Missouri Synod at Fort Wayne, Indiana and St. Louis, Missouri. He also served 10 years as assistant pastor at Trinity Lutheran Church, Santa Ana, California. Dr. Holst received his bachelor's degree from the University and his master's of divinity and master's of sacred theology degrees from Concordia Seminary, St. Louis, Missouri. He received his Ph.D. from Princeton Theological Seminary.

Executive Vice President and Dean of Diversity. Dr. Cheryl Chatman joined the University in 2000 as the Dean of Diversity and was promoted to Executive Vice President and Dean of Diversity in 2001. Prior to joining the University, Dr. Chatman worked for the Evangelical Lutheran Church in America as assistant director for Colleges and Universities. Prior to that, she was associate director of the Martin Luther King Program at the University of Minnesota. She has also held academic posts at the University of North Carolina at Greensboro and Winston-Salem State University. Dr. Chatman received her B.S. in Psychology from Bethune-Cookman College in Florida and her M.S. in Child Development from Iowa State University. She also holds a Doctor of Education degree in Educational Administration from the University of North Carolina at Greensboro.

Vice President of Academic Affairs. Dr. Robert DeWerff came to the University in 1986 as vice president for college relations. He was appointed to the faculty in 1994 and was named vice president of academic affairs in 2006. Prior to coming to the University, Dr. DeWerff served as an administrator and faculty member at Concordia College, Ann Arbor, Michigan. He earned a BA in history from Concordia Senior College, Fort Wayne, Indiana and a M. Div. in historical theology from Concordia Seminary in St. Louis, Missouri. He holds an Ed.D. in educational leadership from the University of St. Thomas in Saint Paul, Minnesota.

Vice President of Finance. Rev. Michael Dorner joined the University in 1998 as an accountant, became the Controller in 1999 and the Vice President of Finance in March 2004. Prior to joining the University, he was a pastor at Mt. Zion Lutheran Church in Minneapolis, Minnesota. He received his bachelor's degree from Luther College in Decorah, Iowa and a M.B.A. from DePaul University in Chicago. He also holds an MDiv and S.T.M. from Concordia Seminary in St. Louis, Missouri.

Vice President of Congregational and Community Relations. Dr. Edith Jones joined the University in 2001 as the Vice President of Student Affairs and became the Vice President of Congregational and Community Relations in 2004. Prior to joining the University, Dr. Jones was Dean of Ellsworth Community College in Iowa Falls, Iowa. Previously, she was Dean of Instruction at Dodge City Community College, Dodge City, Kansas, and held a faculty position at Garden City Community College, Garden City, Kansas. Dr. Jones earned her B.S. degree, two master's degrees and an Ed.D. from Kansas State University. In addition, she received administrative certification in 1996 by the Iowa State Department of Education.

Vice President of University Advancement. Heather Riddle joined the University in January 2007. She has worked in development for more than 12 years, including nearly 10 years at Macalester College, Saint Paul, Minnesota, where she served as both Annual Fund Director and Director of Individual Gifts. Ms. Riddle also served as vice president for the board of the East Side Neighborhood Development Company in St. Paul. She earned her bachelor's degree from Concordia College, Moorhead, Minnesota.

Vice President of Information Technology and Operations. Dr. Eric E. LaMott joined the University in 1997 and has been Vice President of Information Technology since 2000 and began his oversight role with operations in 2004. His experience includes 14 years in teaching,

consulting, and information management. Dr. LaMott holds a B.S. degree in Psychology and M.S. degree in Exercise and Sport Studies from Boise State University in Boise, Idaho, and a doctorate degree in Education with a minor in Educational Psychology from the University of Minnesota.

Vice President for Student Services. Dr. Miriam Luebke joined the University in 1994 as a faculty member and Director of Assessment and Counseling. During her tenure at the University, Dr. Luebke has held a number of administrative positions including Associate Dean for Assessment, Counseling and Academic Support, and Associate Dean of Academic Affairs. Prior to coming to the University, Dr. Luebke was a therapist-consultant with Ed Dunkelblau and Associates in Des Plaines, Illinois and the coordinator for student affairs in the Tutorium in Intensive English at the University of Illinois at Chicago. Dr. Luebke holds a B.A. in interdisciplinary studies from Valparaiso University, Valparaiso, Indiana, an M.A. in linguistics from the University of Illinois at Chicago, and a Psy.D. (doctor of psychology) from the Illinois School of Professional Psychology, Chicago, Illinois.

Vice President of Enrollment Management. Brian Heinemann joined the University in 2002. Mr. Heinemann was previously at Concordia University in Ann Arbor, Michigan, where he held the titles of Dean of Administration, Dean of Enrollment and Financial Aid, Financial Aid Director, and Assistant Professor. Prior to that he taught Chemistry, Math, and Computer Science at the Lutheran High School in Houston, Texas. Mr. Heinemann received his B.S. in Secondary Education from Concordia University in Seward, Nebraska and his M.Ed. from the University of Houston.

Facilities

The University's campus is located on approximately 42 acres in the Midway district of Saint Paul, Minnesota. The campus includes six residence halls (three of which will be replaced by the residence hall financed by the Bonds), classrooms, science and music building, theatre arts center, library, chapel, cafeteria, gymnasium and health and fitness center, student union, administrative and faculty offices. In 2004, the University received a gift of 10 acres of land in Lindstrom, Minnesota for use as a nature reserve.

The Project

Residence Life Center (approximately 102,500 square feet).

This project will provide a new residence hall that provides housing for approximately 300 students in 86 apartment style units. 68 units will have four bedrooms and two bathrooms. 10 units will have two bedrooms with two bathrooms. There will be seven units for resident advisors and one unit for the building manager. This new building will replace three existing residence halls – Centennial, Minnesota and Walther. These buildings were built around 1960 and are the type of building that has fallen out of favor with current students. Proceeds of the Bonds will be used to finance and reimburse the costs of the project.

Academic Programs

The University presently is organized into four colleges: the College of Arts and Sciences, the College of Education, the College of Vocation and Ministry, and the College of Business and Organizational Leadership. The University has five master's degrees with nine emphases, a total of 44 undergraduate majors and 30 minors and five certificate programs. The Graduate School provides administrative oversight of all graduate programming at the University to assure

a distinction between graduate and undergraduate learning. A graduate dean serves as the chief graduate academic officer.

The College of Arts and Sciences offers undergraduate programs for students in psychology, science, communication, as well as in Pre-Law, and the Pre-Medical Professions.

The College of Education offers undergraduate programs in Early Childhood Education, Elementary Education, Middle Education and Secondary Education, Director of Christian Education Certifications for students interested in professional church work in their chosen field and graduate programs leading to Master of Education (M.Ed.) degree (Early Childhood). The School of Education also offers State of Minnesota credentials in teaching as well as Lutheran Teaching Certification.

The College of Vocation and Ministry offers undergraduate programs in outreach, parish education and administration, church music and theology, and a Pre-Seminary course of study. This is the department of the University that directs the University's professional church career programs and guides students interested in careers in The Lutheran Church -- Missouri Synod.

The College of Business and Organizational Leadership offers undergraduate programs and graduate programs in business and criminal justice.

History of Student Enrollment

The following table gives the University's fall semester enrollment by full or part-time classification for each of the last five years:

Enrollment by Type - Fall Semester Census Headcounts

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>Undergraduate</u>					
Full-time	1,505	1,598	1,472	1,421	1,361
Part-time	<u>236</u>	<u>237</u>	<u>264</u>	<u>287</u>	<u>266</u>
Undergraduate subtotal	1,741	1,835	1,736	1,708	1627
<u>Graduate</u>					
Full-time	310	348	292	286	613
Part-time	<u>0</u>	<u>34</u>	<u>41</u>	<u>52</u>	<u>20</u>
Graduate subtotal	310	382	333	338	633
Total headcount	2,051	2,217	2,069	2,046	2,260

Enrollment Profile

The following table gives enrollment information about new undergraduate transfer and first-time freshmen "traditional" students. Applications to the College of Graduate and Continuing Studies are not included.

<u>Year</u>	<u>Number of Applications</u>	<u>Number of Acceptances</u>	<u>Percent of Accepted Students Who Enrolled</u>	<u>Number of First-Time Freshmen</u>	<u>Number of Transfers</u>
2003	958	623	42%	167	93
2004	929	573	43%	176	72
2005	865	540	46%	165	83
2006	1,007	637	45%	200	85
2007	1,248	695	41%	200	82

Academic Entrance Information on First-Time Freshmen

The following table gives ACT test score information for first-time freshmen at the Concordia University, for the state of Minnesota, and for the nation. It also includes the average GPA for first-time freshmen at the University.

	<u>First-Time Freshman ACT Composite Means</u>			<u>Avg. GPA</u>
<u>Fall</u>	<u>University Mean</u>	<u>Minnesota Mean</u>	<u>National Mean</u>	<u>Concordia</u>
2003	21.5	22.0	20.8	3.2
2004	21.6	22.2	20.9	3.2
2005	21.7	22.3	20.9	3.2
2006	21.2	22.3	21.1	3.2
2007	21.0	22.5	21.2	3.2

Demographics of Student Population

The following summarizes the origin of students in the fall of 2007:

	<u>Headcount</u>	<u>Percent</u>
Minnesota	1,798	79.6%
Wisconsin	105	4.6%
Iowa	42	1.9%
California	32	1.4%
Texas	28	1.2%
Other Out-of-State	255	11.3%
Total	2,260	100.0%

Students in fall 2007 came from 41 states and 6 foreign countries.

Tuition, Room and Board

The following table gives the tuition and fees and room and board charges for full-time “traditional” students of Concordia University for the past five academic years and Board-approved figures for academic year 2007-08.

<u>Academic Year</u>	<u>Tuition and Fees</u>	<u>Room and Board</u>
2003-04	\$18,624	\$5,862
2004-05	\$19,928	\$6,156
2005-06	\$21,312	\$6,464
2006-07	\$22,378	\$6,596
2007-08	\$23,496	\$6,776

Faculty

The following table sets forth the University’s faculty and faculty with advanced degrees for the last six years.

Full-Time Tenure Track Faculty Profile - 2003-04 through 2007-08

	<u>Number of Tenure Track Faculty</u>	<u>Number with Terminal Degree</u>	<u>Percent with Terminal Degree</u>
2003-04	74	60	81.1%
2004-05	70	59	84.3%
2005-06	69	58	84.1%
2006-07	73	60	82.2%
2007-08	73	59	81.0%

Employees

The management of the University considers its relationship with its employees to be excellent. Management has worked to achieve and maintain the strength of that relationship by instituting various programs addressing the interaction of employees and management. Management has established mechanisms for addressing employee grievances and involving employees in the management process.

Pay increases for employees of the University have averaged 2% per year over the last five years. The University provides a variety of benefits to its employees, including health insurance, dental insurance, long-term disability insurance, life insurance, pension plan, tuition reimbursement, and customary vacation, holidays and sick days.

The University’s maintenance and custodial staff is represented under a collective bargaining agreement. A three-year contract renewal was achieved effective July 1, 2007.

Accreditations

The University is accredited by the Higher Learning Commission and has been a member of the North Central Association since 1967, with reaccreditation last given in 1998. The next accreditation visit will be in April 2008. The University’s education licensure programs are also accredited by the State of Minnesota and National Council for Accreditation of Teacher

Education (NCATE). The University has been NCATE accredited since 1964, with reaccreditation last given in 2003. The next NCATE accreditation visit will be in March 2008.

2007/08 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Comprehensive Fees)

<u>COLLEGE/UNIVERSITY</u>	<u>Tuition and Required Fees</u>	<u>Room and Board</u>	<u>Comprehensive Charges*</u>
Carleton College	\$36,156	\$9,489	\$45,645
Macalester College	\$33,694	\$8,220	\$41,914
St. Olaf College	\$30,600	\$7,900	\$38,500
Gustavus Adolphus College	\$28,535	\$6,775	\$35,310
College of Saint Benedict	\$26,570	\$7,430	\$34,000
Hamline University	\$26,541	\$7,372	\$33,933
University of St. Thomas	\$26,274	\$7,312	\$33,586
College of St. Catherine	\$25,942	\$7,518	\$33,460
Saint John's University	\$26,530	\$6,870	\$33,400
Minneapolis College of Art & Design	\$27,200	\$6,110	\$33,310
Bethel University	\$24,510	\$7,380	\$31,890
College of St. Scholastica	\$24,990	\$6,684	\$31,674
Augsburg College	\$24,539	\$6,902	\$31,441
Concordia University (St. Paul)	\$23,496	\$6,776	\$30,272
Saint Mary's University of Minnesota	\$22,398	\$6,130	\$28,528
Concordia College (Moorhead)	\$22,350	\$5,700	\$28,050
Bethany Lutheran College	\$17,760	\$5,278	\$23,038
Average:	\$26,358	\$7,051	\$33,409

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

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

Source: The Minnesota Private College Council

Risk Management and Insurance

Under the Loan Agreement and the Reimbursement Agreement, the University is required to maintain insurance with respect to its property, the operation thereof and its business, against such casualties, contingencies and risks (including but not limited to property and casualty, business interruption, workers' compensation and general and professional liability and employee dishonesty) and in such amounts not less than is customary and adequate in the case of organizations engaged in the same or similar activities and similarly situated and as is adequate to protect the University's property and operations.

The University participates in a broad risk management program provided by the Synod through Concordia University Systems office.

RESULTS OF OPERATIONS

Financial Records

The University maintains its financial records on the basis of a fiscal year ending June 30 and follows the accrual basis of accounting. Included with this Official Statement as Appendix VI are the audited financial statements of the University for the fiscal years ended 2007 and 2006.

The following table sets forth the statement of the University's activities (unrestricted portion only) prepared in accordance with GAAP for the Fiscal Years 2003 through 2007. For more complete information of the University for the Fiscal Years ended June 30, 2007 and 2006, see Appendix VI of this Official Statement.

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CONCORDIA UNIVERSITY, ST. PAUL -- ST. PAUL, MINNESOTA
STATEMENTS OF UNRESTRICTED ACTIVITIES
For the year ended June 30,

	2003	2004	2005	2006	2007
SUPPORT, REVENUES, GAINS & OTHER ADDITIONS					
Support:					
Concordia University System	\$ -	\$ -	\$ 138,000	\$ 150,400	\$ 153,227
Federal Grants		1,231,537	1,250,080	353,888	331,534
State Grants		147,546	1,745,501	1,150,586	1,158,002
Other	511,847	1,515,614	884,774	551,453	595,523
Total Support and Grants		2,894,697	4,018,355	2,206,327	2,238,286
Revenues:					
Tuition and Fees	23,006,044	25,157,053	26,829,100	27,270,507	28,879,065
Less: Scholarship Allowances	(5,433,077)	(6,987,850)	(8,659,122)	(6,677,581)	(7,253,619)
Net Tuition and Fees	17,572,967	18,169,203	18,169,978	20,592,926	21,625,446
Interest Income on Loans					
Income on Cash and Cash Equivalents	74,122	26,630	26,850	34,265	40,692
Income on Long-Term Investments	112,857	108,558	243,332	295,565	296,916
Auxiliary Enterprises	4,576,436	4,494,188	4,544,510	4,539,009	4,454,450
Other	208,203	277,439	275,420	297,816	410,888
Total Revenue		23,076,018	23,260,090	25,759,581	26,828,392
Gains and Other Additions					
Realized Gains (Losses) on Investments	26,919				
Unrealized Gains (Losses) on Investments	197,632				
Net Gains (Losses) on Investments		727,938	618,044	239,451	746,782
Total Gains and Other Additions		727,938	618,044	239,451	746,782
Subtotal		26,698,653	27,896,489	28,205,359	29,813,460
Net Assets Released from Restrictions	8,642,913	4,714,166	2,701,832	2,323,198	3,595,619
Total Support, Revenues, Gains & Other Additions	31,923,896	31,412,819	30,598,321	30,528,557	33,409,079
EXPENSES:					
Educational and General:					
Academic Programs:					
Instruction - Divisional	10,509,818	10,434,958	10,239,541	9,372,529	9,152,756
Other Instructional Programs	1,186,067	788,363	1,069,839	1,334,710	1,386,995
Support Programs:					
Academic Support	2,401,802	3,077,483	2,744,969	2,989,224	2,716,157
Student Services	2,204,003	3,265,726	3,555,222	3,946,201	6,602,215
Institutional Support	4,161,019	4,629,701	4,801,977	5,153,702	5,232,632
Fund-Raising	833,926	952,758	1,141,005	1,211,218	1,189,961
Total Support Programs	21,296,635	23,148,989	23,552,553	24,007,584	26,280,716
Auxiliary Enterprises	5,183,630	5,741,589	6,630,805	6,814,445	6,011,987
Total Expenses	26,480,265	28,890,578	30,183,358	30,822,029	32,292,703
CHANGE IN NET ASSETS	5,443,631	2,522,241	414,963	(293,472)	1,116,376
Change in Accounting Principle				(354,000)	
Non-Operating Change in Net Assets					
Property and equipment impairment loss					(612,199)
TOTAL CHANGE IN NET ASSETS	5,443,631	2,522,241	414,963	(647,472)	504,177
NET ASSETS -- Beginning of Year	11,296,762	16,740,393	19,262,634	19,677,597	19,030,125
NET ASSETS -- End of Year	<u>\$16,740,393</u>	<u>\$19,262,634</u>	<u>\$19,677,597</u>	<u>\$19,030,125</u>	<u>\$19,534,302</u>

Source: The University's Audited Financial Statements

Capital Campaign

There is no current capital campaign at the University.

Outstanding Debt

The University's total long-term debt outstanding as of October 1, 2007 is as follows:

- 1) \$1,440,000 Minnesota Higher Education Facilities Authority Lease and Purchase Agreement, Series Five-A, dated April 23, 1999; final maturity due April 25, 2014; \$821,082.17 is outstanding. The full faith and credit of the University secure the debt.
- 2) \$4,250,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-P1, dated March 13, 2003; final maturity due April 1, 2027; \$2,255,000 is outstanding. The full faith and credit of the University and a direct pay letter of credit secure the bonds.
- 3) \$7,230,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Taxable Series Five-P2, dated March 13, 2003; final maturity due April 1, 2027; \$6,070,000 is outstanding. The full faith and credit of the University and a direct pay letter of credit secure the bonds.

As of October 1, 2007 the University's total long-term debt outstanding was \$9,146,082.17. The University's total long-term debt will increase by the principal amount of the Bonds upon issuance. In addition, the University has a capital lease for pianos, which has a remaining balance of \$36,282 and a final maturity date of August 2009.

Pension Liabilities

The University participates in the worker benefit plans of the Synod. These retirement and survivor programs cover almost all full-time employees. The University contributes a fixed percentage of each participant's salary to the plans. Retirement and Survivor program expenses for the years ended June 30, 2006 and 2007 totaled \$620,572 and \$770,629 respectively.

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PROPOSED FORMS OF LEGAL OPINION**LAW OFFICES****FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A.**

**SUITE 700
302 WEST SUPERIOR STREET
DULUTH, MINNESOTA 55802-1863
TELEPHONE (218) 722-0861
FAX [218] 725-6800
www.fryberger.com**

\$18,155,000

**MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
VARIABLE RATE DEMAND REVENUE BONDS, SERIES SIX-Q
(CONCORDIA UNIVERSITY, ST. PAUL)**

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the “Authority”) of its fully registered (initially book-entry) Variable Rate Demand Revenue Bonds, Series Six-Q (Concordia University, St. Paul), in the aggregate principal amount of \$18,155,000 (the “Bonds”), dated October 18, 2007, and maturing on April 1, 2037.

The Bonds are issued for the purpose of funding a loan from the Authority to Concordia University, St. Paul (the “University”), a Minnesota nonprofit corporation, located in St. Paul, Minnesota, in order to finance the acquisition, construction, furnishing and equipping of a student residence facility consisting of a four-story building containing approximately 102,500 square feet with approximately 86 units and approximately 300 beds (including resident manager and resident advisors’ units), including appurtenant demolition of existing structures and site improvements. We have examined executed counterparts of the Loan Agreement (the “Loan Agreement”) between the Authority and the University and the Trust Indenture (the “Indenture”) between the Authority and U.S. Bank National Association, in St. Paul, Minnesota, as Trustee (the “Trustee”) each dated as of October 1, 2007, one or more opinions of The Stolar Partnership LLP, as counsel to the University, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the University without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of The Stolar Partnership LLP, as to the Loan Agreement having been duly authorized and executed and being binding upon the University, as to the corporate organization, tax-exempt status and good standing and powers of the University. As to title to the Project Site (as defined in the Loan Agreement and Indenture), we have relied on a title commitment and a certificate provided by the University, without examining the records of the University or original title records or abstracts of title. We have also relied upon the opinion of U.S. Bank National Association (the “Bank”) internal counsel, as to the Letter of Credit having been duly executed and delivered and being a valid and binding obligation of the Bank.

Except as set forth in our opinion to Stern Brothers & Co. dated the date hereof, we have not been engaged or undertaken to verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto (except to the extent, if any, stated in the Official Statement).

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

1. The Authority is an agency of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, to issue the Bonds, to loan the proceeds thereof to the University and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.
2. The Loan Agreement and the Indenture are valid and binding instruments of the parties thereto, enforceable in accordance with their terms.
3. The Bonds are valid and binding limited obligations of the Authority payable solely from the proceeds of periodic draws under the Letter of Credit issued by the Bank and are further secured by the assignment of the loan payments payable by the University under the Loan Agreement to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payment held by the Trustee, as assignee, under the Loan Agreement.
4. Assuming compliance with certain covenants in the Loan Agreement and Indenture, under existing laws, regulations, rulings and decisions in effect on the date hereof, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in taxable income of individuals, estates and trusts for purposes of Minnesota income taxation. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds, however, is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

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

Dated: October 18, 2007

Respectfully submitted,

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DEFINITION OF CERTAIN TERMS

The following are definitions of certain of the terms used in the Indenture and the Loan Agreement, and not otherwise defined in this Official Statement. Reference is hereby made to the entire documents for the definitions of all terms used in such documents. The following definitions are equally applicable to both singular and plural forms of any of the terms defined herein:

“Act” means Sections 136A.25 to 136A.42, Minnesota Statutes, as amended.

“Additional Payments” means the payments to be made by the Corporation to the Authority or the Bond Trustee pursuant to certain provisions of the Loan Agreement.

“Alternate Letter of Credit” means an irrevocable direct pay letter of credit authorizing drawings thereunder by the Bond Trustee issued by a bank, a trust company or other financial institution and meeting the requirements of the Indenture.

“Authority” means the Minnesota Higher Education Facilities Authority, together with any successors and assigns.

“Authorized Denomination” means (a) with respect to Bonds bearing-interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate or Long-Term Rate, \$100,000 or any integral multiple of \$5,000 in excess thereof; provided, however, one bond may be in the denomination of an integral multiple of \$5,000 as a result of any partial redemption of Bonds; and (b) with respect to Bonds bearing interest at a Fixed Rate, \$5,000 or any integral multiple in excess thereof.

“Authorized Authority Representative” means the person at the time designated to act on behalf of the Authority by written certificate furnished to the Corporation, the Credit Bank, the Reimbursement Bank and the Bond 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 each of whom shall be entitled to perform the duties of the Authorized Authority Representative.

“Authorized Corporation Representative” means the President or the Vice President of Finance of the Corporation and such other person or persons at the time designated to act on behalf of the Corporation in matters relating to the Indenture and the Loan Agreement as evidenced by a written certificate furnished to the Authority, the Credit Bank, the Reimbursement Bank and the Bond Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President or the Vice President of Finance. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the Authorized Corporation Representative.

“Bank Bonds” means Bonds purchased with moneys provided to the Bond Trustee pursuant to a draw on the Letter of Credit until remarketed pursuant to the Remarketing Agreement.

“Beneficial Owner” means, with respect to any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for the Bonds.

“Bond” or “Bonds” means the Series Six-Q Bonds authenticated and delivered under and pursuant to the Indenture.

“Bond Counsel” means the firm of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, or such other firm as may be selected to serve as bond counsel to the Authority and whose opinions as to the validity and tax-exempt status of state and municipal bonds is nationally recognized.

“Bondowner,” “Owner” or “Registered Owner” means the Person in whose name a Bond is registered on the bond register and does not mean any beneficial owner of Bonds whether through the book-entry only system or otherwise.

“Bond Purchase Fund” means the fund by that name created by the Indenture and held by the Bond Trustee.

“Bond Trustee” means U.S. Bank National Association, as trustee, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to and at the time serving as trustee under the Indenture.

“Business Day” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banking institutions in any city in which the principal corporate trust office of the Bond Trustee, is located (and, if different, in the city in which the office of the Credit Bank at which draws under the Letter of Credit are to be honored is located) are required or authorized by law to remain closed, or (c) a day on which The Depository Trust Company is closed for business.

“Code” means the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations (whether proposed, temporary or final) thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing.

“Commercial Paper Rate” means the per annum interest rate on the Bonds during a Commercial Paper Rate Period determined as provided in the Indenture.

“Commercial Paper Rate Conversion Date” means the day on which the Bonds begin to accrue interest at a Commercial Paper Rate pursuant to the Indenture which is immediately preceded by a day on which the Bonds did not accrue interest at a Commercial Paper Rate.

“Commercial Paper Rate Period” means each period determined as provided in the Indenture during which the Bonds accrue interest at a Commercial Paper Rate.

“Completion Date” means the date of completion of the last portion of the Project as that date shall be certified as provided in the Loan Agreement.

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

“Conversion Date” means the day on which a particular type of interest rate (i.e., a Daily Rate, Weekly Rate, Commercial Paper Rate, Long-Term Rate or Fixed Rate) becomes effective for the Bonds which is not immediately preceded by a day on which the Bonds have accrued interest at the same type of interest rate and, when used with respect to any Commercial Paper Rate Period or Long-Term Rate Period, the day after the end of such Commercial Paper Rate Period or Long-Term Rate Period. Each Conversion Date shall be an Interest Payment Date for the rate period from which the Bonds are converted, which shall be the last Interest Payment Date for the then current Commercial Paper Rate Period or Long-Term Rate Period if the

conversion is from a Commercial Paper Rate Period or Long-Term Rate Period, except that any Business Day may be a Conversion Date from a Daily or Weekly Rate Period.

“Corporation” means Concordia University, St. Paul, a Minnesota nonprofit corporation, and its permitted successors and assigns.

“Corporation Bonds” means Bonds that are not Bank Bonds which have been (a) purchased with moneys provided to the Bond Trustee for the account of the Corporation or (b) registered in the name of the Corporation and that are designated as being held for the account of the Corporation.

“Costs of Issuance” means issuance costs with respect to the Bonds described in Section 147(g) of the Code and any regulations thereunder, including but not limited to the following:

- (a) Underwriter’s compensation (whether realized directly or derived through purchase of Bonds at a discount below the price at which they are expected to be sold to the public);
- (b) counsel fees (including Bond Counsel, underwriter’s counsel, Authority’s counsel, Corporation’s counsel, as well as any other specialized counsel fees incurred in connection with the borrowing);
- (c) rating agency fees;
- (d) trustee and paying agent fees;
- (e) accountant fees and other expenses related to issuance of the Bonds;
- (f) printing costs (for the Bonds and of the Official Statement relating to the Bonds);
- (g) the initial fees for the Letter of Credit and fees of the Credit Bank’s counsel and of the Reimbursement Bank’s counsel; and
- (h) fees and expenses of the Authority incurred in connection with the issuance of the Bonds.

“Costs of the Project” means costs permitted under the Act to be paid or reimbursed out of proceeds of the Bonds with respect to the Project, including, all or any part of the cost of construction and acquisition of the Project including all lands, structures, real or personal property, rights, rights-of-way, franchises, easements and interests acquired or used for or in connection with the Project, the cost of demolishing or removing any buildings or structures, including the cost of acquiring any lands to which such buildings or structures may be moved, the cost of all machinery, furnishings and equipment, the cost of architectural, engineering, plans, specifications, studies, surveys and such other expenses as may be necessary or incident to the construction and acquisition of the Project; interest accruing during the Construction Period upon the principal of the Bonds; amounts payable to the Reimbursement Bank and the Credit Bank under the Credit Agreement during the Construction Period, including, but not limited to, amounts to reimburse the Reimbursement Bank for amounts paid under the Letter of Credit with respect to interest on the Bonds and the credit enhancement fee; the acquisition and the placing of the Project in operation, and any other costs permitted by the Act but shall exclude any Costs of Issuance.

“Credit Agreement” means the Reimbursement Agreement of even date with the Indenture, between the Corporation and the Reimbursement Bank, as originally executed and as from time

to time amended and supplemented, and any similar agreement pursuant to which an Alternate Letter of Credit is issued, as originally executed and as such agreement may from time to time be amended and supplemented.

“Credit Bank” means initially U.S. Bank National Association, a national banking association organized under the laws of the United States of America, in its capacity as issuer of the initial Letter of Credit, and its successors and assigns, and if an Alternate Letter of Credit is issued in accordance with the Indenture, “Credit Bank” shall mean the issuer or provider of such Alternate Letter of Credit, and its successors and assigns.

“Daily Rate” means the per annum interest rate on the Bonds during a Daily Rate Period determined on a daily basis as provided in the Indenture.

“Daily Rate Conversion Date” means the day on which the Bonds begin to accrue interest at a Daily Rate which is immediately preceded by a day on which the Bonds did not accrue interest at a Daily Rate.

“Daily Rate Period” means each period during which the Bonds accrue interest at a Daily Rate.

“Debt Service Fund” means the fund by that name created by the Indenture.

“Defeasance Obligations” means:

- (a) Government Obligations which are not subject to redemption prior to maturity; or
- (b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:
 - (1) the obligations (A) are not subject to redemption prior to maturity or (B) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;
 - (2) the obligations are secured by cash or noncallable Government Obligations that may be applied only to payment of principal of, premium, if any, and interest payments on such obligations;
 - (3) the sufficiency of such cash and noncallable Government Obligations to pay in full all principal of, interest, and premium, if any, on such obligations has been verified by the report of an independent certified public accountant (a “Verification”) and no substitution of Government Obligations shall be permitted except with cash or other Government Obligations and upon delivery of a new Verification;
 - (4) such cash and Government Obligations serving as security for the obligations are held in an irrevocable escrow by an escrow agent or a trustee in trust for the owners of such obligations, at least one year has passed since the establishment of such escrow and the issuer of such obligations is not, and has not been since the establishment of such escrow, a debtor in a proceeding commenced under the United States Bankruptcy Code;

- (5) the Bond Trustee has received an Opinion of Counsel that such cash and Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent;
- (6) the Bond Trustee has received an Opinion of Bond Counsel delivered in connection with the original issuance of such obligations to the effect that the interest on such obligations was exempt for purposes of federal income taxation, and the Bond Trustee has received an Opinion of Bond Counsel delivered in connection with the establishment of the irrevocable escrow to the effect that the establishment of the escrow will not result in the loss of any exemption for purposes of federal income taxation to which interest on such obligations would otherwise be entitled; and
- (7) the obligations are rated in the highest rating category by a nationally recognized securities rating agency.

“Effective Date” means the date of the initial delivery and sale of the Bonds at which time the Indenture and the Loan Agreement shall be effective.

“Electronic Notice” means notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail or other electronic means of communication, or if not operative, in writing or by telephone (promptly confirmed in writing).

“Eligible Moneys” means

- (a) during any period in which Outstanding Bonds are secured by a Letter of Credit:
 - (1) proceeds of the Bonds which are held in a separate and segregated subaccount in the Debt Service Fund;
 - (2) proceeds from the remarketing of any Bonds tendered for purchase pursuant to the Indenture received from any person other than the Authority, the Corporation or any “insider” (as defined in the United States Bankruptcy Code) of the Authority or the Corporation received by the Bond Trustee directly and contemporaneously with the remarketing of the Bonds;
 - (3) moneys drawn under the Letter of Credit that are either applied directly to the payment of principal or purchase price of, or premium, if any, or interest on the Bonds or which, if not so applied, are held in a separate and segregated subaccount under the Indenture until so applied;
 - (4) moneys deposited by the Corporation from its own funds (and not from any other source) in any separate and segregated subaccount of the Debt Service Fund in which no other moneys which are not Eligible Moneys are held and that have been continuously on deposit with the Bond Trustee for a period of at least 123 consecutive days during which no petition in bankruptcy (or other bankruptcy or similar proceedings) is pending or has been filed by or against the Corporation or the Authority under the United States Bankruptcy Code, as now or hereafter in effect, or other applicable state or federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect;

- (5) any other moneys or securities, if there is delivered at the time such moneys are deposited with the Bond Trustee an Opinion of Counsel, acceptable to the Rating Agency, from legal counsel having expertise in bankruptcy matters (who, for purposes of such opinion, may assume that no Owner is an “insider,” as defined in the United States Bankruptcy Code) to the effect that the use of such moneys or securities to pay the principal or purchase price of, or premium, if any, or interest on the Bonds would not constitute a voidable preferential payment in the event of the occurrence of the filing of a petition in bankruptcy (or other commencement of bankruptcy or similar proceedings) by or against the Corporation or the Authority, as debtor, under the United States Bankruptcy Code, as now or hereafter in effect, or other applicable state or federal bankruptcy, insolvency, reorganization or similar law for the relief of debtors, as now or hereafter in effect; or
 - (6) earnings derived from the investment of funds qualifying as Eligible Moneys under any of the foregoing clauses;
- (b) during any period a Letter of Credit is not in effect, any moneys held by the Bond Trustee in any fund or account under the Indenture and available, pursuant to the provisions of the Indenture, to be used to pay principal or purchase price of, or premium, if any, or interest on, the Bonds.

“Eligible Moneys Account” means the account by that name established in the Debt Service Fund as provided in the Indenture.

“Environmental Regulation” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances, chemical waste, materials or substances.

“Event of Default” means (a) with respect to the Indenture, any event or occurrence as defined in the Indenture, and (b) with respect to the Loan Agreement, any event or occurrence as defined in the Loan Agreement.

“Facilities” means all of the real and personal property owned by the Corporation located on the Project Site, as the same may be improved and expanded from time to time.

“Fitch” means Fitch, Inc., its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody’s) designated by the Corporation by notice to the Authority, the Credit Bank, the Reimbursement Bank, the Bond Trustee and the Remarketing Agent.

“Fixed Rate” means the per annum interest rate on the Bonds during a Fixed Rate Period determined as provided in the Indenture.

“Fixed Rate Conversion Date” means the day on which the Bonds begin to accrue interest at a Fixed Rate pursuant to the Indenture which is immediately preceded by a day on which the Bonds did not accrue interest at a Fixed Rate.

“Fixed Rate Period” means the period from the Fixed Rate Conversion Date for the Bonds to the maturity dates of the Bonds, unless earlier redeemed.

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

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

“Government Obligations” means the following:

- (a) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the prompt payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America; and
- (b) evidences of direct ownership of a proportionate or individual interest in future interest or principal payments on specified direct obligations of, or obligations the prompt payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian in form and substance satisfactory to the Bond Trustee.

“Hazardous Substances” means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Facilities or to persons on or about the Facilities or (ii) cause the Facilities to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Facilities or the owners and/or occupants of property adjacent to or surrounding the Facilities, or any other person coming upon the Facilities or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

“Indemnified Persons” means the Authority and its members, officers, agents and employees.

“Indenture” means the Trust Indenture as originally executed by the Authority and the Bond Trustee, as from time to time amended and supplemented by Supplemental Indentures in accordance with the provisions of the Indenture.

“Interest Payment Date” means initially, November 1, 2007, and thereafter any principal payment or redemption date, and:

- (a) with respect to Bonds accruing interest at Daily Rates, the first Business Day of each calendar month following the beginning of the Daily Rate Period for which interest is payable, and any additional day which is a Conversion Date from a Daily Rate Period;

- (b) with respect to Bonds accruing interest at Weekly Rates, the first Business Day of each calendar month following the beginning of the Weekly Rate Period for which interest is payable, and any day which is a Conversion Date from a Weekly Rate Period;
- (c) with respect to any Bond accruing interest at a Commercial Paper Rate, the first Business Day after the last day of each Commercial Paper Rate Period applicable thereto;
- (d) with respect to Bonds accruing interest at a Long-Term Rate, each April 1 and October 1 commencing with the first of such dates which is at least six months after the Long-Term Rate Conversion Date, except that the last Interest Payment Date for any Long-Term Rate Period which is followed by a Daily, Weekly or Commercial Paper Rate Period shall be the Conversion Date for such Daily, Weekly or Commercial Paper Rate Period and shall be the first Business Day of the sixth month following the month of the preceding Interest Payment Date;
- (e) with respect to Bonds accruing interest at a Fixed Rate, each April 1 and October 1 commencing with the first of such dates which is at least six months after the Fixed Rate Conversion Date through and including the Maturity Date of the Bonds accruing interest at a Fixed Rate;
- (f) any mandatory tender date; and
- (g) as to Bank Bonds and Corporation Bonds, the date remarketed pursuant to the Remarketing Agreement.

“Issue Date” means, with respect to the Bonds, the date on which the Bonds are first delivered to the Original Purchasers thereof.

“Letter of Credit” means (A) initially the irrevocable direct-pay letter of credit issued by the Credit Bank to the Bond Trustee pursuant to the Credit Agreement concurrently with the original issuance of the Bonds and being an irrevocable obligation to make payments to the Bond Trustee of up to the amounts therein specified with respect to (a) the principal amount of the Bonds Outstanding, plus (b) the amount of interest due on the Bonds but not to exceed 35 days’ accrued interest at the Maximum Rate, or any such number of days as any Rating Agency requires, to enable the Bond Trustee to pay (i) interest on the Bonds when due and (ii) an amount equal to the interest portion, if any, of the purchase price of any Bonds tendered for purchase; and any extensions thereof, and (B) an Alternate Letter of Credit upon its issuance and delivery in accordance with the Indenture. “Letter of Credit” shall include such Alternate Letters of Credit, and any subsequent extensions or replacements thereof.

“Letter of Credit Account” means the account of that name established in the Debt Service Fund as provided in the Indenture.

“Loan” means the loan of the proceeds of the Bonds made by the Authority to the Corporation pursuant to the Loan Agreement.

“Loan Agreement” means the Loan Agreement of even date with the Indenture, between the Authority and the Corporation as from time to time amended by Supplemental Loan Agreements in accordance with the provisions of the Loan Agreement.

“Loan Payments” means the payments of principal and interest on the Loan referred to in the Loan Agreement.

“Long-Term Rate” means the per annum interest rate to be determined on the Bonds for a term of at least 12 months pursuant to the Indenture.

“Long-Term Rate Conversion Date” means each day on which Bonds begin to accrue interest at a Long-Term Rate pursuant to the Indenture which is immediately preceded by a day on which the Bonds did not accrue interest at a Long-Term Rate or accrued interest at a Long-Term Rate during a different Long-Term Rate Period.

“Long-Term Rate Period” means each period during which Bonds accrue interest at a Long-Term Rate.

“Maturity Date” means April 1, 2037, with respect to the Bonds.

“Maximum Rate” means ten percent (10%) per annum.

“Moody’s” means 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 entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Fitch) designated by the Corporation by notice to the Authority, the Credit Bank, the Reimbursement Bank, the Bond Trustee and the Remarketing Agent.

“Non-Eligible Moneys Account” means the account of that name established in the Debt Service Fund as provided in the Indenture.

“Officer’s Certificate” means a written certificate of the Corporation signed by an Authorized Corporation Representative, which certificate shall be deemed to constitute a representation of, and shall be binding upon, the Corporation with respect to matters set forth therein, and which certificate in each instance, including the scope, form, substance and other aspects thereof, is acceptable to the Bond Trustee.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Corporation) acceptable to the Authority, the Reimbursement Bank, the Credit Bank and the Corporation. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

“Original Purchaser” means Stern Brothers & Co.

“Outstanding” means with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except:

- (a) Bonds theretofore canceled by the Bond Trustee or delivered to the Bond Trustee for cancellation as provided in the Indenture;
- (b) Bonds for whose payment or redemption money or Defeasance Obligations in the necessary amount has been deposited with the Bond Trustee in trust for the Owners of the Bonds as provided in the Indenture, provided that, if the Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Bond Trustee has been made;
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture;

- (d) Bonds alleged to have been destroyed, lost or stolen which have been paid as provided in the Indenture; and
- (e) Bonds deemed purchased pursuant to the Indenture.

“Participants” means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

“Permitted Investments” means, if and to the extent the same are at the time legal for investment of funds held under this Indenture:

- (a) Government Obligations;
- (b) Direct and general obligations of the State or of any state of the United States or of any political subdivision of any of them to the payment of the principal of and interest on which the full faith and credit of such state or political subdivision is pledged, if at the time of their purchase such obligations are rated AA or Aa or a higher rating category (in the case of states) by S&P, if the Bonds are then rated by S&P or Moody's, if the Bonds are then rated by Moody's, or AAA or Aaa (in the case of political subdivisions) by S&P, if the Bonds are then rated by S&P or Moody's, if the Bonds are then rated by Moody's, respectively;
- (c) Revenue bond obligations of the State or any state of the United States or of any political subdivision of any of them, if at the time of purchase such obligations are insured by municipal bond insurance and are rated “AAA” or “Aaa” by S&P, if the Bonds are then rated by S&P or Moody's, if the Bonds are then rated by Moody's, respectively;
- (d) Certificates of deposit of any bank whose deposits are insured by the Federal Deposit Insurance Corporation;
- (e) Agreements or contracts for guaranteed investment contracts if they are issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies, or their Canadian subsidiaries, provided, that, the credit quality of the issuer's or guarantor's short- and long-term unsecured debt must be rated in one of the two highest categories by a nationally recognized rating agency, and, provided, further, however, that should the issuer's or guarantor's credit quality be downgraded below the two highest categories by a nationally recognized rating agency, the holder must have withdrawal rights; and
- (f) Investments in money market funds that invest only in Government Obligations and which are rated in the highest rating category by a nationally recognized rating agency.

“Person” means any natural person, firm, association, corporation, partnership, joint stock company, a joint venture, trust, unincorporated organization or firm, or a government or any agency or political subdivision thereof or other public body.

“Project” shall have the meaning set forth in the Loan Agreement.

“Project Fund” means the fund by that name created by the Indenture.

“Project Site” means the real property described in the Loan Agreement.

“Purchase Contract” means the Bond Purchase Agreement relating to the Bonds among the Authority, the Corporation and the Original Purchaser.

“Rating Agency” means Moody’s, to the extent it is then providing or maintaining a rating on the Bonds at the request of the Corporation, or in the event that Moody’s no longer maintains such a rating on the Bonds, Fitch, S&P or, if approved by the Authority, any other nationally recognized rating agency, in each case then providing or maintaining a rating on the Bonds at the request of the Corporation.

“Regular Record Date” means the close of business on either (a) in the case of Bonds accruing interest at Daily, Weekly or Commercial Paper Rates, the day (whether or not a Business Day) immediately preceding an Interest Payment Date, or (b) in the case of Bonds accruing interest at Fixed Rates or Long-Term Rates, the last day (whether or not a Business Day) of the calendar month immediately preceding the Interest Payment Date.

“Reimbursement Bank” means initially Bremer Bank, National Association, a national banking association formed and existing under the laws of the United States of America, in its capacity as a party to the Credit Agreement, and its successors and assigns, and if an Alternate Letter of Credit is issued in accordance with the Indenture, “Reimbursement Bank” shall mean the Credit Bank with respect to such Alternate Letter of Credit unless the Credit Bank is not a party to the Credit Agreement relating to such Alternate Letter of Credit, in which case the Reimbursement Bank shall mean the party to the Credit Agreement causing the Alternate Letter of Credit to be issued.

“Remarketing Agent” means (a) initially, Stern Brothers & Co. and (b) subsequent to the date hereof, any Person meeting the qualifications of and designated from time to time to act as Remarketing Agent for the Bonds under the Indenture.

“Remarketing Agreement” means the respective Remarketing Agreement between the Corporation and each Remarketing Agent.

“Rule 15c2-12” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may from time to time be amended and supplemented.

“S&P” means Standard & Poor’s Ratings Services, its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or Moody’s) designated by the Corporation, by notice to the Authority, the Credit Bank, the Reimbursement Bank, the Bond Trustee and the Remarketing Agent.

“Securities Depository” means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

“Series Six-Q Bonds” means the Authority’s Variable Rate Demand Revenue Bonds, Series Six-Q (Concordia University, St. Paul).

“State” means the State of Minnesota.

“Supplemental Indenture” means any indenture supplemental or amendatory to the Indenture entered into by the Authority and the Bond Trustee pursuant to the Indenture.

“Supplemental Loan Agreement” means any agreement supplemental or amendatory to the Loan Agreement entered into by the Authority and the Corporation pursuant to the Loan Agreement.

“Tax Agreement” means the Tax Compliance Agreement relating to the Bonds, dated as of the Issue Date for the Bonds by and among the Authority, the Corporation and the Bond Trustee as the same may be amended from time to time.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Tax-Exempt Organization” means a nonprofit organization, organized under the laws of the United States of America or any state thereof, that is an organization described in Section 501(c)(3) of the Code, is exempt from federal income taxes under Section 501(a) of the Code, and is not a “private foundation” within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Title” means First American Title Insurance Company or such other company performing the duties of Title under the Credit Agreement.

“Transaction Documents” means the Indenture, the Bonds, the Loan Agreement, the Purchase Contract, the Official Statement relating to the Bonds, the Tax Agreement, the Letter of Credit, the Remarketing Agreement, and the Credit Documents (as defined in the Credit Agreement) and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing; provided, however, that when the words “Transaction Documents” are used in the context of the authorization, execution, delivery, approval or performance of Transaction Documents by a particular party, the same shall mean only those Transaction Documents that provide for or contemplate authorization, execution, delivery, approval or performance by such party.

“Trust Estate” means the Trust Estate described in the Indenture.

“United States Bankruptcy Code” means Title 11 of the United States Code, as amended.

“Weekly Rate” means the per annum interest rate on the Bonds during a Weekly Rate period determined on a weekly basis as provided in the Indenture.

“Weekly Rate Conversion Date” means each day on which the Bonds begin to accrue interest at a Weekly Rate which is immediately preceded by a day on which the Bonds did not accrue interest at a Weekly Rate.

“Weekly Rate Period” means each period during which the Bonds accrue interest at a Weekly Rate.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

The Loan Agreement provides the terms of the loan of Bond proceeds to the Corporation and the repayment of and security for such loan provided by the Corporation. Although certain provisions of the Loan Agreement are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Loan Agreement.

Agreement to Acquire and Construct the Project. The Corporation agrees that it will acquire, construct, install, furnish and equip, or complete the acquisition, construction, installation, furnishing and equipping of, the Project, and will acquire, construct, install, furnish and equip all other facilities and real and personal property deemed necessary for the operation of the Project as a part of the Facilities, substantially in accordance with the description of the Project in the Loan Agreement, including any and all supplements, amendments and additions or deletions thereto or therefrom, it being understood that the approval of the Authority shall not be required for changes in such descriptions which do not substantially alter the purpose and description of the Project referred to above.

In the event that the Corporation desires to alter or change the Project, and such alteration or change substantially alters either the purpose or the description of the Project, the Authority will enter into, and will instruct the Bond Trustee to consent to, such amendment or supplement to the Loan Agreement as shall be required to reflect such alteration or change to the Project upon receipt of:

- (a) a certificate of the Authorized Corporation Representative describing in detail the proposed changes and stating that they will not have the effect of disqualifying the Project as facilities that may be financed pursuant to the Act;
- (b) a copy of the proposed form of such amendment or supplement;
- (c) written consent to the amendment or supplement by the Reimbursement Bank; and
- (d) with respect to changes to the Project an Opinion of Bond Counsel that such proposed changes, in and of themselves, will not adversely affect the Tax-Exempt status of interest on the Bonds.

Establishment of Completion Date; Obligation of Corporation to Complete. As soon as the acquisition, construction, installation, furnishing and equipping of the Project is completed, the Authorized Corporation Representative, on behalf of the Corporation, shall evidence the Completion Date by delivering to the Bond Trustee an Officer's Certificate pursuant to the Indenture.

At the time such Officer's Certificate is delivered to the Bond Trustee, moneys remaining in the Project Fund, including any earnings resulting from the investment of such moneys, shall be used as provided in the Indenture.

In the event the moneys in the applicable Project Account of the Project Fund available for payment of the Costs of the Project should be insufficient to pay the costs thereof in full, the Corporation agrees to pay directly, or to deposit in the Project Account of the Project Fund, moneys sufficient to pay, any costs of completing the Project in excess of the moneys available for such purpose in the Project Account of the Project Fund. The Authority makes no express or implied warranty that the moneys deposited in the Project Account of the Project Fund and available for payment of the Costs of the Project, under the provisions of the Loan Agreement, will be sufficient to pay all the amounts which may be incurred for such Costs of the Project. The Corporation agrees that if, after exhaustion of the moneys in the Project Account of the Project Fund, the Corporation should pay, or deposit moneys in the Project Account of the Project Fund, for the payment of any portion of the Costs of the Project pursuant to the provisions of this paragraph, it shall not be entitled to any reimbursement therefor from the Authority, from the Bond Trustee or from the Owners of any of the Bonds, nor shall it be entitled to any diminution of the amounts payable under the Loan Agreement.

Investment of Moneys in Fund. Any moneys in any fund or account held by the Bond Trustee shall, at the written request of the Authorized Corporation Representative be invested or reinvested by the Bond Trustee as provided in the Indenture. Such investments shall be held by the Bond Trustee and shall be deemed at all times to be a part of the fund or account from which such investments were made, and the interest accruing thereon, and any profit or loss realized therefrom, shall be credited or charged to such fund or account.

Loan Payments. The Corporation shall make the following payments ("Loan Payments") in repayment of the loan of proceeds of Bonds to the Corporation and to provide for payment of the interest on and principal of, and redemption premium, if any, on the Bonds or for the reimbursement of the Reimbursement Bank for payment of such amounts, directly to the Bond Trustee, for the account of the Authority, for deposit of immediately available monies in the applicable account of the Debt Service Fund, on the following dates, and otherwise as set out below:

- (a) Debt Service Fund–Interest: On or before 9:00 a.m. central time on each Interest Payment Date on the Bonds, an amount which is not less than the interest to become due on such Interest Payment Date; provided, however that the Corporation may be entitled to certain credits on such payments as permitted under the Loan Agreement.
- (b) Debt Service Fund–Principal: On or before 9:00 a.m. central time on each principal payment date on the Bonds, an amount which is not less than the next installment of principal due on the Bonds on the next principal payment date by maturity or mandatory sinking fund redemption; provided, however, that the Corporation may be entitled to certain credits on such payments as permitted under the Loan Agreement.
- (c) Debt Service Fund–Redemption: On or before the date required by the Indenture, the amount required to redeem Bonds then Outstanding if the Corporation exercises its right to redeem Bonds under any provision of the Indenture or if any Bonds are required to be redeemed (other than pursuant to mandatory sinking fund redemption provisions) under any provision of the Indenture.

Notwithstanding any schedule of payments upon the Loan set forth in the Loan Agreement, the Corporation shall make payments upon the Loan and shall be liable therefor at the times and in the amounts (including interest, principal, and redemption premium, if any) equal to the amounts

to be paid as interest, principal and redemption premium, if any, whether at maturity or by optional or mandatory redemption upon all Bonds from time to time Outstanding under the Indenture.

Unpaid Loan Payments shall bear interest at the applicable rate of interest on the Bonds. Any interest charged and collected on an unpaid Loan Payment shall be deposited to the credit of the Debt Service Fund and applied to pay interest on overdue amounts in accordance with the Indenture.

Credits on Loan Payments. Notwithstanding any provision contained in the Loan Agreement or in the Indenture to the contrary, in addition to any credits on the Loan resulting from the payment or prepayment of Loan Payments from other sources:

- (a) any moneys deposited by the Bond Trustee (including the proceeds of draws under the Letter of Credit) or the Corporation in the Debt Service Fund as interest (including moneys received as accrued interest from the sale of the Bonds and any initial deposit made from the proceeds of the sale of the Bonds) shall be credited against the obligation of the Corporation to pay interest on the Loan as the same becomes due;
- (b) any moneys deposited by the Bond Trustee (including the proceeds of draws under the Letter of Credit) or the Corporation in the Debt Service Fund as principal shall be credited against the obligation of the Corporation to pay the principal of the Loan as the same becomes due in the order of maturity thereof, except that prepayments for purposes of making an optional deposit into the Debt Service Fund for the redemption of Bonds shall be applied to the portion and maturities of principal of the Loan corresponding to the Series designation and maturities of the Bonds to be redeemed or purchased, delivered and canceled from the proceeds of such optional deposit;
- (c) the principal amount of Bonds purchased by the Corporation and delivered to the Bond Trustee, or purchased by the Bond Trustee and canceled, shall be credited against the obligation of the Corporation to pay principal on the Loan related to such Bonds so purchased; provided, however, that deposit of a Bond of one maturity may not be credited against a payment which would be used, in the normal course, to retire a Bond of another maturity; and
- (d) the investment income accruing to the Debt Service Fund and the amount of any moneys transferred by the Bond Trustee from any other fund held under the Indenture and deposited in the Debt Service Fund as interest or principal shall be credited against the obligation of the Corporation to pay interest or principal, as the case may be, as the same become due;

provided, however, that the crediting of the proceeds of draws under the Letter of Credit against the obligation to pay amounts due under the Loan Agreement shall not relieve the Corporation from its obligation to reimburse the Reimbursement Bank for amounts drawn under the Letter of Credit pursuant to the Credit Agreement.

Additional Payments. The Corporation shall make the following Additional Payments to the following Persons:

- (a) *Authority Fees.* The annual fee of the Authority and the reasonable fees and expenses of the Authority or any agent selected by the Authority to act on its behalf in connection with the Loan Agreement, the Transaction Documents or the

Bonds, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation which may at any time be instituted involving the Loan Agreement, the Transaction Documents or the Bonds or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Corporation, its properties, assets or operations or otherwise in connection with the administration of the Loan Agreement or the Transaction Documents.

- (b) *Bond Trustee Fees and Professional Fees.* The Corporation shall pay to the Bond Trustee, the Authority and any Remarketing Agent, registrars, counsel, accountants, engineers and other Persons when due, all reasonable fees, charges and expenses of such Persons for services rendered under the Indenture and under any of the Transaction Documents and expenses incurred in the performance of such services under the Indenture and any of the Transaction Documents for which such Persons are entitled to payment or reimbursement, including expenses of compliance with the Tax Agreement.
- (c) *Advances By Bond Trustee.* The Corporation shall pay to the Bond Trustee, the amount of all advances of funds made by the Bond Trustee under the provisions of the Loan Agreement or the Indenture, with interest thereon at the prime rate announced from time to time by the Bond Trustee plus two percent, but in any event such rate shall not be in excess of the maximum rate permitted by law.
- (d) *Arbitrage Rebate Payments.* The Corporation shall pay to the United States Government all rebate payments required under Section 148(f) of the Code and the Tax Agreement.
- (e) *Payments Under the Credit Agreement.* The Corporation shall pay to the Reimbursement Bank the amounts paid by the Credit Bank under the Letter of Credit and other amounts owing to the Reimbursement Bank under the Credit Agreement and the other Credit Documents.
- (f) *Purchase Price of Tendered Bonds.* The Corporation shall pay to the Bond Trustee, at the times and in the amounts and manner therein specified, an amount equal to the amount required in order to purchase any Bonds tendered for purchase pursuant to the Indenture; provided, however, that the amount required to be paid under this paragraph shall be reduced by an amount equal to the sum of the amounts made available for such purpose from the proceeds of the remarketing of such Bonds by the Remarketing Agent or through payments by the Credit Bank under the Letter of Credit, all as contemplated by the Indenture; provided further however, that such reduction shall not relieve the Corporation of its obligation to reimburse the Reimbursement Bank for payments under the Letter of Credit.
- (g) *Costs of Enforcement.* In the event the Corporation defaults under any of the provisions of the Loan Agreement and the Bond Trustee or the Authority employs attorneys or incurs other fees, charges and expenses for the collection of required payments or the enforcement of performance or observance of any obligation or agreement on the part of the Corporation contained in the Loan Agreement, the Corporation on demand therefor shall pay to the Bond Trustee the reasonable fees of such attorneys and such other fees, charges and expenses so incurred by the Bond Trustee. The Corporation also shall pay, and shall indemnify the Authority and the Bond Trustee from and against, all costs,

claims, liabilities, losses, expenses and charges, including reasonable counsel fees, incurred for the collection of payments due or for the enforcement or performance or observance of any covenant or agreement of the Corporation under the Loan Agreement, the Indenture or any other Transaction Document.

- (h) *Taxes and Assessments.* All taxes and assessments of any type or character charged to the Authority or to the Bond Trustee affecting the amount available to the Authority or the Bond Trustee from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated thereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that the Corporation shall have the right to protest any such taxes or assessments and to require the Authority or the Bond Trustee, at the Corporation's expense, to protest and contest any such taxes or assessments levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Bond Trustee.
- (i) *Other Amounts Payable.* The Corporation shall pay to the Person or Persons entitled thereto, any other amounts which the Corporation has agreed to pay under the Loan Agreement.

Prepayment of the Loan. The Corporation shall have and is granted the option to prepay from time to time the amounts payable under the Loan Agreement in sums sufficient to redeem or to pay or cause to be paid all or part of the Bonds in accordance with the provisions of the Indenture. Upon written notice and direction by the Corporation to the Authority to redeem Bonds subject to optional redemption under the Indenture, the Authority shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then Outstanding Bonds, as may be specified by the Corporation, on the date established for such redemption. Whenever any Bonds shall have been called for optional redemption under any provision of the Indenture, the Corporation shall deposit with the Bond Trustee moneys in such amounts required and at such times as may be required to redeem such Bonds, including the principal, redemption premium, if any, and accrued interest thereon to the redemption date. The Corporation further agrees that in the event the payment of principal of and interest on the Loan is accelerated upon the occurrence of an Event of Default under the Loan Agreement, all Loan Payments payable for the remainder of the term of the Loan Agreement shall be accelerated and prepayment shall be made on the Loan in such amounts, unless such acceleration has been rescinded under the Indenture. Any such prepayments shall be deposited in the applicable account of the Debt Service Fund, and applied by the Bond Trustee in accordance with the provisions of the Indenture. The Corporation may also prepay all or any portion of its indebtedness on the Loan by providing for the payment of all or any portion of the Bonds in accordance with the Indenture.

Obligations Absolute and Unconditional. The obligations of the Corporation to make the Loan Payments and other payments under the Loan Agreement and to perform and observe the other agreements on its part contained in the Loan Agreement shall be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim it might otherwise have against the Authority or the Bond Trustee, and during the term of the Loan Agreement, the Corporation shall pay absolutely the payments to be made on account of the

Loan and all other payments required under the Loan Agreement, free of any deductions and without abatement, diminution or setoff. Until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Corporation (i) will not suspend or discontinue any payments provided for in the Loan Agreement with respect to the Bonds; (ii) will perform and observe all of its other covenants contained in the Loan Agreement with respect to the Bonds, the Facilities and the Project; and (iii) except as provided in the immediately preceding paragraph, will not terminate the Loan Agreement for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to, or taking or condemnation of, all or any part of the Project or the Facilities, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either of these, or any failure of the Authority or the Bond Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement or the Indenture.

Nothing contained under this heading shall be construed to release the Authority from the performance of any of the agreements on its part contained in the Loan Agreement, and in the event the Authority should fail to perform any such agreement on its part, the Corporation may institute such action against the Authority as the Corporation may deem necessary to compel performance.

Maintenance of Corporate Existence of the Corporation; Consolidation, Merger, Sale or Transfer Under Certain Conditions. The Corporation covenants and agrees that it will maintain its existence as a Minnesota non-profit corporation and a Tax-Exempt Organization and will not dissolve, sell or otherwise dispose of all or substantially all of its assets (except in compliance with the provision of the Loan Agreement under the caption "Maintenance and Use of Property; Right of Access") nor consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into it; provided, that the Corporation may consolidate with or merge into another Person, or permit one or more other Persons to consolidate with or merge into it, or sell or otherwise transfer to another Person such assets, if:

- (a) The surviving, resulting or transferee Person, as the case may be: (a) assumes in writing, if such Person is not the Corporation, all of the obligations of the Corporation under the Loan Agreement; (b) is not, after such transaction, otherwise in default under any provisions of the Loan Agreement; and (c) is an organization described in Section 501(c)(3) of the Code or a governmental unit within the meaning of Section 141 of the Code;
- (b) The Bond Trustee and the Authority shall have received an Opinion of Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not, in and of itself, affect the Tax-Exempt status of interest on the Bonds; and
- (c) The surviving, resulting or transferee person, as the case may be, shall deliver to the Bond Trustee a statement of an authorized representative to the effect that it intends to continue to operate the Facilities in a manner which will allow it to continue to meet all of the Corporation's obligations under the Loan Agreement.

If a merger, consolidation, sale or other transfer is effected, as provided under this heading, the provisions under this heading shall continue in full force and effect and no further merger, consolidation, sale or transfer shall be effected except in accordance with the provisions listed under this heading. Notwithstanding any other provision under this heading, the Corporation need not comply with any of the above provisions if, at the time of such transaction, all of the

Bonds will be defeased as provided in the Indenture; provided that the Corporation shall have delivered to the Bond Trustee and the Authority (i) an Opinion of Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not, in and of itself take into account the defeasance of the Bonds, affect the Tax-Exempt status of interest on the Bonds, and (ii) an Opinion of Counsel that such merger, consolidation, sale or other transfer will not, in and of itself take into account the defeasance of the Bonds, cause the Bonds to become subject to the registration requirements of the Securities Act of 1933, as amended.

Maintenance and Use of Property; Right of Access. The Corporation shall cause all of its property used or useful in the conduct of its business and operations to be maintained, preserved and kept in good repair and working order and condition and in as safe condition as its operations will permit and will make all repairs, renewals, replacements and improvements thereof necessary for the efficient and advantageous conduct of its business and operations. The Corporation is not obligated to preserve, repair, renew or replace any property no longer used or no longer useful in the conduct of its business, and is not prevented from discontinuing the operation of any of its property or from removing or demolishing any building or buildings, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business, by a determination by its governing board) such discontinuance is desirable in the conduct of its business and not disadvantageous in any material respect to the owners of the Bonds. The Corporation may make additions, alterations and changes to its property so long as such additions, alterations and changes are made in compliance with the provisions of the Loan Agreement and will not result in a violation of the provisions of the Loan Agreement, and the Corporation may dispose of any property as permitted by the Loan Agreement.

Subject to the provisions of the Loan Agreement, the Credit Agreement and the Act, the Corporation shall have the right to use its property for any purpose allowed by law and contemplated by the Act. Except as provided in the Loan Agreement, the Authority reserves no power or authority with respect to the operation of the property by the Corporation and activities incident thereto, it being the intention of the parties to the Loan Agreement that so long as the Corporation shall duly and faithfully observe and perform all of the terms, covenants, provisions and agreements of the Loan Agreement, the Corporation shall manage, administer and govern the property of the Corporation in its activities and affairs on a continuing day-to-day basis. The Corporation agrees that it will not use or permit the use of any of the properties financed or refinanced, or for which it is reimbursed, in whole or in part, out of the proceeds of the Bonds: (1) in an unrelated trade or business as defined in Section 513(a) of the Code, or by any person who is not an organization described in Section 501(c)(3) of the Code (including the Corporation), or who is not a governmental unit within the meaning set forth in Section 141 of the Code, in either case in such manner or to such extent as would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Code; (2) for sectarian instruction or as a place for religious worship or in connection with any part of the programs of any school or department of divinity for the useful life of the Project; or (3) in a manner which is prohibited by the Establishment of Religion Clause of the First Amendment to the Constitution of the United States of America and the decisions of the United States Supreme Court interpreting the same or by any comparable provisions of the Constitution of the State of Minnesota and the decisions of the Minnesota Supreme Court interpreting the same for the useful life of the Project.

The duly authorized agents of the Reimbursement Bank, the Credit Bank, the Bond Trustee, the Authority, and the Bond Trustee's, Authority's and Credit Bank's attorneys and agents, shall have the right at all reasonable times and with prior notice to the Corporation to enter the Facilities of the Corporation, or any parts thereof, for the purpose of inspecting the property of the Corporation to insure such compliance.

Compliance With Laws and Regulations. The Corporation shall conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States of America and the several states thereof and to observe and conform to all valid orders, regulations or requirements of any governmental authority applicable to the conduct of its business and operations and the ownership of its property; provided, however, that nothing contained in the Loan Agreement shall require the Corporation to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof shall be contested by the Corporation in good faith by appropriate proceedings, provided that the Corporation shall have set aside on its books adequate reserves with respect to such contest and such contest shall not materially impair the ability of the Corporation to meet its obligations under the Loan Agreement.

Payment of Taxes and Other Charges. The Corporation shall pay or cause to be paid as they become due and payable all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon the Corporation or its property or any part thereof or upon any income therefrom; provided, however, that the Corporation shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment or governmental charge to the extent that the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and the Corporation shall have established and shall maintain adequate reserves on its books for the payment of the same.

Licenses, Permits and Accreditation. The Corporation shall procure and maintain all licenses, permits and governmental approvals necessary in the operation of its business and affairs and will maintain accreditation of its Facilities by the appropriate accrediting body and will use its best efforts to maintain the status of its educational facilities (other than those not currently having such status); provided, however, that the Corporation shall not be required to procure or maintain in effect any right, license, governmental approval or accreditation that the governing board of the Corporation shall have determined in good faith, is not in the best interests of the Corporation and is no longer desirable in the conduct of its business and that lack of such compliance will not materially impair the ability of the Corporation to pay or perform its obligations under the Loan Agreement.

Insurance. The Corporation shall maintain, or cause to be maintained at its sole cost and expense, insurance with respect to its Facilities, the operation thereof and its business against such casualties, contingencies and risks (including but not limited to property and casualty, business interruption, worker's compensation, general and professional liability and employee dishonesty) and in amounts not less than is customary and adequate in the case of organizations engaged in the same or similar activities and similarly situated and as is adequate to protect its property and operations. The Corporation shall annually review the insurance it maintains pursuant to the Loan Agreement as to whether such insurance is customary and adequate. The Bond Trustee shall have no responsibility to monitor the existence or adequacy of such insurance.

Indemnity of the Authority and Bond Trustee.

- (a) To the fullest extent permitted by law, the Corporation agrees to indemnify, hold harmless and defend the Authority, the Bond Trustee and each of their respective officers, governing members, directors, officials, employees, representatives, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified

Parties, or any of them, may become subject, or under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

- (1) the Bonds, the Indenture, the Loan Agreement or the Tax Agreement or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance, sale or resale of the Bonds;
- (2) any act or omission of the Corporation or any of its agents, contractors, servants, employees or licensees in connection with the Project or the Facilities, the operation of the Project or the Facilities, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or the Facilities or any part thereof;
- (3) the attempted or successful enforcement by a creditor of the Corporation of any lien or charge upon payments by the Corporation to the Authority and the Bond Trustee under the Loan Agreement, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Bond Trustee in respect of any portion of the Project or the Facilities;
- (4) any violation of any Environmental Regulation with respect to, or the release of any Hazardous Substance from, the Project or the Facilities or any part thereof;
- (5) the defeasance and/or redemption, in whole or in part, of the Bonds;
- (6) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds to which the Corporation is a party, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; provided, however, the Corporation shall not be responsible for any untrue statement or misleading statement in the offering statements under the heading "The Authority";
- (7) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry) that interest on the Bonds is taxable, for federal tax purposes; and
- (8) the Bond Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties under the Loan Agreement or under any of the documents relating to the Bonds to which it is a party;

except (A) in the case of the foregoing indemnification of the Bond Trustee or any of its respective officers, members, directors, officials, employees,

representatives, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Authority or any of their officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under the Loan Agreement, the Corporation, upon written notice from the Indemnified Party, will assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and will assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Corporation shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Corporation if in the reasonable judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

- (b) The rights of any persons to indemnity under the Loan Agreement and rights to payment of fees and reimbursement of expenses pursuant to certain provisions the Loan Agreement under the captions "Indemnity of the Authority and Bond Trustee," "Non-Liability of Authority" and "Expenses" will survive the final payment or defeasance of the Bonds and in the case of the Bond Trustee any resignation or removal. The provisions delineated under this heading will survive the termination of the Loan Agreement or the Indenture.

Continuing Disclosure. The Corporation covenants and agrees that, if the Bonds are converted to a Long-Term Rate or a Fixed Rate as provided in the Indenture, it will take all such actions as are necessary and appropriate to comply with and carry out the continuing disclosure requirements of Rule 15c2-12. Failure to comply with any of the continuing disclosure requirements will not constitute an Event of Default under the Loan Agreement.

Tax Covenants. The Corporation covenants and agrees that it will not take any action or permit any action to be taken that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds and will take whatever action, or refrain from whatever action, necessary to comply with the requirements of the Code to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, and without limiting the generality of the foregoing, the Corporation will comply with the Tax Agreement and will pay or provide for payment to the United States Government, of all rebate payments required under Section 148(f) of the Code and the Tax Agreement. This covenant will survive payment in full or defeasance of the Bonds.

Assignment by the Corporation. The Corporation shall not assign the Loan Agreement and the other Transaction Documents, as a whole or in part, without the prior written consent of the Reimbursement Bank, unless the Letter of Credit is no longer outstanding and the following conditions are met:

- (a) No assignment will relieve the Corporation from primary liability for any of its obligations under the Loan Agreement, and in the event of any such assignment,

the Corporation will continue to remain primarily liable for payment of the amounts specified in the Loan Agreement and the performance and observance of the other agreements to be performed and observed by the Corporation under the Loan Agreement to the same extent as though no assignment had been made.

- (b) The assignee will assume the obligations of the Corporation under the Loan Agreement and the other Transaction Documents, to the extent of the interest assigned.
- (c) If there remains unpaid any Bond which bears interest that is not includable in gross income under the Code, the Bond Trustee and the Authority shall have received an Opinion of Bond Counsel, in form and substance satisfactory to the Bond Trustee and the Authority, to the effect that under then existing law the consummation of such assignment, whether or not contemplated on any date of the delivery of such Bond, would not cause the interest payable on such Bond to become includable in gross income under the Code.
- (d) The Corporation shall, prior to the effective date of such assignment furnish or cause to be furnished to the Authority and the Bond Trustee a true and complete copy of each assignment and assumption of obligations.

Special Services Covenant. The Corporation shall operate and maintain the Facilities as an educational institution.

Records and Financial Statements of Corporation. The Corporation shall maintain adequate books, accounts and records in connection with the operation of the Facilities in accordance with generally accepted accounting principles and in compliance with the regulations of any governmental regulatory body having jurisdiction thereof. The Corporation shall, within 150 days after the close of each fiscal year, submit to the Authority, the Reimbursement Bank, the Credit Bank and to the Bond Trustee audited financial statements with respect to the Corporation for such fiscal year. The Bond Trustee shall have no duty to review such financial statements. The Bond Trustee shall be permitted (but shall have no duty) at all reasonable times upon reasonable notice during the term of the Loan Agreement to examine the books and records of the Corporation with respect to the Project, subject to reasonable advance notice.

Events of Default. The term "Event of Default," wherever used in the Loan Agreement, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) default in the payment of any interest on the Loan when such interest becomes due and payable; or
- (b) default in the payment of the principal of (or premium, if any, on) the Loan when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise); or
- (c) default in the payment of the purchase price of tendered Bonds required by the Loan Agreement; or
- (d) default in the performance, or breach, of any covenant or agreement of the Corporation in the Loan Agreement (other than a covenant or agreement a

default in the performance or breach of which is specifically dealt with elsewhere under this heading), and continuance of such default or breach for a period of 60 days after there has been given to the Corporation, the Reimbursement Bank and the Credit Bank by the Authority or the Bond Trustee or to the Corporation, the Reimbursement Bank, the Credit Bank and the Bond Trustee by the Owners of at least 25 percent in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such 60-day period, but can reasonably be expected to be fully remedied, such default will not constitute an Event of Default if the Corporation shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or

- (e) any representation or warranty made by the Corporation in the Loan Agreement or in any other Transaction Documents or in any written statement or certificate furnished to the Authority or the Bond Trustee or the purchaser of any Bond in connection with the sale of any Bond or furnished by the Corporation pursuant to the Loan Agreement proves untrue in any material respect as of the date of the issuance or making thereof and will not be corrected or brought into compliance within 60 days after there has been given to the Corporation, the Reimbursement Bank and the Credit Bank by the Authority or the Bond Trustee or to the Corporation, the Reimbursement Bank, the Credit Bank and the Bond Trustee by the Owners of at least 25 percent in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such 60-day period, but can reasonably be expected to be fully remedied, such default will not constitute an Event of Default if the Corporation shall immediately upon receipt of such notice commence the curing of such default and will thereafter prosecute and complete the same with due diligence and dispatch; or
- (f) the entry of a decree or order by a court having jurisdiction in the premises for relief in respect of the Corporation, or adjudging the Corporation a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, adjustment or composition of or in respect of the Corporation under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of or for the Corporation or any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order remains unstayed and in effect for a period of 60 consecutive days; or
- (g) the commencement by the Corporation of a voluntary case, or the institution by it of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement or relief under the United States Bankruptcy Code or any other applicable federal or state law, or the consent or acquiescence by it to the filing of any such petition or the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Corporation or any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability or its failure to pay its debts generally as they become due, or the taking of corporate action by the Corporation in furtherance of any such action; or

- (h) the occurrence and continuance of any “Event of Default” specified in the Indenture that has not been waived.

Acceleration of Maturity; Rescission and Annulment. Subject to the provisions of the Loan Agreement regarding direction of remedies by the Reimbursement Bank, if an Event of Default under the Loan Agreement occurs and is continuing, the Bond Trustee, as assignee of the Authority, may, and if requested by the Owners of not less than 25 percent in principal amount of the Bonds Outstanding shall, by written notice to the Corporation, the Reimbursement Bank, the Credit Bank and the Authority, declare the principal of the Loan and the interest accrued thereon to be due and payable, and upon any such declaration such principal and interest will become immediately due and payable.

At any time after such a declaration of acceleration has been made, but before any judgment or decree for payment of money due on the Loan has been obtained by the Bond Trustee as provided in the Loan Agreement, the Bond Trustee may, by written notice to the Corporation, rescind and annul such declaration and its consequences if

- (a) the Corporation has deposited with the Bond Trustee a sum sufficient to pay
 - (1) all overdue installments of interest on the Loan,
 - (2) the principal of (and premium, if any, on) the Loan which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in the Loan Agreement,
 - (3) interest upon overdue installments of interest at the rate or rates prescribed therefor in the Loan, and
 - (4) all sums paid or advanced by the Bond Trustee under the Loan Agreement and the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel; and
- (b) all events of default, other than the non-payment of the principal of the Loan which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Loan Agreement.

No such rescission and annulment will affect any subsequent default or impair any right consequent thereon.

Exercise of Remedies by the Bond Trustee. Subject to the provisions of the Loan Agreement regarding direction of remedies by the Reimbursement Bank, upon the occurrence and continuance of any Event of Default under the Loan Agreement, unless the same is waived as provided in the Loan Agreement, the Bond Trustee, as assignee of the Authority, shall have the following rights and remedies, in addition to any other rights and remedies provided under the Loan Agreement or by law:

- (a) *Right to Bring Suit, Etc.* The Bond Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Loan, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums due under the Loan Agreement, to realize on or to foreclose any of its interests or liens under the Loan Agreement, to enforce and compel the performance of the duties and obligations of the Corporation as set forth in the Loan Agreement and to enforce or preserve any other rights or

interests of the Bond Trustee under the Loan Agreement existing at law or in equity.

- (b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the Owners of not less than 25 percent in principal amount of Bonds Outstanding and if indemnified as provided in the Indenture, the Bond Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by the Loan Agreement as the Bond Trustee shall deem most expedient in the interests of the bondowners.
- (c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee under the Loan Agreement, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers, pending such proceedings, with such powers as the court making such appointment shall confer.
- (d) *Restoration of Positions.* If the Bond Trustee has instituted any proceeding to enforce any right or remedy under the Loan Agreement by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Bond Trustee, then and in every case the Corporation and the Bond Trustee shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Loan Agreement, and thereafter all rights and remedies of the Bond Trustee shall continue as though no such proceeding had been instituted.

Rights and Remedies Cumulative. No right or remedy conferred in the Indenture upon or reserved to the Bond Trustee is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given under the Loan Agreement or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy under the Loan Agreement, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Delay or Omission Not Waiver. No delay or omission of the Bond Trustee to exercise any right or remedy accruing upon an event of default shall impair any such right or remedy or constitute a waiver of any such event of default or an acquiescence therein. Every right and remedy given by the Loan Agreement under the Article "Default and Remedies" or by law to the Bond Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Bond Trustee.

Waiver of Past Defaults. Subject to the provisions of the Loan Agreement regarding direction of remedies by the Reimbursement Bank, before any judgment or decree for payment of money due has been obtained by the Bond Trustee as provided in the Loan Agreement under the Article "Default and Remedies," the Owners of a majority in principal amount of the Bonds Outstanding may, by written notice delivered to the Bond Trustee, the Authority and the Corporation, on behalf of the Owners of all the Bonds waive any past default under the Loan Agreement and its consequences, except a default:

- (a) in the payment of the principal of (or premium, if any) or interest on any Bond, or
- (b) in respect of a covenant or provision of the Loan Agreement which under the Article "Supplemental Loan Agreements" in the Loan Agreement cannot be

modified or amended without the consent of the owner of each Outstanding Bond affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Loan Agreement; but no such waiver shall extend to or affect any subsequent or other default or impair any right or remedy consequent thereon.

Supplemental Loan Agreements Without Consent of Bondowners. Without the consent of the Owners of any Bonds, but with the prior written consent of the Reimbursement Bank, the Authority and the Corporation may from time to time enter into one or more Supplemental Loan Agreements, in form satisfactory to the Bond Trustee, for any of the following purposes:

- (a) to correct or amplify the description of any property of the Corporation at any time subject to the Loan Agreement, or to subject to the Loan Agreement additional property or to more precisely identify any project financed or refinanced out of the proceeds of any Bonds, or to substitute or add additional property thereto; or
- (b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the Loan, as set forth in the Loan Agreement, additional conditions, limitations and restrictions thereafter to be observed; or
- (c) to evidence the succession of another corporation to the Corporation and the assumption by any such successor of the covenants of the Corporation contained in the Loan Agreement; or
- (d) to add to the covenants of the Corporation or to the rights, powers and remedies of the Bond Trustee for the benefit of the Owners of all of the Bonds or to surrender any right or power conferred upon the Corporation in the Loan Agreement provided that such surrender shall not materially adversely affect the interests of the Owners of the Bonds; or
- (e) to cure any ambiguity, to correct or supplement any provision in the Loan Agreement which may be inconsistent with any other provision therein, to modify the financial covenants in the Loan Agreement to reflect subsequent changes to accounting standards, if any, or to make any other provisions, with respect to matters or questions arising under the Loan Agreement, which shall not be inconsistent with the provisions of the Loan Agreement, provided such action shall not adversely affect the interests of the Owners of the Bonds; or
- (f) to the extent applicable, for any other purpose as set forth in the Indenture; or
- (g) to modify, alter, amend or supplement this Loan Agreement in any other respect, including amendments which would otherwise be described under the heading "Supplemental Loan Agreements with Consent of Bondholders," if the effective date of such Supplemental Loan Agreement is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the Indenture, or if notice by mail of the proposed Supplemental Loan Agreement is given to Owners of the affected Bonds at least 30 days before the effective date thereof, and, on or before such effective date, such Owners have the right to demand purchase of their Bonds pursuant to the Indenture.

The Bond Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Loan Agreement and any such determination shall be conclusive upon the

Owners of all Bonds, whether theretofore or thereafter authenticated and delivered under the Loan Agreement. The Bond Trustee shall not be liable for any such determination made in good faith.

Supplemental Loan Agreements with Consent of Bondowners. Subject to certain provisions of the Loan Agreement and the Indenture, with the prior written consent of the Reimbursement Bank and the Owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Loan Agreement, the Authority and the Corporation may enter into Supplemental Loan Agreements, acceptable to the Bond Trustee, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Loan Agreement or of modifying in any manner the rights of the Bond Trustee and the Owners of the Bonds under the Loan Agreement; provided, however, that no such Supplemental Loan Agreement shall, without the consent of the Owner of each Outstanding Bond affected thereby,

- (a) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Holder of each Bond so affected; or
- (b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Owners is required for any such Supplemental Indenture or Supplemental Loan Agreement, or the consent of whose Owners is required for any waiver provided for in the Loan Agreement of compliance with certain provisions of the Indenture or Loan Agreement or certain Event of Defaults under the Loan Agreement and their consequences; or
- (c) modify the obligation of the Authority to make payment on or provide funds for the payment of any Bond; or
- (d) modify or alter the provisions of the proviso to the definition of the term "Outstanding," contained in the Indenture; or
- (e) modify any of the provisions of under this heading or under the heading "Events of Default" in the Indenture, except to increase any percentage provided thereby or to provide that certain other provisions of the Loan Agreement cannot be modified or waived without the consent of the Owner of each Bond affected thereby; or
- (f) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the Trust Estate or terminate the lien of the Indenture on any property at any time subject to the Loan Agreement or deprive the Owner of any Bond of the security afforded by the lien of the Indenture.

The Bond Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Loan Agreement and any such determination shall be conclusive upon the Owners of all Bonds, whether theretofore or thereafter authenticated and delivered under the Loan Agreement. The Bond Trustee shall not be liable for any such determination made in good faith.

Effect of Supplemental Loan Agreements. Upon the execution of any Supplemental Loan Agreement under the Loan Agreement, the Loan Agreement shall be modified in accordance therewith and such Supplemental Loan Agreement shall form a part of the Loan Agreement for all purposes; and the Corporation, the Authority, the Bond Trustee and every owner of Bonds

theretofore or thereafter authenticated and delivered under the Indenture shall be bound thereby.

Term of Loan Agreement. The Loan Agreement shall be effective concurrently with the initial issuance and delivery of the Bonds and shall continue in force and effect until the principal of, redemption premium, if any, and interest on all of the Bonds have been fully paid (or provision for their payment shall have been made in accordance with the Indenture) together with all sums to which the Authority and the Bond Trustee are entitled from the Corporation under the Loan Agreement; provided, however, the provisions of the Loan Agreement related to payments to the United States Government, the indemnification of the Authority and the Bond Trustee and compliance with tax covenants shall survive any such termination and shall remain in full force and effect.

Obligation to Continue Payments. Notwithstanding anything to the contrary in the Loan Agreement, if prior to full payment of the Bonds (or provision for payment thereof in accordance with the provisions of the Indenture) (i) the Facilities or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, or (ii) the temporary use of the Facilities or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or Corporation acting under governmental authority, the Corporation shall nevertheless be obligated to continue to pay the amounts specified in under the headings "Loan Payments," "Credits on Loan Payments" and "Additional Payments" in the Loan Agreement, to the extent not prepaid in accordance with the Loan Agreement.

Further Assurances. The Corporation will do, execute, acknowledge and deliver such further acts, instruments, financing statements and assurances as the Bond Trustee may reasonably require for accomplishing the purposes of the Indenture the Loan Agreement and all other Transaction Documents.

Immunity of Officers, Employees and Members of the Authority and the Corporation. No recourse shall be had for the payment of the principal of or premium or interest on the Loan or for any claim based thereon or upon any representation, obligation, covenant or agreement in this Loan Agreement contained against any past, present or future officer, member, trustee, director, employee or agent of the Authority, or the Corporation, or, respectively, of any successor public or private corporation thereto, as such, either directly or through the Authority, the Corporation, or respectively, any successor public or private corporation thereto, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, directors, employees or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Loan Agreement; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by the Loan Agreement.

THE INDENTURE

The Indenture sets forth the terms of the Bonds, the nature and extent of the security, various rights of the Owners, rights, duties and immunities of the Bond Trustee and rights and obligations of the Authority. Although certain of the provisions of the Indenture are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Creation of Funds and Accounts. The Indenture creates the following funds and accounts:

- (a) “Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Six-Q (Concordia University, St. Paul) Project Fund” (the “Project Fund”). Within the Project Fund there is created by the Authority and ordered established with the Bond Trustee the “Project Account” and the “Costs of Issuance Account.”
- (b) “Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Six-Q (Concordia University, St. Paul) Debt Service Fund” (the “Debt Service Fund”). Within the Debt Service Fund there are created by the Authority and ordered established with the Bond Trustee (i) the “Eligible Moneys Account,” (ii) the “Non-Eligible Moneys Account” and (iii) the “Letter of Credit Account.”

The Bond Trustee is authorized to establish separate accounts within such funds or otherwise segregate moneys within such funds and accounts, on a book-entry basis or in such other manner as the Bond Trustee may deem necessary or convenient, or as the Bond Trustee shall be instructed by the Corporation.

Deposit of Bond Proceeds and Other Moneys. The Authority, for and on behalf of the Corporation, shall deposit with the Bond Trustee all of the net proceeds of the Bonds, and the Bond Trustee shall deposit such proceeds into the applicable account within the Project Fund, which deposit shall be disbursed by the Bond Trustee for the purposes and in the manner set forth in the Indenture.

Project Fund and Costs of Issuance Account. Moneys in the respective accounts of the Project Fund shall be used solely for the purpose of (a) paying the Costs of Issuance of the Bonds, and (b) for paying the Costs of the Project, including reimbursing the Corporation for costs incurred with respect to the Project, in accordance with the plans and specifications therefor, including any alterations in or amendments to said plans and specifications deemed advisable by the Corporation and approved in accordance with the Loan Agreement.

The Bond Trustee shall pay out of the Costs of Issuance Account within the Project Fund upon written disbursement requests of the Corporation, signed by the Authorized Corporation Representative, amounts equal to the amount of Costs of Issuance for the Bonds certified in such written requests to be paid or reimbursed; provided, however, that Costs of Issuance paid from the Bond proceeds deposited in the Costs of Issuance Account, plus underwriting discount (excluding the commitment and initial fees for the Letter of Credit from such calculation) shall not exceed 2% of the proceeds of the Bonds.

The Bond Trustee shall disburse moneys on deposit in the Project Account of the Project Fund from time to time to pay or as reimbursement for payment made for the Costs of the Project (other than Costs of Issuance; provided, however, that moneys remaining in the Costs of Issuance Accounts six months after the Issue Date of the Bonds shall be used for Costs of the Project or as otherwise provided in the Indenture), as follows:

- (a) Whenever the Corporation makes a draw request for Improvement Costs (as defined in the Credit Agreement) from the Project Account of the Project Fund, such draw request shall require the written approval of the Reimbursement Bank, shall be payable only to Title for disbursement for the benefit of the Corporation directly to general contractors, subcontractors or suppliers (or to the Corporation for a Cost of the Project to be reimbursed), as the case may be. The Bond

Trustee shall pay such request as soon as practicable after receipt of such request; and

- (b) Interest accruing on the Bonds during the Construction Period and amounts payable to the Reimbursement Bank under the Credit Agreement during the Construction Period may be paid from the Project Account without the order of the Authorized Corporation Representative, and the Bond Trustee shall transfer the necessary funds to the Debt Service Fund, to reimburse the Reimbursement Bank on or prior to each Interest Payment Date during the Construction Period without a draw request; and
- (c) Amounts payable to the Reimbursement Bank and Credit Bank for credit enhancement fees under the Credit Agreement during the Construction Period may be paid from the Project Account by a written order of the Authorized Corporation Representative, and the Bond Trustee shall pay to such banks the fees in accordance with such order.

In making the payments described above, the Bond Trustee may rely upon such written requests of the Corporation and shall not be required to make any independent investigation in connection therewith. Such written requests may be submitted by facsimile. The Trustee shall not be responsible for determining whether the funds on hand in the Project Fund are sufficient to complete the Project. The Trustee shall not be responsible to collect lien waivers. If for any reason the Corporation should decide prior to the mailing or release of payment by the Bond Trustee of any item not to pay such item, it shall give written notice of such decision to the Bond Trustee and upon receipt thereof, if the Bond Trustee has not released such payment, the Bond Trustee shall cancel the request and not make such payment. If the Authority so requests, a copy of each written disbursement request submitted to the Bond Trustee for payment shall be promptly provided by the Bond Trustee to the Authority. The Bond Trustee shall keep and maintain adequate records pertaining to the Project Fund and the accounts therein and all disbursements therefrom, and shall file periodic statements of activity regarding the Project Fund with the Corporation.

The Bond Trustee shall require the Corporation, upon completion of the Project, to deliver to the Bond Trustee within 90 days thereafter an Officer's Certificate:

- (a) stating that the Project has been fully completed substantially in accordance with the plans and specifications for the Project, as then amended, and the date of completion of the Project; and
- (b) stating that such officer has made such investigation of such sources of information as are deemed by him to be necessary, including pertinent records of the Corporation, and is of the opinion that the Costs of the Project have been fully paid for and no claim or claims exist against the Authority or the Corporation or against the Project out of which a lien based on furnishing labor or material exists or might ripen; provided, however, there may be excepted from the foregoing statement any claim or claims out of which a lien exists or might ripen in the event that the Corporation intends to contest such claim or claims in accordance with the Loan Agreement and the Credit Agreement, in which event such claim or claims shall be described; provided, further, that it shall be stated that moneys are on deposit in the Project Account of the Project Fund or are available through enumerated bank loans (including letters of credit) or other sources sufficient to make payment of the full amount which might in any event be payable in order to satisfy such claim or claims; and

- (c) stating if any item was added to, deleted from or substituted for the Project as described in the Indenture and in the Loan Agreement and providing any documentation, certificates or opinions required by the Loan Agreement.

If after payment by the Bond Trustee of all disbursement requests theretofore tendered to the Bond Trustee and after receipt by the Bond Trustee of the Officer's Certificate, there shall remain any moneys in the Project Fund, such moneys shall be deposited in the Debt Service Fund and used to redeem Bonds at the earliest permissible date under the Indenture, or, in the discretion of the Corporation, shall be applied for any other purpose; provided that with respect to the Bonds, there shall be delivered an Opinion of Bond Counsel addressed and delivered to the Bond Trustee and the Authority and a reliance letter to the Reimbursement Bank to the effect that the application of such proceeds of the Bonds to such other purpose will not cause the interest on the Bonds to be includible in gross income for federal income tax purposes.

If an Event of Default specified in the Indenture shall have occurred and the Bonds shall have been declared due and payable pursuant to the Indenture, any balance remaining in the Project Fund, shall at the written direction of the Reimbursement Bank and without further authorization be deposited in the Debt Service Fund by the Bond Trustee with notice to the Corporation and to the Authority of such action.

Debt Service Fund. The Bond Trustee shall deposit and credit to the applicable account and sub-account in the Debt Service Fund, as and when received, the following:

- (a) All Loan Payments made by the Corporation pursuant to the Loan Agreement.
- (b) Any amount to be transferred from the Project Account in the Project Fund to the Debt Service Fund for capitalized interest and upon completion of the Project.
- (c) Interest earnings and other income on Permitted Investments required to be deposited in the Debt Service Fund pursuant to the Indenture.
- (d) All moneys drawn by the Bond Trustee under the Letter of Credit to pay interest, principal or the redemption price of any Bonds secured by such Letter of Credit.
- (e) All other moneys received by the Bond Trustee under and pursuant to any of the provisions of the Indenture or the Loan Agreement including, but not limited to prepayment pursuant to the Loan Agreement, when accompanied by directions from the Person depositing such moneys that such moneys are to be paid into the corresponding account in the Debt Service Fund.

Payments Due on Saturdays, Sundays and Holidays. In any case where the date of maturity of principal of, redemption premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day other than a Business Day, then payment of principal, redemption premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Nonpresentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Bond Trustee, all liability of the Authority to the Owner thereof for the payment of such Bond, shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Bond Trustee to hold such funds in trust in a separate trust account, without liability

for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on or with respect to said Bond. If any Bond shall not be presented for payment within two years following the date when such Bond becomes due, whether by maturity or otherwise, the Bond Trustee shall repay to the Corporation without liability for interest thereon the funds theretofore held by it for payment of such Bond, and such Bond, shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Corporation, and the Owner thereof shall be entitled to look only to the Corporation for payment, and then only to the extent of the amount so repaid, and the Corporation shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Moneys to be Held in Trust. Subject to the provisions of the Indenture under the heading "Rights Retained After Discharge," all moneys deposited with or paid to the Bond Trustee for the funds and accounts held under the Indenture shall be held by the Bond Trustee in trust and shall be applied only in accordance with the provisions of the Indenture and the Loan Agreement, and, until used or applied as provided in the Indenture, shall (except for moneys in the Rebate Fund and the Bond Purchase Fund) constitute part of the Trust Estate and be subject to the lien, terms and provisions of the Indenture and shall not be commingled with any other funds of the Authority or the Corporation except as provided in the following paragraph for investment purposes. The Bond Trustee shall not be liable for interest on any moneys received under the Indenture except such as may be the result of the earnings on Permitted Investments purchased at the direction of the Corporation pursuant to the following paragraph.

Investment of Moneys. Subject to the provisions of the Indenture relating to remarketing and purchase of tendered Bonds and tax covenants, moneys held in each of the funds and accounts under the Indenture shall, pursuant to written directions of the Authorized Corporation Representative, be invested and reinvested by the Bond Trustee in accordance with the provisions of the Indenture and the Tax Agreement in Permitted Investments which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed, or in the absence of such direction, the Bond Trustee shall invest such funds in money market funds that invest only in Government Obligations and which are rated in the highest rating category by a nationally recognized rating agency. The Bond Trustee may make any investments permitted by the provisions of this paragraph through its own bond department or short-term investment department or any affiliate thereof and may pool moneys for investment purposes, except moneys held in any fund or account that is required to be yield restricted in accordance with the Tax Agreement, which shall be invested separately. Any such Permitted Investments shall be held by or under the control of the Bond Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held. The interest accruing on each fund or account and any profit realized from such Permitted Investments shall be credited to such fund or account, and any loss resulting from such Permitted Investments shall be charged to such fund or account. The Bond Trustee shall sell or present for redemption and reduce to cash a sufficient amount of such Permitted Investments whenever it shall be necessary to provide moneys in any fund or account for the purposes of such fund or account and the Bond Trustee shall not be liable for any loss resulting from such investments. All moneys held by the Bond Trustee in the Letter of Credit Account and the Eligible Moneys Account that are to be used to pay principal of or interest on or redemption price of the Bonds shall be invested only in (i) Government Obligations described in clause (a) of the definition of "Government Obligations" maturing in 30 days or less and not later than the date when such moneys are needed for such payment, or (ii) investments described in clause (f) of the definition of "Permitted Investments."

Alternate Letter of Credit. The Corporation may at any time, subject to any applicable provisions of the Credit Agreement, arrange for the substitution of an Alternate Letter of Credit

for an existing Letter of Credit, and the Bond Trustee shall accept any Alternate Letter of Credit, subject to the following limitations:

- (a) Each Alternate Letter of Credit shall be an irrevocable direct-pay letter of credit, issued and delivered in substitution for an existing Letter of Credit, under which any bank, trust company or other financial institution undertakes to make or provide funds to make payments of the principal of, and interest on the Bonds secured thereby, as and when due, and payments of the purchase price of Bonds (if applicable) that have been tendered for purchase and for which proceeds of remarketing have not been received, and which meets the requirements and conditions under this heading.
- (b) Each Alternate Letter of Credit, or a commitment to issue and deliver the Alternate Letter of Credit, must be delivered to the Bond Trustee not less than 30 days prior to the date of expiration of the then existing Letter of Credit, must be effective as of a date on or prior to the date of expiration of the then existing Letter of Credit, shall expire no earlier than the Letter of Credit which it replaces, but may be expressed to expire prior to the final maturity of the Bonds secured thereby.
- (c) Each Alternate Letter of Credit shall be satisfactory in form and substance to the Bond Trustee, and shall be in a stated amount at least equal to the sum of (1) the aggregate principal amount of the Bonds at the time Outstanding and secured thereby, plus (2) interest thereon at the Maximum Rate for 35 days (or any such number of days as any Rating Agency requires) and (3) premium, if any.
- (d) Subject to the Indenture, the Corporation shall give written notice to the Authority, the Bond Trustee, the then current Reimbursement Bank and Credit Bank and the Rating Agency not less than 30 days prior to the expiration or termination date of the Letter of Credit then in effect, specifying that the Corporation intends to replace the existing Letter of Credit with one or more Alternate Letters of Credit on or before the expiration of the Letter of Credit then in effect, the issuer of the Alternate Letter(s) of Credit, and the anticipated date on which such Alternate Letter(s) of Credit will become effective. Upon receipt of such notice, the Bond Trustee shall mail a notice within ten Business Days of the anticipated delivery of the Alternate Letter(s) of Credit by first-class mail to the Remarketing Agent and each Owner stating that it is expected that an Alternate Letter of Credit will be delivered and the Bonds will be subject to mandatory tender on such date, which date shall be no less than five Business Days prior to the expiration or termination of the existing Letter of Credit. The Corporation shall submit to the Rating Agency as soon as possible, a draft of each Alternate Letter of Credit and the related Credit Agreement and appropriate information concerning the issuer of such Alternate Letter(s) of Credit.
- (e) Notwithstanding the foregoing, during a Long-Term Rate Period or a Commercial Paper Rate Period, an existing Letter of Credit may not be replaced prior to the expiration date of the then applicable Long-Term Rate Period or all the then applicable Commercial Paper Rate Periods, as the case may be, with an Alternate Letter of Credit.
- (f) When the Bonds are in a Daily, Weekly, Long-Term Rate Period or Commercial Paper Rate Period, the Corporation shall exercise its best efforts to arrange for the delivery to the Bond Trustee of an Alternate Letter of Credit to replace any Letter of Credit then in effect with respect to such Series upon the expiration

thereof prior to the end of any such rate period or upon the occurrence of any of the following events or circumstances:

- (1) If the Credit Bank has rescinded, terminated or repudiated the Letter of Credit, or the Credit Bank or any governmental authority with jurisdiction over the Letter of Credit is challenging the validity of the Letter of Credit or if the Credit Bank is in default under the Letter of Credit.
 - (2) If the Credit Bank shall refuse to extend the stated termination date with respect to the current Letter of Credit then in effect, but the term of such Alternate Letter of Credit need not (but may) begin prior to the stated termination date of the current Letter of Credit then in effect. The Corporation shall not terminate the current Letter of Credit and Credit Agreement until the term of the Alternate Letter of Credit has begun.
 - (3) Receipt by the Bond Trustee of written notice from the Reimbursement Bank or from the Credit Bank that an "Event of Default" as such term is defined in the Credit Agreement has occurred and is continuing under the Credit Agreement and a direction to either (i) cause a mandatory tender of the Bonds, or (ii) accelerate the maturity of the Bonds pursuant to the Indenture.
 - (4) Failure of the Credit Bank to honor any drawing which strictly complies with the terms of the Letter of Credit.
- (g) Not less than 30 days prior to the effective date of any Alternate Letter of Credit, the Corporation shall furnish to the Authority and the Bond Trustee (1) an Opinion of Counsel stating that delivery of such Alternate Letter of Credit to the Bond Trustee is authorized under the Indenture, and complies with the terms hereof, (2) an Opinion of Counsel from counsel to the Credit Bank issuing such Alternate Letter of Credit to the effect that the Alternate Letter of Credit is a valid and binding obligation of such issuer or provider, enforceable in accordance with its terms, subject to customary exceptions relating to bankruptcy and insolvency, (3) an Opinion of Bond Counsel, which shall also be addressed and delivered to the Authority, stating that the delivery of such Alternate Letter of Credit to the Bond Trustee is authorized under the Indenture and complies with the terms thereof and does not adversely affect the tax-exempt status of the interest on the Bonds, (4) written evidence from the Rating Agency, to the effect that the Rating Agency has reviewed the proposed Alternate Letter of Credit and whether the substitution of the proposed Alternate Letter of Credit for the Letter of Credit will result in a reduction or withdrawal of its rating of the Bonds secured thereby that prevailed prior to the substitution of the Alternate Letter of Credit, and if so, the rating to be in place following delivery of such Alternate Letter of Credit, and (5) a written confirmation from the Remarketing Agent that the Remarketing Agent has agreed to remarket the Bonds in accordance with the terms of the Indenture and Remarketing Agreement.

Rights of Reimbursement Bank. As long as the Letter of Credit is in effect, and no Event of Default described in the Indenture, concerning the Credit Bank's failure to honor a draw on the Letter of Credit or bankruptcy or reorganization type issues, as described in the Indenture, against the Credit Bank, has occurred and is continuing and the Reimbursement Bank has not filed a petition or no petition is pending against the Reimbursement Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of

any jurisdiction, whether now or hereafter in effect and which has not been dismissed within 30 days of such filing, the Reimbursement Bank shall be deemed to be the Owner of all Bonds that are secured by the Letter of Credit, all Bank Bonds and all Corporation Bonds for all purposes following the occurrence of an Event of Default under the Indenture.

If (i) an Event of Default occurs and is continuing under the Indenture, or (ii) the Bond Trustee shall draw under the Letter of Credit in connection with the redemption or mandatory tender in whole of the Bonds secured thereby, and in either such case the Credit Bank shall have provided the Bond Trustee with funds pursuant to the Letter of Credit for the payment in full of principal or redemption price, if any, of and the interest on such Bonds, then, and in such event, the Reimbursement Bank shall be subrogated to all rights theretofore possessed under the Indenture by the Bond Trustee and the Owners in respect of which such principal or redemption price, if any, and interest shall have been paid with funds provided by the Credit Bank and not fully reimbursed to the Reimbursement Bank. After the payment in full of all Bonds secured by a Letter of Credit and owned by the Owners, any reference in the Indenture to the holders of such Bonds or to such Owners shall mean the Reimbursement Bank to the extent of those subrogation rights resulting from the payments made pursuant to the Letter of Credit.

As long as the Letter of Credit is in effect and no Event of Default described in the Indenture, concerning the Credit Bank's failure to honor a draw on the Letter of Credit or bankruptcy or reorganization type issues, as described in the Indenture, against the Credit Bank, has occurred and is continuing, if the Reimbursement Bank has filed a petition, or a petition is pending against the Reimbursement Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction whether now or hereafter in effect which has not been dismissed within 30 days of such filing, the Credit Bank may assume all of the rights of the Reimbursement Bank hereunder by written notice to the Bond Trustee, the Reimbursement Bank, the Authority and the Corporation and all references in the Indenture to the Reimbursement Bank shall mean the Credit Bank.

Limited Obligations. The Bonds are special, limited obligations of the Authority and the principal thereof, and premium, if any, and interest thereon, are payable solely from, and secured in accordance with their terms and the provisions of this Indenture solely by, the Loan Payments and the other amounts pledged therefor herein and the purchase price thereof is payable solely from, and secured in accordance with their terms and the provisions of this Indenture solely by, the proceeds of the remarketing of the Bonds, amounts made available under any applicable Letter of Credit and to the extent remarketing proceeds and amounts under the Letter of Credit are insufficient for the payment thereof, from moneys delivered to the Bond Trustee from the Corporation pursuant to the Indenture. The Bonds do not constitute a charge against the general credit of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except the Loan Payments and the other amounts pledged therefor herein.

Bonds Not Secured by General Bond Reserve Account. As permitted by the General Bond Resolution, the Bonds have been issued as special series obligations not secured by the General Bond Reserve Account of the Authority created thereby, and the Authority shall have no obligation to the Holders of the Bonds, the Bond Trustee, or the Corporation to advance funds from the General Bond Reserve Account to pay principal of or interest on the Bonds.

Payment of Bonds. The Authority shall duly and punctually pay or cause to be paid, but solely from the sources specified in the Indenture, including the proceeds of any demand under a Letter of Credit, the principal and purchase price of, redemption premium, if any, and interest on the Bonds in accordance with the terms of the Bonds and the Indenture.

Performance of Covenants. The Authority shall (to the extent within its control) faithfully perform or cause to be performed at all times any and all covenants, undertakings, stipulations and provisions which are to be performed by the Authority contained in the Indenture, in the Bonds and in all proceedings pertaining thereto.

Enforcement of Rights. Except with respect to certain Authority rights under the Loan Agreement as set forth in the Indenture, the Authority agrees that the Bond Trustee, as assignee, transferee, pledgee, and owner of a security interest under the Indenture in its name or in the name of the Authority may enforce all rights of the Authority and the Bond Trustee and all obligations of the Corporation under and pursuant to the Loan Agreement and any other Transaction Documents for and on behalf of the Owners, whether or not the Authority is in default under the Indenture. The Loan Agreement and all other documents, instruments or policies of insurance required by the Bond Trustee shall be delivered to and held by the Bond Trustee.

Tax Covenants; Rebate Fund.

- (a) The Authority and the Bond Trustee hereby acknowledge and confirm that the maintenance of the Tax-Exempt status of interest on the Bonds is dependent, among other things, on compliance with the arbitrage requirements set forth in Section 148(f) of the Internal Revenue Code and the Arbitrage Regulations.
- (b) The Bond Trustee shall establish and maintain a fund separate from any other fund designated the "Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Six-Q (Concordia University, St. Paul), Rebate Fund" (the "Rebate Fund"). Within the Rebate Fund, the Bond Trustee shall maintain such accounts as shall be directed by the Corporation as necessary in order for the Authority and the Corporation to comply with the terms and requirements of the Tax Agreement. Subject to the transfer provisions provided in paragraph (c) below, all money at any time deposited in the Rebate Fund shall be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Agreement), for payment to the United States Government, and neither the Corporation, the Authority, the Reimbursement Bank, the Credit Bank nor the Bondholders shall have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the provisions under this heading, the Loan Agreement and by the Tax Agreement. The Bond Trustee shall conclusively be deemed to have complied with such provisions if it follows the directions of the Corporation, including supplying all necessary information requested by the Corporation and the Authority in the manner set forth in the Tax Agreement, and shall not be required to take any actions thereunder in the absence of written directions from the Corporation.
- (c) Upon receipt of the Corporation's written instructions, the Bond Trustee shall remit part or all of the balances in the Rebate Fund to the United States Government, as so directed. In addition, if the Corporation so directs, the Bond Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by the Corporation's written directions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement shall be withdrawn and remitted to the Corporation upon its written request.

- (d) Notwithstanding any provision of the Indenture, including in particular the provisions relating to satisfaction and discharge, the obligation of the Corporation to pay the Rebate Requirement to the United States Government and to comply with all other requirements under this heading, of the Loan Agreement and the Tax Agreement shall survive the defeasance or payment in full of the Bonds.
- (e) Notwithstanding any provisions of this heading and of the Loan Agreement, if the Corporation shall provide to the Authority and the Bond Trustee an Opinion of Bond Counsel that any specified action required under this heading or of the Loan Agreement is no longer required or that some further or different action is required to maintain the Tax-Exempt status of interest on the Bonds, the Corporation, the Bond Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this heading and the covenants under the Indenture shall be deemed to be modified to that extent.

Further Assurances. Whenever and so often as requested so to do by the Bond Trustee or the Reimbursement Bank, the Authority shall promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Bond Trustee, the Reimbursement Bank and the Owners of the Bonds all of the rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Indenture and to perfect and maintain as perfected such rights, interests, powers, benefits, privileges and advantages.

Events of Default. The term "Event of Default," wherever used in the Indenture, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) default in the payment of any interest on any Bond when such interest becomes due and payable; or
- (b) default in the payment of the principal of (or premium, if any, on) any Bond when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise); or
- (c) default in the payment of any amounts due to the Owner of any Bond upon tender or deemed tender of such Bond to the Bond Trustee for purchase pursuant to the Indenture when such payment has become due and payable; or
- (d) default in the performance, or breach, of any covenant or agreement of the Authority in the Indenture (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere under this heading), and continuance of such default or breach for a period of 60 days after there has been given to the Authority, the Reimbursement Bank, the Credit Bank and the Corporation by the Bond Trustee or to the Authority, the Reimbursement Bank, the Credit Bank, the Corporation and the Bond Trustee by the Owners of at least 25% in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such 60 day period, but can reasonably be expected to be fully remedied, such default shall not constitute an

Event of Default if the Authority shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or

- (e) any Event of Default under the Loan Agreement shall occur and is continuing and has not been waived; or
- (f) the Credit Bank has wrongfully failed to honor a properly presented draw made under and in compliance with the terms of the Letter of Credit which failure has not been cured; or
- (g) the Bond Trustee has received written notice from the Reimbursement Bank or from the Credit Bank that an event of default has occurred and is continuing under the Credit Agreement and directing the Bond Trustee to either (i) cause a mandatory tender of the Bonds pursuant to Section 307 hereof or (ii) accelerate the maturity of the Bonds pursuant to Section 702 hereof; or
- (h) The Credit Bank shall: (i) commence a proceeding under any bankruptcy, reorganization arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days; or (ii) have a receiver, conservator, liquidator or trustee appointed for it or for the whole or any substantial part of its property.

The provisions of paragraph (h) above are subject to the conditions that (1) none of the acts or circumstances specified therein shall constitute an Event of Default if the Corporation within 60 days thereafter, provides an Alternate Letter of Credit acceptable to the Bond Trustee (and in any event meeting the requirements of the Indenture) and (2) the declaration of an Event of Default due to any of the acts or circumstances specified therein, and the exercise of remedies upon any such declaration, shall be subject to any applicable limitations of bankruptcy, insolvency or receivership laws applicable to the Credit Bank affecting or precluding such declaration or exercise during the pendency of or immediately following any bankruptcy, insolvency, receivership, liquidation or reorganization proceedings.

With regard to any alleged Event of Default concerning which notice is given to the Corporation, the Authority grants the Corporation full authority for the account of the Authority to perform any covenant or obligation, the nonperformance of which is alleged in said notice to constitute an Event of Default, in the name and stead of the Authority, with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts in order to remedy such Event of Default.

Acceleration of Maturity; Rescission and Annulment. Upon the occurrence of an Event of Default as specified in paragraphs (a), (b), (c), (f) or (g)(ii) of the Events of Defaults listed above, the Bond Trustee shall declare the principal of all Bonds then Outstanding (if not then due and payable), together with interest accrued thereon, to be due and payable immediately. Upon the occurrence of any other Event of Default (except an Event of Default as specified in paragraph (h) above), the Bond Trustee shall, upon the written direction of the Reimbursement Bank, declare the principal of all Bonds then Outstanding (if not then due and payable), together with interest accrued thereon, to be due and payable immediately. Upon the occurrence of an Event of Default described in paragraph (h) above, if there is not then existing an Event of Default described in paragraphs (a), (b), (c), (f) or (g)(ii) above, then, but not earlier than 60 days after the Event of Default described in paragraph (h) above, the Bond Trustee, without the consent of the Reimbursement Bank or the Credit Bank, may, and upon the written request of the Owners

of not less than 25% in aggregate principal amount of Bonds then Outstanding shall, declare the principal of all Bonds then Outstanding, together with the interest accrued thereof, to be due and payable immediately.

Any such declaration shall be by Electronic Notice to the Authority, the Credit Bank, the Reimbursement Bank, the Corporation, the Remarketing Agent, and by written notice to the Owners and, upon said declaration, principal and interest on all Bonds shall become and be immediately due and payable. The Trustee promptly upon such declaration shall give notice thereof in the manner as provided in the Indenture with respect to the redemption of the Bonds, except the notice does not require the 30-days' prior notice. Upon any declaration of acceleration hereunder, the Bond Trustee shall promptly exercise such rights as it may have under the Loan Agreement to declare all payments thereunder to be immediately due and payable and shall draw upon the Letter of Credit to the full extent permitted by the terms thereof.

Notwithstanding any provision of the Indenture to the contrary, except for Events of Default described in paragraph (f) or (h) under the heading "Events of Default," the Bonds secured by a Letter of Credit will not be declared immediately due and payable, nor will they be subject to acceleration, nor will any declaration of acceleration be annulled, without the prior written consents, written revocations and reinstatement of the Letter of Credit as provided for in the Indenture.

Exercise of Remedies by the Bond Trustee. Subject to the provisions of the Indenture relating to the direction of remedies by the Reimbursement Bank, upon the occurrence and continuance of any Event of Default under the Indenture, unless the same is waived as provided in the Indenture, the Bond Trustee shall have the following rights and remedies, in addition to any other rights and remedies provided under the Indenture or by law:

- (a) *Right to Bring Suit, Etc.* The Bond Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Bonds Outstanding, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums due under the Indenture, to realize on or to foreclose any of its interests or liens under the Indenture or any other Transaction Document, to enforce and compel the performance of the duties and obligations of the Authority as set forth in the Indenture and to enforce or preserve any other rights or interests of the Bond Trustee under the Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.
- (b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the Owners of not less than 25% in principal amount of Bonds Outstanding and if indemnified as provided in the Indenture, the Bond Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by the Indenture as the Bond Trustee shall deem most expedient in the interests of the Owners.
- (c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and of the Owners under the Indenture, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.
- (d) *Suits to Protect the Trust Estate.* The Bond Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any

impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture and to protect its interests and the interests of the Owners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Indenture or be prejudicial to the interests of the Owners or the Bond Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the Owners in any judicial proceeding to which the Authority or the Corporation is a party and which in the judgment of the Bond Trustee has a substantial bearing on the interests of the Owners.

- (e) *Enforcement Without Possession of Bonds.* All rights of action under the Indenture or any of the Bonds may be enforced and prosecuted by the Bond Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Bond Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall be, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel, and subject to the provisions of the Indenture, for the equal and ratable benefit of the Owners of the Bonds in respect of which such judgment has been recovered.
- (f) *Restoration of Positions.* If the Bond Trustee or any Owner has instituted any proceeding to enforce any right or remedy under the Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Bond Trustee or to such Owner, then and in every case the Authority, the Bond Trustee, the Corporation and the Owners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Indenture, and thereafter all rights and remedies of the Bond Trustee and the Owners shall continue as though no such proceeding had been instituted.

Limitation on Suits by Bondowners. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, or for the appointment of a receiver or trustee or for any other remedy under the Indenture, unless:

- (a) such Owner has previously given written notice to the Bond Trustee of a continuing Event of Default;
- (b) the Owners of not less than 25% in principal amount of the Bonds Outstanding shall have made written request to the Bond Trustee to institute proceedings in respect of such Event of Default in its own name as Bond Trustee under the Indenture;
- (c) such Owner or Owners have offered to the Bond Trustee indemnity as provided in the Indenture against the fees, costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Bond Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

- (e) no direction inconsistent with such written request has been given to the Bond Trustee during such 60-day period by the Owners of a majority in principal amount of the Outstanding Bonds;

it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other Owners of Bonds, or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all Outstanding Bonds.

Notwithstanding the foregoing or any other provision in the Indenture, however, the Owner 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 respective stated maturities expressed in such Bond (or, in the case of redemption, on the redemption date) and nothing contained in the Indenture shall affect or impair the right of any Owner to institute suit for the enforcement of any such payment.

Control of Proceedings by Bondowners. Subject to the provisions of the Indenture relating to the direction of remedies by the Reimbursement Bank, the Owners of a majority in principal amount of the Bonds Outstanding shall have the right, during the continuance of an Event of Default,

- (a) to require the Bond Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of the Indenture, or otherwise; and
- (b) to direct the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under the Indenture, provided that:
 - (1) such direction shall not be in conflict with any rule of law or the Indenture or direction of the Reimbursement Bank (or of the Credit Bank, as permitted by the Letter of Credit), with respect to any Bonds secured by the Letter of Credit,
 - (2) the Bond Trustee may take any other action deemed proper by the Bond Trustee which is not inconsistent with such direction, and
 - (3) the Bond Trustee shall not determine that the action so directed would be unjustly prejudicial to the Owners not taking part in such direction.

Application of Moneys Collected. Any moneys collected by the Bond Trustee pursuant to the provisions of the Indenture relating to default and remedies (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys) together with any other sums then held by the Bond Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Bond Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

- (a) First: To the payment of all unpaid amounts due the Bond Trustee under the Indenture; provided, however, that no moneys drawn under the Letter of Credit or

remarketing proceeds shall be used to pay the Bond Trustee under this clause (a);

- (b) Second: To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Bond Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal (premium, if any) and interest, without any preference or priority, ratably according to the aggregate amount so due; and
- (c) Third: To the payment to the Reimbursement Bank of any amounts due and owing under the Credit Agreement and the payment of the remainder, if any, to the Corporation or to whosoever may be lawfully entitled to receive the same as designated in writing by the Corporation or as a court of competent jurisdiction may direct.

Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions under this heading, such moneys shall be applied by it at such times, and from time to time, as the Bond Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Bond Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any unpaid Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Rights and Remedies Cumulative. No right or remedy conferred upon or reserved to the Bond Trustee or to the Owners in the Indenture is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Delay or Omission Not Waiver. No delay or omission of the Bond Trustee or of any Owner of any Bond to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by the Indenture or by law to the Bond Trustee or to the Owners may be exercised from time to time, and as often as may be deemed expedient, by the Bond Trustee or by the Owners, as the case may be.

Waiver of Past Defaults. Subject to the provisions of the Indenture relating to the direction of remedies by the Reimbursement Bank, before any judgment or decree for payment of money due has been obtained by the Bond Trustee as provided in the Indenture, the Owners of a majority in principal amount of the Bonds Outstanding may, by written notice delivered to the

Bond Trustee and the Authority, on behalf of the Owners of all the Bonds waive any past Event of Default under the Indenture and its consequences, except for the following types of Events of Default:

- (a) in the payment of the principal of (or premium, if any) or interest on any Bond or the purchase price of any Bond tendered for purchase, or
- (b) in respect of a covenant or provision of the Indenture which Supplemental Bond Indentures cannot be modified or amended without the consent of the Owner of each Outstanding Bond affected.

Upon any such waiver, such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Indenture; but no such waiver shall extend to or affect any subsequent or other Event of Default or impair any right or remedy consequent thereon.

Advances by Bond Trustee. If the Corporation shall fail to make any payment or perform any of its covenants in the Loan Agreement, the Bond Trustee may, at any time and from time to time, use and apply any moneys held by it under the Indenture, or make advances, to effect payment or performance of any such covenant on behalf of the Corporation. All moneys so used or advanced by the Bond Trustee, together with interest at the Bond Trustee's announced prime rate, plus 2% per annum, but in any event such rate shall not exceed the maximum rate permitted by law, shall be repaid by the Corporation upon demand and such advances shall be secured under the Indenture prior to the Bonds. For the repayment of all such advances the Bond Trustee shall have the right to use and apply any moneys at any time held by it under the Indenture but no such use of moneys or advance shall relieve the Corporation from any Event of Default under the Indenture.

Direction of Remedies by Reimbursement Bank. Any provision in the Indenture to the contrary notwithstanding, but subject to the provisions of the Indenture relating to the limitation of rights on the Reimbursement Bank and Credit Bank, unless an Event of Default described in paragraphs (f) or (h) under the heading "Events of Default" shall have occurred and be continuing, with respect to any Bonds secured by a Letter of Credit, the Bond Trustee shall exercise the remedies provided for under the Indenture with respect to such Bonds only if and as directed in writing by the Reimbursement Bank (or by the Credit Bank, as permitted by the Letter of Credit) and shall not waive any Event of Default without the prior written consent of the Reimbursement Bank (and as otherwise provided for in the section of the Indenture titled "Acceleration of Maturity, Rescission and Annulment"); provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Acceptance of Trusts; Certain Duties and Responsibilities. The Bond Trustee accepts and agrees to execute the trusts imposed upon it by the Indenture, but only upon the following terms and conditions:

- (a) Except during the continuance of an Event of Default,
 - (1) the Bond Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Bond Trustee; and
 - (2) in the absence of bad faith on its part, the Bond Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed in the Indenture, upon certificates or opinions furnished to the Bond Trustee and conforming to the requirements of the Indenture; but in

the case of any such certificates or opinions which by any provision of the Indenture are specifically required to be furnished to the Bond Trustee, the Bond Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture.

- (b) If an Event of Default has occurred and is continuing, the Bond Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances.
- (c) No provision of the Indenture shall be construed to relieve the Bond Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:
 - (1) subsection (c) shall not be construed to limit the effect of subsection (a);
 - (2) the Bond Trustee shall not be liable for any error of judgment made in good faith by an authorized officer of the Bond Trustee, unless it shall be proved that the Bond Trustee was negligent in ascertaining the pertinent facts;
 - (3) the Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee, under the Indenture; and
 - (4) no provision of the Indenture shall require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.
- (d) Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Bond Trustee shall be subject to the provisions above.

Certain Rights of Bond Trustee. Except as otherwise provided under the heading above:

- (a) The Bond Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.
- (b) The Bond Trustee shall be entitled to rely upon an Officer's Certificate as to the sufficiency of any request or direction of the Corporation, the existence or non-existence of any fact or the sufficiency or validity of any instrument, paper or proceeding, or that a resolution in the form therein set forth has been duly adopted by the governing board of the Corporation, and is in full force and effect.

- (c) Whenever in the administration of the Indenture the Bond Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action under the Indenture, the Bond Trustee (unless other evidence be therein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate.
- (d) The Bond Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Bond Trustee under the Indenture in good faith and in reliance thereon.
- (e) Notwithstanding any provision of the Indenture to the contrary (with the exception of any action required in an Event of Default, delivery of notices of tender and redemption and payment of principal of and/or interest to Bondholders), the Bond Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture whether at the request or direction of any of the Owners pursuant to the Indenture or otherwise, unless such Owners shall have offered to the Bond Trustee reasonable security or indemnity against the fees, advances, costs, expenses and liabilities, including those arising in connection with any environmental claim (except as may result from the Bond Trustee's own negligence or willful misconduct) which might be incurred by it in compliance with such request or direction.
- (f) The Bond Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, or other paper or document, but the Bond Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Bond Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.
- (g) The Bond Trustee assumes no responsibility for the correctness of the recitals contained in the Indenture and in the Bonds, except the certificate of authentication on the Bonds. The Bond Trustee makes no representations to the value or condition of the Trust Estate or any part thereof, or as to the title thereto or as to the security afforded thereby, or as to the validity or sufficiency of the Indenture or of the Bonds. The Bond Trustee shall not be accountable for the use or application by the Authority or the Corporation of any of the Bonds or the proceeds thereof or of any money paid to or upon the order of the Authority or the Corporation under any provision of the Indenture.
- (h) The Bond Trustee, in its individual or any other capacity, may become the Owner or pledgee of Bonds and may otherwise deal with the Authority or the Corporation with the same rights it would have if it were not Bond Trustee.
- (i) All money received by the Bond Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received. Money held by the Bond Trustee in trust under the Indenture need not be segregated from other funds except to the extent required by law or by the Indenture. The Bond Trustee shall be under no liability for interest on any money received by it except for earnings on Permitted Investments purchased at the written direction of the Corporation.

- (j) The Bond Trustee may execute any of the trusts or powers under the Indenture or perform any duties thereunder either directly or by or through agents or attorneys and the Bond Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it under the Indenture.
- (k) The permissive right of the Bond Trustee to do things enumerated in the Indenture shall not be construed as a duty and the Bond Trustee shall not be answerable for other than its negligence or willful misconduct.
- (l) The Bond Trustee shall not be required to give any bond or security in respect of the execution or administration of the Indenture.
- (m) Notwithstanding any other provision of the Indenture to the contrary, any provision intended to provide authority to act, right to payment of fees and expenses, protection, immunity and indemnification to the Bond Trustee shall be interpreted to include any action of the Bond Trustee whether it is deemed to be in its capacity as Bond Trustee or bond registrar.

Compensation and Reimbursement. The Bond Trustee shall be entitled to payment or reimbursement:

- (a) from time to time for reasonable compensation for all services rendered by it under the Indenture (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);
- (b) except as otherwise expressly provided in the Indenture, upon its request, for all reasonable expenses, disbursements and advances incurred or made by the Bond Trustee in accordance with any provision of the Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Bond Trustee's negligence or bad faith; and
- (c) to indemnify the Bond Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust, including the costs and expenses of defending itself against any claim or liability or the carrying out of any instructions of the Authority, the Corporation, the Reimbursement Bank, the Credit Bank or any Bondowner, in connection with the exercise or performance of any of its powers or duties under the Indenture, except that the Bond Trustee may not require that indemnity be furnished as a condition to completing and presenting a draw on the Letter of Credit required under the Indenture or as a condition to effecting a tender, redemption or acceleration or paying Bondholders.

All such payments and reimbursements shall be made by the Corporation or the Person providing instructions to the Bond Trustee with interest at the rate of interest per annum equal to the prime rate announced from time to time by the Bond Trustee, plus 2%, but in any event not in excess of the maximum rate permitted by law.

The Bond Trustee shall promptly notify the Corporation in writing of any claim or action brought against the Bond Trustee in respect of which indemnity may be sought against the Corporation, setting forth the particulars of such claim or action, and the Corporation will assume the defense thereof, including the employment of counsel satisfactory to the Bond Trustee and the payment

of all expenses. The Bond Trustee may employ separate counsel in any such action and participate in the defense thereof, and the reasonable fees and expenses of such counsel shall not be payable by the Corporation unless such employment has been specifically authorized by the Corporation or in the opinion of the Bond Trustee the Corporation has failed to actively pursue the defense of such claim or action.

As security for the payment of such compensation, expenses, reimbursements and indemnity, the Bond Trustee shall be secured under the Indenture by a first lien prior to the Bonds, and shall have the right to use and apply any trust moneys held by it under certain provisions of the Indenture; provided, however, no money drawn under the Letter of Credit or remarketing proceeds may be used for any such payment to the Bond Trustee.

Corporate Trustee Required; Eligibility. There shall at all times be a Bond Trustee which shall be a bank or trust company organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority, having a principal corporate trust office located in the State of Minnesota, and having a combined capital and surplus of at least \$50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this paragraph, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of this paragraph, it shall resign immediately in the manner and with the effect specified in the Indenture.

Tax Agreement. The Bond Trustee covenants and agrees that it will comply with all written instructions of the Corporation given in accordance with the Tax Agreement and will take any and all action as may be necessary in accordance with such written instructions. With respect to the Tax Agreement, the Bond Trustee is not required to act without direction from the Corporation. The Bond Trustee acknowledges receipt of the Tax Agreement and acknowledges that the provisions of the Tax Agreement are incorporated in the Indenture by reference. The Bond Trustee shall not be accountable for the use by the Corporation of the proceeds of the Bonds.

Resignation and Removal of Bond Trustee.

- (a) The Bond Trustee may resign at any time by giving written notice thereof to the Authority, the Corporation, the Reimbursement Bank, the Credit Bank and each Owner of Bonds Outstanding as shown by the list of Owners required by the Indenture to be kept at the office of the Bond Trustee. If an instrument of acceptance by a successor Bond Trustee shall not have been delivered to the Bond Trustee within 30 days after the giving of such notice of resignation, the resigning Bond Trustee may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee.
- (b) If the Bond Trustee has or shall acquire any impermissible conflicting interest, it shall, within 90 days after ascertaining that it has a conflicting interest, or within 30 days after receiving written notice from the Authority, the Reimbursement Bank, the Credit Bank or the Corporation (so long as the Corporation is not in default under the Loan Agreement) that it has a conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in subsection (a).

- (c) The Bond Trustee may be removed at any time by an instrument or concurrent instruments in writing, appointing a successor to the Bond Trustee so removed, filed with the Authority and the Bond Trustee signed by the Owners of a majority in principal amount of the Outstanding Bonds. The Authority, the Corporation or any Owner may at any time petition any court of competent jurisdiction for the removal for cause of the Bond Trustee.
- (d) The Bond Trustee may be removed at any time (so long as no default has occurred and is continuing under the Indenture) by the Authority at the request of the Corporation with the consent of the Reimbursement Bank, subject to Section 505, by an instrument in writing signed by the Authority and the Corporation and delivered to the Bond Trustee.
- (e) If at any time:
 - (1) the Bond Trustee shall fail to comply with subsection (b) after receipt by the Bond Trustee of a written request from the Authority, the Reimbursement Bank or any Owner, or
 - (2) the Bond Trustee shall cease to be eligible under the Indenture and shall fail to resign after receipt by the Bond Trustee of a request from the Authority or any Owner, or
 - (3) the Bond Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Bond Trustee or of its property shall be appointed or any public officer shall take charge or control of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Authority may remove the Bond Trustee and appoint a successor Bond Trustee, or (B) the Corporation or any Owner may petition any court of competent jurisdiction for the removal of the Bond Trustee and the appointment of a successor Bond Trustee.
- (f) The Bond Trustee shall give notice of each resignation and each removal of the Bond Trustee and each appointment of a successor Bond Trustee by mailing written notice of such event by first-class mail, postage prepaid, to the Owners of Bonds as their names and addresses appear in the bond register maintained by the Bond Trustee. Each notice shall include the name of the successor Bond Trustee and the address of its principal corporate trust office.
- (g) No resignation or removal of the Bond Trustee and no appointment of a successor Bond Trustee shall become effective until the acceptance of appointment by the successor Bond Trustee.

Appointment of Successor Bond Trustee. If the Bond Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Bond Trustee for any cause, the Authority, with the written consent of the Corporation and the Reimbursement Bank (which consents shall not be unreasonably withheld) (so long as no Event of Default under the Indenture or under the Loan Agreement has occurred and is continuing), or the Owners of a majority in principal amount of Bonds Outstanding (if a default under the Indenture or under the Loan Agreement has occurred and is continuing), by an instrument or concurrent instruments in writing received by the Authority and the retiring Bond Trustee, shall promptly appoint a successor Bond Trustee. In case all or substantially all of the Trust Estate shall be in the

possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a temporary successor to fill such vacancy until a new Bond Trustee shall be so appointed by the Authority or the Owners. A successor Bond Trustee shall be appointed in the manner provided in the Indenture, the successor Bond Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Bond Trustee and supersede the retiring Bond Trustee and any temporary successor Bond Trustee appointed by such receiver or trustee. If after 30 days following such resignation, no successor Bond Trustee shall have been so appointed and accepted appointment in the manner provided, any Owner or the retiring Bond Trustee may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, until a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided. Every such successor Bond Trustee appointed pursuant to such provisions shall be a bank with trust powers or trust company in good standing under the law of the jurisdiction in which it was created and by which it exists, meeting the eligibility requirements stated above.

Acceptance of Appointment by Successor. Every successor Bond Trustee appointed under the Indenture shall execute, acknowledge and deliver to the Authority and to the retiring Bond Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Bond Trustee shall become effective and such successor Bond Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Bond Trustee; but, on request of the Authority or the successor Bond Trustee, such retiring Bond Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Bond Trustee upon the trusts expressed in the Indenture all the estates, properties, rights, powers and trusts of the retiring Bond Trustee, and shall duly assign, transfer and deliver to such successor Bond Trustee all property, money and the Letter of Credit held by such retiring Bond Trustee, subject nevertheless to its lien, if any, provided for in the Indenture and thereupon, all duties and obligations of the retiring Bond Trustee shall cease and terminate. Upon request of any such successor Bond Trustee, the Authority shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Bond Trustee all such estates, properties, rights, powers and trusts.

No successor Bond Trustee shall accept its appointment unless at the time of such acceptance such successor Bond Trustee shall be qualified and eligible.

Co-Bond Trustees and Separate Bond Trustees. At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any of the Trust Estate may at the time be located, or in the enforcement or the exercise of any of the powers, rights or remedies in the Indenture granted to the Bond Trustee, or any other action which may be desirable or necessary in connection therewith, the Bond Trustee shall have power to appoint, and, the Authority shall (upon the written request of the Bond Trustee or of the Owners of at least 25% in principal amount of the Bonds Outstanding) join with the Bond Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Bond Trustee either to act as co-trustee, jointly with the Bond Trustee, of all or any part of the Trust Estate, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such person or persons in the capacity aforesaid, any property, title, right or power in addition to those provided under the Indenture to the Bond Trustee deemed necessary or desirable, subject to the other provisions under this heading, below. If the Authority does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default has occurred and is continuing, the Bond Trustee alone shall have power to make such appointment.

Should any written instrument from the Authority be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Authority.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

- (a) The Bonds shall be authenticated and delivered, and all rights, powers, duties and obligations under the Indenture in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Bond Trustee under the Indenture, shall be exercised solely, by the Bond Trustee.
- (b) The rights, powers, duties and obligations conferred or imposed upon the Bond Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Bond Trustee or by the Bond Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Bond Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee.
- (c) The Bond Trustee at any time, by an instrument in writing executed by it, with the written concurrence of the Authority, may accept the resignation of or remove any co-trustee or separate trustee, and, in case an Event of Default has occurred and is continuing, the Bond Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Authority. Upon the written request of the Bond Trustee, the Authority shall join with the Bond Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided above.
- (d) No co-trustee or separate trustee shall be personally liable by reason of any act or omission of the Bond Trustee, or any other such trustee under the Indenture.
- (e) Any request, demand, authorization, direction, notice, consent, waiver or other act of Owners delivered to the Bond Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

Remarketing Agent. There shall at all times, prior to the Fixed Rate Conversion Date, be a Remarketing Agent appointed for the Bonds. The Remarketing Agent shall be a corporation or other legal entity organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to perform all duties imposed upon the Remarketing Agent by the Indenture, and shall be either (a) a member of the National Association of Securities Dealers, Inc. and registered as a Municipal Securities Dealer under the Securities Exchange Act of 1934, as amended, or (b) a national banking association, commercial bank or trust company. So long as the Bonds are held in book-entry form at the Securities Depository, the Remarketing Agent must be a Participant in the Securities Depository with respect to the Bonds.

The Remarketing Agent shall perform all of the duties imposed upon it by the Indenture and the Remarketing Agreement, but only upon the terms and conditions set forth in the Indenture and the Remarketing Agreement, including the following:

- (a) set the interest rates on the Bonds and perform the other duties provided for in the Indenture and remarket Bonds as provided in the Indenture, subject to the provisions of the Remarketing Agreement between the Corporation and the Remarketing Agent, which shall control in the case of any conflict with the Indenture;
- (b) hold all moneys delivered to it under the Indenture for the purchase of Bonds in trust solely for the benefit of the person or entity which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;
- (c) keep such books and records as shall be consistent with customary industry practice that shall accurately reflect the transactions under the Indenture and to make such books and records available for inspection by the Authority, the Corporation, the Bond Trustee and the Credit Bank at all reasonable times;
- (d) deliver any notices required by the Indenture to be delivered by the Remarketing Agent; and
- (e) perform all other duties of the Remarketing Agent under the Indenture and the Remarketing Agreement.

The Remarketing Agent at any time may resign and be discharged of the duties and obligations imposed upon the Remarketing Agent by the Indenture, by giving written notice thereof to the Corporation, the Authority, the Bond Trustee, the Reimbursement Bank and the Credit Bank at least 30 days prior to the effective date of such resignation. The Remarketing Agent shall resign immediately at any time that it shall cease to be eligible.

The Remarketing Agent shall not be entitled to any compensation from the Authority, the Reimbursement Bank, the Credit Bank or the Bond Trustee, but rather shall only be entitled to compensation from the Corporation.

The Remarketing Agent may be removed at any time by the Corporation with the prior written consent of the Authority and the Reimbursement Bank (which consents shall not be unreasonably withheld) by an instrument in writing delivered at least 30 days prior to the effective date of such removal to the Remarketing Agent, the Authority, the Bond Trustee, the Reimbursement Bank and the Credit Bank.

If the Remarketing Agent shall resign, be removed or become incapable of acting for any cause, the Corporation, with the prior written consent of the Authority and the Reimbursement Bank (which consents shall not be unreasonably withheld), shall promptly appoint a successor Remarketing Agent for the Bonds, subject to the conditions set forth in the Indenture, by an instrument in writing delivered to the Authority, the Bond Trustee, the Reimbursement Bank, the Credit Bank, and the retiring Remarketing Agent. Every such successor Remarketing Agent appointed pursuant to these provisions shall meet the eligibility requirements of the Indenture.

Every successor Remarketing Agent appointed under the Indenture shall execute and deliver to the Corporation, the Authority, the Bond Trustee, the Reimbursement Bank, the Credit Bank and the retiring Remarketing Agent an instrument accepting such appointment, designating its principal office and signifying its acceptance of the duties and obligations imposed upon it under

the Indenture and under the Remarketing Agreement. No resignation or removal of the Remarketing Agent and no appointment of a successor Remarketing Agent shall become effective until the acceptance of appointment by the successor Remarketing Agent under the Indenture.

The Bond Trustee shall give notice of each resignation and each removal of the Remarketing Agent and each appointment of a successor Remarketing Agent by mailing written notice by first-class mail of such event within 30 days of the resignation or removal of the Remarketing Agent or the appointment of a successor Remarketing Agent, to the Authority, the Reimbursement Bank, the Credit Bank, the Rating Agency and the Owners of the Bonds as their names and addresses appear in the bond register maintained by the Bond Trustee. Each notice shall include the name of the successor Remarketing Agent and the address of its principal office.

In the event of the resignation or removal of the Remarketing Agent, and the appointment of a successor Remarketing Agent, the retiring Remarketing Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor.

In the event that the Remarketing Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Corporation with the approval of the Authority and the Reimbursement Bank shall not have appointed a successor as Remarketing Agent, the Bond Trustee, notwithstanding the provisions of the first paragraph under this heading, shall *ipso facto* be deemed to be the Remarketing Agent for all purposes of the Indenture until such appointment of the successor Remarketing Agent; provided, that the Bond Trustee, in its capacity as Remarketing Agent, shall not be required to remarket Bonds or determine interest rates.

Supplemental Indentures without Consent of Bondowners. Without the consent of the Owners of any Bonds, but with the prior written consent of the Credit Bank (and the Corporation if required pursuant to the Indenture), the Authority and the Bond Trustee may from time to time enter into one or more Supplemental Indentures for any of the following purposes:

- (a) to correct or amplify the description of any property at any time subject to the lien of the Indenture, or better to assure, convey and confirm unto the Bond Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property; or
- (b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of the Bonds, as set forth in the Indenture, additional conditions, limitations and restrictions thereafter to be observed; or
- (c) to evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture; or
- (d) to add to the covenants of the Authority or to the rights, powers and remedies of the Bond Trustee for the benefit of the Owners of the Bonds or to surrender any right or power conferred in the Indenture upon the Authority provided that such surrender shall not materially adversely affect the interests of the Owners of the Bonds; or
- (e) to cure any ambiguity, to correct or supplement any provision in the Indenture or any Supplemental Indenture which may be inconsistent with any other provision

or to make any other change, with respect to matters or questions arising under the Indenture, which shall not be inconsistent with the provisions of the Indenture, provided such action shall not materially adversely affect the interests of the Owners of the Bonds; or

- (f) to evidence the appointment of a new Remarketing Agent or Bond Trustee, and in connection therewith to change any times of day specified in the Indenture by which any action must be taken; or
- (g) to alter the manner in which the Remarketing Agent may, in the reasonable exercise of its judgment, act to increase the likelihood of achieving the lowest net interest cost during the term of the Bonds, but only if the Corporation provides to the Bond Trustee and the Authority an Opinion of Bond Counsel to the effect that the amendment will not adversely affect the Tax-Exempt status of interest on any Bonds for federal income tax purposes; or
- (h) to alter, prior to the applicable Fixed Rate Conversion Date, the manner in which a schedule of principal payments and interest rates may be set, or the redemption provisions to be applicable to Bonds accruing interest at a Fixed Rate Period, but only if the Corporation provides to the Bond Trustee and the Authority an Opinion of Bond Counsel to the effect that the amendment will not adversely affect the Tax-Exempt status of interest on the Bonds; or
- (i) to modify, eliminate or add to the provisions of the Indenture or any Supplemental Indenture to such extent as shall be necessary to effect the qualification of the Indenture or any Supplemental Indenture under the Trust Indenture Act of 1939, as amended, or under any similar federal statute hereafter enacted, or to permit the qualification of the Bonds for sale under the securities laws of the United States or any state of the United States and which shall not materially adversely affect the interests of the Owners of the Bonds;
- (j) to provide for an extension of a Letter of Credit or the provision of an Alternate Letter of Credit;
- (k) to comply with requirements of the Rating Agency in order to obtain or maintain a rating on any Bonds;
- (l) in connection with any other change which will not adversely affect the security for the Bonds or the Tax-Exempt status of interest on the Bonds or otherwise materially adversely affect the interests of the Holders of the Bonds (such determination may be based upon an Opinion of Counsel); or
- (m) to modify, alter, amend or supplement the Indenture or the Loan Agreement in any other respect, if the effective date of such Supplemental Indenture is a date on which all Bonds affected thereby are subject to mandatory tender for purchase or if notice by mail of the proposed Supplemental Indenture is given to Owners of the affected Bonds at least 30 days before the effective date thereof and, on or before such effective date, such Owners have the right to demand purchase of their Bonds.

Supplemental Indentures with Consent of Bondowners. With the prior written consent of the Credit Bank, the Corporation if required pursuant to the Indenture, and the Owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Indenture, the Authority and the Bond Trustee may enter into one or more

Supplemental Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Owners of the Bonds under the Indenture; provided, however, that no such Supplemental Indenture shall, without the consent of the Owner of each Outstanding Bond affected thereby,

- (a) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Holder of each Bond so affected; or
- (b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Owners is required for any such Supplemental Indenture, or the consent of whose Owners is required for any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain Event of Defaults under the Indenture and their consequences; or
- (c) modify the obligation of the Authority to make payment on or provide funds for the payment of any Bond; or
- (d) modify or alter the provisions of the proviso to the definition of the term "Outstanding," or
- (e) modify any of the provisions under this heading or regarding waiver of past defaults, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Owner of each Bond affected thereby; or
- (f) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the Trust Estate or terminate the lien of the Indenture on any property at any time subject to the Indenture or deprive the Owner of any Bond of the security afforded by the lien of the Indenture.

The Bond Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Indenture and any such determination shall be conclusive upon the Owners of all Bonds, whether theretofore or thereafter authenticated and delivered under the Indenture. The Bond Trustee shall not be liable for any such determination made in good faith. It shall not be necessary for the required percentage of Owners of Bonds to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such act shall approve the substance thereof.

Effect of Supplemental Indentures. Upon the execution of any Supplemental Indenture, the Indenture shall be modified in accordance therewith and such Supplemental Indenture shall form a part of the Indenture for all purposes; and every Owner of Bonds theretofore or thereafter authenticated and delivered under the Indenture shall be bound thereby.

Corporation's Consent to Supplemental Indentures. So long as the Corporation is not in default under the Loan Agreement, a Supplemental Indenture which affects any rights of the Corporation will not become effective unless and until the Corporation consents in writing to the execution and delivery of such Supplemental Indenture.

Payment, Discharge and Defeasance of Bonds. Bonds will be deemed to be paid and discharged and no longer Outstanding under the Indenture and will cease to be entitled to any lien, benefit or security of the Indenture if the Authority shall pay or provide for the payment of such Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;
- (b) by delivering such Bonds to the Bond Trustee for cancellation; or
- (c) by depositing in trust with the Bond Trustee or other commercial bank or trust company with full trust powers Eligible Moneys and Defeasance Obligations acquired with Eligible Moneys in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity or redemption dates (including the payment of the principal of, premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof); provided that, if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption is given in accordance with the requirements of the Indenture or provision satisfactory to the Bond Trustee is made for the giving of such notice; and further provided that no Bonds, or any part thereof shall be deemed to have been paid and discharged if the Bonds bear interest at other than a Fixed Rate unless such Bonds are to be redeemed on or prior to the next date, if any, on which the interest rate payable on such Bonds may change to a different rate unless the amount so deposited is sufficient to pay interest at the Maximum Rate thereafter until the redemption date.

In any case, if the Bonds are rated by a Rating Agency, the Bonds shall not be deemed to have been paid or discharged by reason of any deposit pursuant to paragraphs (a) and/or (c) above unless such Rating Agency shall have confirmed in writing to the Bond Trustee that its rating will not be withdrawn or lowered as the result of any such deposit.

The foregoing notwithstanding, the liability of the Authority in respect of such Bonds shall continue, but the Owners thereof shall thereafter be entitled to payment only out of the moneys and Defeasance Obligations deposited with the Bond Trustee as aforesaid.

Moneys and Defeasance Obligations so deposited with the Bond Trustee shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Such moneys and Defeasance Obligations shall be applied by the Bond Trustee to the payment to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such moneys and Defeasance Obligations have been deposited with the Bond Trustee.

Satisfaction and Discharge of Indenture. The Indenture and the lien, rights and interests created by the Indenture shall cease, terminate and become null and void (except as to any surviving rights of transfer or exchange of Bonds provided for in the Indenture) if the following conditions are met:

- (a) the principal of, premium, if any, and interest on all Bonds has been paid or is deemed to be paid and discharged by meeting the conditions under the heading above;
- (b) all other sums payable under the Indenture with respect to the Bonds are paid or provision satisfactory to the Bond Trustee is made for such payment;
- (c) the Bond Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) addressed and

delivered to the Bond Trustee and the Authority to the effect that so providing for the payment of any Bonds will not cause the interest on the Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Indenture; and

- (d) the Bond Trustee receives an Opinion of Counsel to the effect that all conditions precedent to the satisfaction and discharge of the Indenture have been complied with.

The Bonds cannot be deemed to be paid unless (a) the interest rate mode then in effect results in the interest rate for the Bonds being fixed to the earlier of an optional redemption date or final stated maturity of such Bonds, or (b) interest is provided for at the interest rate for such Bonds to the date to which the interest rate is fixed and at the Maximum Rate thereafter to the earlier of an optional redemption date or final maturity of such Bonds.

Thereupon, the Bond Trustee shall execute and deliver to the Authority a termination statement and such instruments of satisfaction and discharge of the Indenture as may be necessary and shall pay, assign, transfer and deliver to the Authority, or other Persons entitled thereto, all moneys, securities and other property then held by it under the Indenture as a part of the Trust Estate, other than moneys or Defeasance Obligations held in trust by the Bond Trustee for the payment of the principal of, premium, if any, and interest on the Bonds.

Rights Retained After Discharge. Notwithstanding the satisfaction and discharge of the Indenture, the rights of the Bond Trustee relating to compensation and reimbursement shall survive, and the Bond Trustee shall retain such rights, powers and duties under the Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer and exchange of Bonds. Nevertheless, any moneys held by the Bond Trustee for the payment of the principal of, redemption premium, if any, purchase price, or interest on any Bond remaining unclaimed for two years after the principal of all Bonds has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided in the Indenture, shall then be paid without liability for interest thereon, first to the Reimbursement Bank, to the extent the Reimbursement Bank has notified the Bond Trustee in writing of any moneys then owed to the Reimbursement Bank under the Credit Agreement and then to the Corporation, and the Owners of any Bonds not theretofore presented for payment shall thereafter be entitled to look only to the Corporation for payment thereof and all liability of the Bond Trustee or the Authority with respect to such moneys shall thereupon cease.

Immunity of Officers, Employees and Members of Authority. No recourse shall be had for the payment of the principal and purchase price of or redemption premium, if any, or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Indenture against any past, present or future officer, director, member, employee or agent of the Authority, or of any successor public corporation, either directly or through the Authority or any successor public corporation, or the State or any department, board or agency of the State under any rule of law or equity, statute or constitution, or by the enforcement of any assessment or penalty or otherwise, and all such liability (including individual or personal liability) of any such officers, directors, members, employees or agents as such is expressly waived and released as a condition of and consideration for the execution of the Indenture and the issuance of Bonds; provided, however, that nothing contained in the Indenture shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or the Indenture.

Limitation on Authority Obligations. Any other term or provision in the Indenture or in any other Transaction Documents or elsewhere to the contrary notwithstanding:

- (a) Any and all obligations (including without limitation, fees, claims, demands, payments, damages, liabilities, penalties, assessments and the like) of or imposed upon the Authority or its members, officers, agents, employees, representatives, advisors or assigns, whether under the Indenture or any of the other Transaction Documents or elsewhere and whether arising out of or based upon a claim or claims of tort, contract, misrepresentation, or any other or additional legal theory or theories whatsoever (collectively the "Obligations"), shall in all events be absolutely limited obligations and liabilities, payable solely out of the following, if any, available at the time the Obligation in question is asserted:

- (1) Bond proceeds and investment earnings therefrom; and
 - (2) Payments derived from the Bonds, the Letter of Credit, the Indenture (including the Trust Estate to the extent provided in the Indenture) and the Loan Agreement (except for the fees and expenses of the Authority and the Authority's right to indemnification under the Loan Agreement under certain circumstances and as otherwise expressly set forth therein);

(the above provisions (1) and (2) being collectively referred to as the "exclusive sources of the Obligations").

- (b) The Obligations shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof within the meaning of any state constitutional provision or statutory limitation and shall not constitute a pledge of the full faith and credit of the Authority, the State or of any political subdivision thereof, but shall be payable solely from and out of the exclusive sources of the Obligations and shall otherwise impose no liability whatsoever, primary or otherwise, upon the Authority, the State or any political subdivision thereof or any charge upon their general credit or taxing power, if any.
- (c) In no event shall any member, officer, agent, employee, representative or advisor of the Authority, or any successor or assign of any such person or entity, be liable, personally or otherwise, for any Obligation.
- (d) In no event shall the Indenture be construed as:
 - (1) depriving the Authority of any right or privilege; or
 - (2) requiring the Authority or any member, officer, agent, employee, representative or advisor of the Authority to take or omit to take, or to permit or suffer the taking of, any action by itself or by anyone else; which deprivation or requirement would violate or result in the Authority's being in violation of the Act or any other applicable state or federal law.

THE DEPOSITORY TRUST COMPANY

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

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

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

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

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

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

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

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

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

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

**AUDITED FINANCIAL STATEMENTS, CONCORDIA UNIVERSITY, ST. PAUL –
ST. PAUL, MINNESOTA
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

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INDEPENDENT AUDITORS' REPORT

Board of Regents
Concordia University, St. Paul
St. Paul, Minnesota

We have audited the accompanying statements of financial position of Concordia University, St. Paul, an educational institution of The Lutheran Church – Missouri Synod, as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Concordia University, St. Paul as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

A handwritten signature in black ink, appearing to be "L. Allen LLP", written in a cursive style.

LarsonAllen LLP

Minneapolis, Minnesota
September 17, 2007

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and Cash Equivalents	\$ 801,773	\$ 536,422
Funds on Deposit with Concordia University System	-	139,357
Accounts and Interest Receivable - Net of Allowance for Doubtful Accounts of \$659,988 in 2007 and \$753,393 in 2006	1,296,713	1,456,216
Federal Grants Receivable	71,089	120,319
State Grants Receivable	337,076	397,915
Inventories, Prepaid Expenses, and Other Assets	933,177	916,236
Contributions Receivable - Net of Allowance for Doubtful Accounts of \$16,662 in 2007 and \$70,365 in 2006	2,391,005	1,503,116
Trusts and Annuities Receivable	1,102,237	926,449
Funds on Deposit with Bond Trustee	191,070	173,934
Loans Receivable - Federal Perkins Loan Program	2,060,864	2,202,514
Land, Buildings, and Equipment - Net	29,459,336	29,295,498
Investment in LCMS Foundation	17,460,601	15,433,862
Long-Term Investments	3,489,804	3,194,985
Funds Held by Third-Party Trustees	3,223,453	3,062,476
Cash Value of Life Insurance	479,352	428,816
Bond Issuance Costs - Net	217,325	228,329
	<u> </u>	<u> </u>
Total Assets	<u>\$ 63,514,875</u>	<u>\$ 60,016,444</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Liabilities	\$ 2,454,062	\$ 2,104,021
Funds Advanced by Concordia University System	1,376,900	500,000
Deposits Payable	1,369,418	1,452,238
Deferred Revenue	1,838,852	2,025,738
Loans Payable	515,000	15,000
Obligation Under Capital Lease	857,364	966,433
Bonds Payable - Net of Discounts	8,275,403	8,817,892
Refundable Advances - Federal Perkins Loan Program	2,501,465	2,608,919
	<u> </u>	<u> </u>
Total Liabilities	19,188,464	18,490,241
NET ASSETS		
Undesignated	(41,230)	(496,934)
Net Investment in Land, Buildings, and Equipment	19,575,532	19,527,059
	<u> </u>	<u> </u>
Total Unrestricted	19,534,302	19,030,125
Temporarily Restricted	3,523,085	3,938,203
Permanently Restricted	21,269,024	18,557,875
	<u> </u>	<u> </u>
Total Net Assets	44,326,411	41,526,203
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 63,514,875</u>	<u>\$ 60,016,444</u>

See accompanying Notes to Financial Statements.

CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND GRANTS				
Concordia University System	\$ 153,227	\$ 56,175	\$ -	\$ 209,402
Federal Grants	331,534	-	-	331,534
State Grants	1,158,002	-	-	1,158,002
Other	595,523	2,387,569	1,742,754	4,725,846
Total Support and Grants	2,238,286	2,443,744	1,742,754	6,424,784
REVENUE				
Tuition and Fees	28,879,065	-	-	28,879,065
Less: Scholarship Allowances	(7,253,619)	-	-	(7,253,619)
Net Tuition and Fees	21,625,446	-	-	21,625,446
Income on Cash and Cash Equivalents	40,692	-	-	40,692
Income on Long-Term Investments	296,916	268,273	17,589	582,778
Auxiliary Enterprises	4,454,450	-	-	4,454,450
Other	410,888	-	-	410,888
Total Revenue	26,828,392	268,273	17,589	27,114,254
GAINS AND OTHER ADDITIONS				
Change in Value of Split-Interest Agreements	-	101,193	74,595	175,788
Change in Value of Funds Held by Third-Party Trustees	-	-	160,952	160,952
Net Gains on Investments	746,782	367,291	715,259	1,829,332
Total Gains and Other Additions	746,782	468,484	950,806	2,166,072
Subtotal	29,813,460	3,180,501	2,711,149	35,705,110
NET ASSETS RELEASED FROM RESTRICTIONS	3,595,619	(3,595,619)	-	-
Total Support, Revenue, Gains, and Other Additions	33,409,079	(415,118)	2,711,149	35,705,110
EXPENSES				
Educational and General:				
Academic Programs:				
Instruction-Divisional	9,152,756	-	-	9,152,756
Other Instructional Programs	1,386,995	-	-	1,386,995
Support Programs:				
Academic Support	2,716,157	-	-	2,716,157
Student Services	6,602,215	-	-	6,602,215
Institutional Support	5,232,632	-	-	5,232,632
Fund Raising	1,189,961	-	-	1,189,961
Total Educational and General	26,280,716	-	-	26,280,716
Auxiliary Enterprises	6,011,987	-	-	6,011,987
Total Expenses	32,292,703	-	-	32,292,703
CHANGE IN OPERATING NET ASSETS	1,116,376	(415,118)	2,711,149	3,412,407
Non-Operating Change in Net Assets				
Property and Equipment Impairment Loss	(612,199)	-	-	(612,199)
CHANGES IN NET ASSETS	504,177	(415,118)	2,711,149	2,800,208
Net Assets - Beginning	19,030,125	3,938,203	18,557,875	41,526,203
NET ASSETS - ENDING	\$ 19,534,302	\$ 3,523,085	\$ 21,269,024	\$ 44,326,411

See accompanying Notes to Financial Statements.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND GRANTS				
Concordia University System	\$ 150,400	\$ 9,500	\$ -	\$ 159,900
Federal Grants	353,888	-	-	353,888
State Grants	1,150,586	-	-	1,150,586
Other	551,453	2,638,276	152,388	3,342,117
Total Support and Grants	2,206,327	2,647,776	152,388	5,006,491
REVENUE				
Tuition and Fees	27,270,507	-	-	27,270,507
Less: Scholarship Allowances	(6,677,581)	-	-	(6,677,581)
Net Tuition and Fees	20,592,926	-	-	20,592,926
Income on Cash and Cash Equivalents	34,265	-	-	34,265
Income on Long-Term Investments	295,565	233,298	9,225	538,088
Auxiliary Enterprises	4,539,009	-	-	4,539,009
Other	297,816	-	-	297,816
Total Revenue	25,759,581	233,298	9,225	26,002,104
GAINS AND OTHER ADDITIONS				
Change in Value of Split-Interest Agreements	-	(27,556)	25,196	(2,360)
Change in Value of Funds Held by Third-Party Trustees	-	-	174,983	174,983
Net Gains on Investments	239,451	98,762	276,977	615,190
Total Gains and Other Additions	239,451	71,206	477,156	787,813
Subtotal	28,205,359	2,952,280	638,769	31,796,408
NET ASSETS RELEASED FROM RESTRICTIONS	2,323,198	(2,323,198)	-	-
Total Support, Revenue, Gains, and Other Additions	30,528,557	629,082	638,769	31,796,408
EXPENSES				
Educational and General:				
Academic Programs:				
Instruction-Divisional	9,372,529	-	-	9,372,529
Other Instructional Programs	1,334,710	-	-	1,334,710
Support Programs:				
Academic Support	2,989,224	-	-	2,989,224
Student Services	5,979,338	-	-	5,979,338
Institutional Support	5,153,702	-	-	5,153,702
Fund Raising	1,211,218	-	-	1,211,218
Total Educational and General	26,040,721	-	-	26,040,721
Auxiliary Enterprises	4,781,308	-	-	4,781,308
Total Expenses	30,822,029	-	-	30,822,029
CHANGE IN NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(293,472)	629,082	638,769	974,379
Cumulative Effect of Change in Accounting Principle	(354,000)	-	-	(354,000)
CHANGES IN NET ASSETS	(647,472)	629,082	638,769	620,379
Net Assets - Beginning	19,677,597	3,309,121	17,919,106	40,905,824
NET ASSETS - ENDING	<u>\$ 19,030,125</u>	<u>\$ 3,938,203</u>	<u>\$ 18,557,875</u>	<u>\$ 41,526,203</u>

See accompanying Notes to Financial Statements.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006**

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 2,800,208	\$ 620,379
Adjustments to Reconcile Changes in Net Assets to		
Cash and Cash Equivalents Provided by Operating Activities:		
Cumulative Effect from Change in Accounting Principle	-	354,000
Bad Debt Expense	124,391	132,147
Depreciation Expense	1,266,029	1,166,948
Impairment Loss on Property and Equipment	612,199	-
Donated Securities and Property	(246,043)	(258,799)
Net Unrealized Gains on Investments	(283,970)	(264,479)
Net Realized (Gains) Loss on Investments	(11,685)	184,813
Increase in Cash Value of Life Insurance	(50,536)	(54,535)
Interest, Dividends, and Gains Restricted for Long-Term Investment	(732,848)	(286,202)
Amortization of Bond Issuance Costs	11,004	11,004
Amortization of Bond Discount	2,511	2,512
(Increase) Decrease in Assets:		
Accounts and Interest Receivable	36,262	66,459
Federal and State Grants Receivable	110,069	265,925
Inventories, Prepaid Expenses, and Other Assets	(16,941)	(46,455)
Contributions Receivable	(1,064,827)	(143,720)
Funds Held by Third-Party Trustees	(160,977)	(175,884)
Increase (Decrease) in Liabilities:		
Accounts Payable and Other Liabilities	235,678	(783,922)
Deposits Payable	(82,820)	14,601
Deferred Revenue	(186,886)	53
Refundable Advances - Federal Perkins Loan Program	(107,454)	(90,407)
Net Cash and Cash Equivalents Provided by Operating Activities	2,253,364	714,438
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in Funds on Deposit with Concordia University System	139,357	330,162
Purchases of Equipment	(1,927,703)	(256,832)
Proceeds from Sales of Investments	401,428	1,199,945
Purchases of Investments	(154,550)	(895,179)
Investment in LCMS Foundation	(2,026,739)	(1,081,958)
Increase in Federal Perkins Loans Receivable	141,650	352,867
Net Cash and Cash Equivalents Used by Investing Activities	(3,426,556)	(350,995)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	500,000	-
Interest, Dividends, and Gains Restricted for Reinvestment	732,848	286,202
Funds Advanced by (Repayments to) by Concordia University System	876,900	(600,000)
Increase in Funds on Deposit with Bond Trustee	(17,136)	(18,542)
Obligation Under Capital Lease - Principal Repayments	(109,069)	(13,977)
Minnesota Higher Education Facilities Authority Revenue Bonds - Principal Repayments	(545,000)	(410,000)
Net Cash and Cash Equivalents Provided (Used) by Financing Activities	1,438,543	(756,317)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	265,351	(392,874)
Cash and Cash Equivalents - Beginning of Year	536,422	929,296
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 801,773	\$ 536,422
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 517,211	\$ 381,644
NONCASH INVESTING AND FINANCING TRANSACTIONS		
Equipment Purchases in Accounts Payable	\$ -	\$ 73,000

See accompanying Notes to Financial Statements.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Concordia University, St. Paul (the University), a Minnesota not-for-profit corporation, is a private, Lutheran liberal arts educational institution owned and operated under the auspices of The Lutheran Church – Missouri Synod (Synod), which establishes broad operating and financial policies through its Board for University Education (BUE)/Concordia University System (CUS). The University's Board of Regents, elected by the Synod, is responsible for the management of the University.

Revenues are derived principally from the University's educational programs in the form of tuition and fees, and also from auxiliary enterprise activities and contributions. CUS contributes to the University's support (\$153,227 in 2007 and \$150,400 in 2006) in the form of grants.

The majority of the University's students rely on funds received from various federal financial aid programs under Title IV of the Higher Education Act of 1965, as amended, to pay for a substantial portion of their tuition. These programs are subject to periodic review by the United States Department of Education (DOE). Disbursements under each program are subject to disallowance and repayment by the University. As an educational institution, the University is subject to licensure from various accrediting and state authorities and other regulatory requirements of the DOE.

Auxiliary enterprises revenue includes income from the child care center, student housing, employee housing, food service, bookstore, transportation, convention and conferences, and music performances. Accordingly, the auxiliary enterprise expenses include all costs incurred in providing these services.

The University is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and has received a determination letter from the Internal Revenue Service stating that it is exempt from federal income tax on its related exempt activities under Code Section 501(a).

Accrual Basis

The financial statements of the University have been prepared on the accrual basis of accounting.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the board of directors has discretionary control. The board designated amounts represent those amounts which the Board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the University or passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the University. The donors of these resources permit the University to use all or part of the income earned, including capital appreciation, or related investment income for unrestricted or temporarily restricted purposes.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

Cash and cash equivalents include currency, demand deposits, and liquid investments with a maturity, at time of purchase, of three months or less. Cash and cash equivalents do not include investments the University has both the ability and intent to hold long-term. At times throughout the year, the cash and cash equivalent balances may exceed amounts insured by the Federal Deposit Insurance Corporation. At June 30, 2007 and 2006, cash restricted for federal loan and state grant programs totaled \$640,908 and \$677,212, respectively. Income earned on cash and cash equivalents, as reported on the statements of activities, includes income earned on the University's CUS deposit account described in Note 2.

Accounts Receivables

Receivables are stated at net realizable value. The University provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectibility. Accounts registered for a payment plan are not charged interest until after the payment plan expires. Accounts for which no payments have been received are individually assessed for collectibility and are written off. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned as an exchange transaction. Revenue is recorded when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as government grants repayable. Expenditures under government grants and contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the University will record such disallowance at the time the determination is made.

Inventories

Inventories consist mainly of bookstore items. Text books are stated at cost (first-in, first-out method) and other retail items are stated at retail cost.

Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional promises are not included as support until such time as the conditions are substantially met.

Loans Receivable – Federal Perkins Loan Program

Student loans 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.

Land, Buildings, and Equipment

Capital assets are defined as assets exceeding \$5,000. Land, buildings, improvements, and equipment are recorded at cost, except for property received by gift, which is recorded at fair value on the date of receipt. Major additions and betterments that improve or extend the life of the respective assets are capitalized while replacements, maintenance and repairs are expensed as incurred. Title to land and buildings is principally in the name of the University with reversionary clauses to the Synod. Buildings, improvements, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets from three to sixty years.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are carried at fair value based on quoted market prices. Realized and unrealized gains and losses, reflected in the statements of activities, are determined by comparison of the investment cost to proceeds at the time of disposal and to market values at the financial statement date.

The Board of Regents has interpreted state law as requiring the original value of an endowment gift to be maintained as the permanent endowment corpus. Realized gains as well as the net appreciation of permanent endowment funds may be expended for the same purpose as the endowment was established, unless explicit donor restrictions specify other treatment.

Substantially all of the assets shown in the financial statements, except for land, buildings, and equipment, approximate fair value. Financial liabilities are recorded at cost which approximates fair value.

Bond Issuance Costs

Deferred debt acquisition costs are being amortized on a straight-line basis over the term of the bonds of 25 years. Accumulated amortization was \$46,766 and \$35,763 for the years ended June 30, 2007 and 2006, respectively. Amortization expense was \$11,004 and \$11,004 for the years ended June 30, 2007 and 2006, respectively.

Deposits Payable

Deposits payable consists of various deposits and advanced payments received from students for tuition, room and board, and various fees.

Contributed Services

Contributed services are reported in the financial statements at fair value for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation.

Deferred Revenue

Deferred revenue represents tuition and fees billed to students who have registered for undergraduate summer school courses and graduate and continuing studies courses as of June 30, 2007 and 2006. Accordingly, deferred revenue will be recognized as tuition and fee revenue in the subsequent fiscal year when it is earned.

Functional Allocation of Expense

Salaries and related expenses are allocated based on actual time spent. Expenses, other than salaries and related expenses that are not directly identifiable by program or support service, are allocated based on the best estimates of management.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Exempt Status

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Advertising

The University expenses the costs of advertising as they are incurred. Advertising expense was \$1,807,971 and \$1,066,387 for the years ended June 30, 2007 and 2006, respectively.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 FUNDS ON DEPOSIT WITH CONCORDIA UNIVERSITY SYSTEM

Funds on deposit with CUS totaling \$-0- and \$139,357 at June 30, 2007 and 2006, respectively, include interest-bearing demand deposits of operational cash, funds set aside for capital purchases and short-term line of credit borrowings. Funds set aside for future capital expenditures totaled \$-0- and \$71,793 at June 30, 2007 and 2006, respectively. These are demand deposits which earn interest on the daily balance in the account at rates ranging from 1.5 percent to 2.5 percent. During the years ended June 30, 2007 and 2006, interest earned on these deposits totaled \$6,398 and \$8,955, respectively, which was included on the statements of activities with income earned on cash and cash equivalents.

In April 2006, CUS approved a \$2,170,000 line of credit to support current operations. During the years ended June 30, 2007 and 2006, when the University was a net borrower from the CUS line of credit, interest was charged at rates ranging from 6.125 percent to 6.375 percent. At June 30, 2007 and 2006, these short-term line of credit borrowings totaled \$1,376,900 and \$500,000, respectively. Interest paid in fiscal years 2007 and 2006 on these borrowings totaled \$38,667 and \$26,140, respectively, which was reported as an institutional support expense on the statements of activities.

In June 2007, CUS approved a \$2,225,000 line of credit, which is available to the University during the 2007-08 fiscal year for short-term cash flow purposes.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 3 CONTRIBUTIONS RECEIVABLE

At June 30, 2007 and 2006, contributors have unconditionally promised to give the University \$4,450,491 and \$3,401,460, respectively. Of these amounts, \$1,990,260 and \$1,745,988, respectively, are held by the Lutheran Church – Missouri Synod Foundation (LCMS Foundation) as irrevocable deferred gifts of which the University is the beneficiary and will receive the principal at some future date.

Management believes total contributions will be received as follows:

	June 30,	
	2007	2006
Amounts Due:		
Within One Year	\$ 1,710,374	\$ 725,036
One to Five Years	796,939	931,185
After Five Years	1,943,178	1,745,239
	<u>4,450,491</u>	<u>3,401,460</u>
Less: Present Value Component	(940,587)	(901,530)
Less: Estimated Uncollectible Pledges	<u>(16,662)</u>	<u>(70,365)</u>
	<u><u>\$ 3,493,242</u></u>	<u><u>\$ 2,429,565</u></u>

Amounts are reflected in the financial statements as follows:

Contributions Receivable	\$ 2,391,005	\$ 1,503,116
Trusts and Annuities Receivable	1,102,237	926,449
Total	<u><u>\$ 3,493,242</u></u>	<u><u>\$ 2,429,565</u></u>

NOTE 4 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment and the related accumulated depreciation amounts at are as follows at June 30, 2007 and 2006:

	2007		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 5,331,336	\$ -	\$ 5,331,336
Buildings	36,994,413	(15,616,493)	21,377,920
Building and Other Improvements	2,626,674	(1,554,602)	1,072,072
Equipment	4,573,587	(2,928,238)	1,645,349
Construction in Progress	32,659	-	32,659
Total	<u><u>\$ 49,558,669</u></u>	<u><u>\$ (20,099,333)</u></u>	<u><u>\$ 29,459,336</u></u>

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 4 LAND, BUILDINGS, AND EQUIPMENT (CONTINUED)

	2006		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 5,254,511	\$ -	\$ 5,254,511
Buildings	35,352,620	(14,222,194)	21,130,426
Building and Other Improvements	2,626,674	(1,411,639)	1,215,035
Equipment	4,367,248	(2,701,635)	1,665,613
Construction in Progress	29,913	-	29,913
Total	<u>\$ 47,630,966</u>	<u>\$ (18,335,468)</u>	<u>\$ 29,295,498</u>

The University maintained several dormitories that were torn down in August 2007 to construct a new residence life center. These buildings were not fully depreciated on the date of disposal. As a result, the University's book value at June 30, 2007 was reduced to the fair value at year-end and an impairment loss in the amount of \$612,199 was recognized in the statement of activities as a non-operating loss.

NOTE 5 LONG-TERM INVESTMENTS

Investments with maturities greater than or equal to one year at time of purchase are classified as long-term. In addition, investments with maturities of less than one year at time of purchase, which the University has both the ability and intent to hold long-term, are also classified as long-term investments. Details of long-term investments held by the University at June 30, 2007 and 2006 follow:

	2007	2006
Mutual Funds	\$ 2,959,901	\$ 2,704,937
Cash and Money Market	525,291	485,436
LCEF Notes	4,612	4,612
Total Investments	<u>\$ 3,489,804</u>	<u>\$ 3,194,985</u>
LCMS Foundation:		
Standard Funds:		
Fixed Income	\$ 7,866,895	\$ 7,173,639
Equity	9,568,706	8,235,223
LCEF Certificate	25,000	25,000
Total LCMS Foundation	<u>\$ 17,460,601</u>	<u>\$ 15,433,862</u>

Income on long-term investments of \$582,778 and \$538,088 for the years ended June 30, 2007 and 2006, respectively, is net of custodial fees of \$89,095 and \$95,743, respectively.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 6 FUNDS HELD BY THIRD-PARTY TRUSTEES

Funds held by third-party trustees consist of irrevocable trusts from which the University is to receive the income in perpetuity. The principal is held in trust by the LCMS Foundation and an unrelated trust company. The principal will never revert to the University. The perpetual stream of income is viewed by the University as promises to give by the individuals who established the trusts and has been recorded at the fair value of the trusts at June 30, 2007 and 2006, which closely approximates the net present value of the perpetual income stream.

Given the nature of the promises, the University recorded these contributions as permanently restricted net assets. Income received is recorded as either unrestricted or temporarily restricted activity based on the presence or absence of donor restrictions. Increases or decreases in the fair value of the trust assets are recorded on the statements of activities as changes in permanently restricted net assets.

The funds are held by the following third party trustees at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
LCMS Foundation	\$ 622,516	\$ 560,139
Alive in Christ Endowment	406,372	379,134
Trust Held at Wells Fargo	2,194,565	2,123,203
Total	<u>\$ 3,223,453</u>	<u>\$ 3,062,476</u>

NOTE 7 OBLIGATIONS UNDER CAPITAL LEASE

The University has a capital lease for ten pianos and another capital lease for energy equipment. The University's equipment held under capital leases in the statements of financial position consists of the equipment cost of \$1,546,000 at June 30, 2007 and 2006 with accumulated amortization at June 30, 2007 and 2006 of \$852,950 and \$746,350, respectively. Amortization included in depreciation expense was \$10,600 for the years ended June 30, 2007 and 2006. Future minimum payments required are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 160,842
2009	160,842
2010	143,000
2011	141,379
2012	141,379
Thereafter	282,758
Total Capital Lease Obligation	1,030,200
Payments Representing Interest	(172,836)
Total Principal Payments	<u>\$ 857,364</u>

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 8 BONDS PAYABLE/FUNDS ON DEPOSIT WITH BOND TRUSTEE

The University issued bonds with the Minnesota Higher Education Facilities Authority (MHEFA) with the original value of \$11,480,000 in revenue bonds, Series Five-P1 and Taxable Series Five-P2. At June 30, 2007 and 2006, the University's payable to MHEFA was \$8,275,403 and \$8,817,892, respectively, net of the unamortized discount of \$49,597 and \$52,108, respectively.

Under the terms of the bond indenture, the interest rate varies and is payable on the first of the month. At June 30, 2007 and 2006, the bonds bore an interest rate of 5 percent and 3 percent, respectively. The principal portion is due annually on January 1 and is scheduled to mature on April 1, 2027.

Future minimum principal payments, based on the indenture agreement with the MHEFA, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 335,000
2009	350,000
2010	365,000
2011	380,000
2012	395,000
Thereafter	6,500,000
Total Principal Payments	<u>\$ 8,325,000</u>

For the years ended June 30, 2007 and 2006, interest totaled \$420,251 and \$363,810, respectively, on the MHEFA bonds.

Assets pledged as collateral under this bond indenture consist of the library technology center pledges receivable and campus buildings, except for University houses and the St. Paul Water Utility Building.

The bond indenture contains covenants, including a debt service coverage ratio between 1.20 to 1. As of June 30, 2007, the University was not in compliance with this covenant.

Funds on deposit with the bond trustee totaling \$191,070 and \$173,934 at June 30, 2007 and 2006, respectively, represent amounts set aside for future principal and interest payments.

At June 30, 2007, the University has an outstanding letter of credit with Bremer Bank for \$8,475,534 in relation to the bond issue.

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 9 ENVIRONMENTAL REMEDIATION

The University owns several buildings on campus that contain asbestos in various forms. In accordance with Financial Accounting Standards Board Interpretation No. 47 (FIN 47), management estimated the cost of any potential obligation to remove asbestos to be approximately \$468,000. This amount is recorded as a liability on the statement of financial position. The University used a future value rate assumption of 3 percent and discounted the estimate to present value using a risk-free rate of return of 5 percent. The potential environmental remediation liability, included in accounts payable and other liabilities in the statement of financial position, is \$468,000 at June 30, 2007 and \$354,000 at June 30, 2006.

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets contain donor-imposed restrictions that expire upon the passage of time or when specific actions are undertaken by the University. At June 30, 2007 and 2006, temporarily restricted net assets are available for the following specific purposes or time restrictions have been placed on the use of the funds as noted in the following schedule:

	June 30,	
	2007	2006
Purpose Restrictions:		
Academic Programs:		
Instruction-Divisional	\$ 870,277	\$ 777,330
Other Instructional Programs	541,313	434,854
Support Programs:		
Academic Support	93,806	219,501
Student Services	19,813	24,394
Instructional Support	18,091	-
Auxiliary Enterprises	-	16,695
Scholarship Allowances (Student Aid)	727,398	804,195
Land, Building, and Equipment Acquisitions	10,000	625,274
	<u>2,280,698</u>	<u>2,902,243</u>
Time Restrictions	<u>1,242,387</u>	<u>1,035,960</u>
	<u>\$ 3,523,085</u>	<u>\$ 3,938,203</u>

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 11 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are subject to donor-imposed restrictions that the principal be invested in perpetuity. Based on donor restrictions, the income from these investments will be used to support the following activities:

	June 30,	
	2007	2006
Academic Programs:		
Instruction-Divisional	\$ 540,754	\$ 508,058
Support Programs:		
Academic Support	1,043,521	978,899
Scholarship Allowances (Student Aid)	12,219,126	10,174,366
Unrestricted Operations	7,465,623	6,896,552
	<u>\$ 21,269,024</u>	<u>\$ 18,557,875</u>

NOTE 12 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by the occurrence of other events specified by donors. For the years ended June 30, 2007 and 2006, temporarily restricted net assets were released as follows:

	June 30,	
	2007	2006
Purpose Restrictions Accomplished:		
Academic Programs:		
Instruction-Divisional	\$ 77,289	\$ 61,499
Other Instructional Programs	539,608	369,081
Support Programs:		
Academic Support	309,619	248,576
Student Services	36,918	53,190
Institutional Support	27,825	9,977
Auxiliary Enterprises	-	314,715
Scholarship Allowances (Student Aid)	981,394	584,891
Fixed Assets Acquired and Placed in Service	1,171,158	652,116
	<u>3,143,811</u>	<u>2,294,045</u>
Expiration of Time Restrictions	451,808	29,153
	<u>\$ 3,595,619</u>	<u>\$ 2,323,198</u>

**CONCORDIA UNIVERSITY, ST. PAUL
AN EDUCATIONAL INSTITUTION OF
THE LUTHERAN CHURCH – MISSOURI SYNOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 13 DEFINED BENEFIT PLANS

The University participates in the Worker Benefit Plans of the Synod. Substantially all full-time employees are covered by these retirement and survivor programs. The University contributes a fixed percentage of each participant's salary to the plans. Retirement and survivor program expenses for the years ended June 30, 2007 and 2006 totaled \$770,629 and \$620,572, respectively.

NOTE 14 OPERATING LEASE

The University rents equipment under a non-cancelable operating lease that expires in 2008. In 2007, rent expense for this lease totaled \$607,344.

Minimum annual rental payments under this lease for the year ending June 30, 2008 are \$556,732.

NOTE 15 SUBSEQUENT EVENT

Subsequent to June 30, 2007, the University entered into a contract for construction of new student housing totaling \$12.8 million. It is anticipated that bonds will be issued to finance the construction.

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U.S. BANK NATIONAL ASSOCIATION

U.S. Bank National Association (“USBNA”) is a national banking association organized under the laws of the United States and is the largest subsidiary of U.S. Bancorp. At March 31, 2007, USBNA reported total assets of \$220 billion, total deposits of \$132 billion and total shareholders’ equity of \$21 billion. The foregoing financial information regarding USBNA has been derived from and is qualified in its entirety by the unaudited financial information contained in the Federal Financial Institutions Examination Council report Form 031, Consolidated Report of Condition and Income for a Bank with Domestic and Foreign Offices (“Call Report”), for the quarter ended March 31, 2007. The publicly available portions of the quarterly Call Reports with respect to USBNA are on file with, and available upon request from, the FDIC, 550 17th Street, NW, Washington, D.C. 20429 or by calling the FDIC at (877) 275-3342. The FDIC also maintains an Internet website at www.fdic.gov that contains reports and certain other information regarding depository institutions such as USBNA. Reports and other information about USBNA are available to the public at the offices of the Comptroller of the Currency at One Financial Place, Suite 2700, 440 South LaSalle Street, Chicago, IL 60605.

U.S. Bancorp is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the “SEC”). U.S. Bancorp is not guaranteeing the obligations of USBNA and is not otherwise liable for the obligations of USBNA.

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