

OFFICIAL STATEMENT

\$795,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY  
FIRST MORTGAGE REVENUE BONDS, SERIES R  
(THE COLLEGE OF ST. CATHERINE)

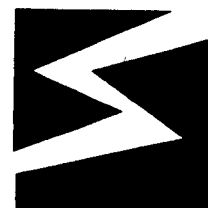
SALE: TUESDAY, JULY 27, 1976 AT 11:00 A.M., CT

AWARD: AT 2:30 P.M., CT OF THE SAME DAY

Prepared For The Issuer By:

**SPRINGSTED INCORPORATED**

MUNICIPAL CONSULTANTS ■ 813 OSBORN  
BUILDING, SAINT PAUL, MINNESOTA 55102



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MEMBERS OF  
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Bernard P. Friel, Chairman  
Member, Briggs and Morgan, Professional Association  
Lawyers, St. Paul, Minnesota

Robert W. Freson, Vice Chairman  
City Administrator, Rochester, Minnesota

Richard C. Hawk, Secretary  
Executive Director, Minnesota Higher Education Coordinating  
Board, St. Paul, Minnesota

Robert W. Bonine,  
Assistant Executive Director, Northwest Area Foundation,  
St. Paul, Minnesota

Earl R. Herring  
Vice President for Administrative Affairs, Moorhead State College,  
Moorhead, Minnesota

Robert J. Huston  
Owner, Harley-Davidson Store, St. Cloud, Minnesota

James E. Schatz  
Lawyer, Doherty, Rumble & Butler, St. Paul, Minnesota

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Dr. Joseph E. LaBelle, Executive Director,  
St. Paul, Minnesota

No dealer, broker, salesman or other person has been authorized by the Issuer to give any information or to make any representations with respect to the Bonds of this offering 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 Issuer. Certain information contained herein has been obtained from sources believed to be reliable, but it is not guaranteed as to completeness and is not to be construed as a representation of said Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

*NOTE: The firm of Briggs and Morgan, of which Mr. Friel is a member, is legal counsel for The College of Saint Catherine. Mr. Friel is not active in handling the affairs of the College and has not, and will not, participate in any of the actions of the Authority in connection with this Issue. However, other members of his firm have represented the College in this matter.*

DATE OF OFFICIAL STATEMENT: July 14, 1976



Further information concerning the Issue may be obtained from:

General

Dr. Joseph E. LaBelle, Executive Director  
of the Authority  
Suite 278, Metro Square Building  
St. Paul, Minnesota 55101  
612/296-4690

Osmon R. Springsted, Financial Advisor  
Springsted Incorporated  
800 Osborn Building  
St. Paul, Minnesota 55102  
612/227-8318  
612/222-4241 (effective July 21, 1976)

The College

Albert J. Vonhof, Business Manager  
The College of Saint Catherine  
2004 Randolph Avenue  
St. Paul, Minnesota 55105  
612/690-6566

Legal

John S. Holten, Bond Counsel  
Faegre & Benson  
1300 Northwestern National Bank Building  
Minneapolis, Minnesota 55402  
612/338-7571

Unless otherwise indicated, information contained within this Official Statement, pertinent to The College of Saint Catherine, is based upon material provided by the College and its Business Office, available at the date of publication of the Official Statement.

OFFICIAL NOTICE OF BOND SALE

\$795,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY  
FIRST MORTGAGE REVENUE BONDS, SERIES R  
(THE COLLEGE OF SAINT CATHERINE)

Bids will be opened at 11:00 A.M., Central Time, Tuesday, July 27, 1976, at the Authority's offices, Suite 278, Metro Square Building, St. Paul, Minnesota. Award will be at 2:30 P.M. Central Time of the same day. The offering will be upon the following terms:

DATED AND INTEREST PAYMENTS

The Bonds will be dated August 1, 1976 and will bear interest payable semiannually, on each November 1 and May 1 to maturity, commencing May 1, 1977.

TYPE AND PURPOSE

The Bonds will be negotiable coupon, special obligations of the Authority, payable solely, and only, out of Project revenues and other income, charges and monies to be produced and received, including rentals under the Lease between the Authority and the College, relative to the ownership and operation of the Project for which the proceeds of this Issue will be used and the Reserve Accounts established thereto. The Bonds will be guaranteed by the College. The Bonds will be in bearer form with interest coupons attached and will be of the denomination of \$5,000 each, unless other denominations are requested by the Purchaser within 48 hours after the award, and may be registrable as to principal, or principal and interest, according to the terms of the Mortgage Trust Indenture relative to the Issue. The Bonds are being issued to construct a student residence hall.

MATURITIES AND REDEMPTION

The Bonds will mature May 1, in the years and amounts as follows:

\$35,000	1977	\$45,000	1991
\$20,000	1978-81	\$50,000	1992-93
\$25,000	1982-84	\$55,000	1994
\$30,000	1985-86	\$60,000	1995
\$35,000	1987-88	\$65,000	1996
\$40,000	1989-90	\$70,000	1997

All dates are inclusive.

At the option of the Issuer all Bonds maturing after May 1, 1989, shall be subject to redemption prior to maturity in inverse order of serial numbers on November 1, 1989, and any interest payment date thereafter, at a price of par and accrued interest, except that all Bonds are subject to redemption at par and accrued interest on any interest payment date, as a whole, but not in part, in case of damage, destruction or taking of the Project as provided in Section 6.15 of the Mortgage Trust Indenture and in certain cases of change of law or circumstances as provided in Section 10.02 of the Lease, and in certain cases of interest on the Bonds becoming subject to federal income taxation as provided in Section 7.19 of the Lease.

#### PAYING AGENT AND TRUSTEE

The successful Bidder may name the Paying Agent, subject to the Authority's approval which may be assumed unless the Bidder is notified to the contrary within 48 hours after the Authority has received notice of the Bidder's selection, for whose services the College will pay customary and reasonable fees. An alternate Paying Agent may also be named subject to the consent of the Authority and provided that there is no additional cost to the Authority or the College by reason thereof.

Prior to the receipt of bids, the College, with the consent of the Authority, will name a Trustee with whom the Authority will enter into a Mortgage Trust Indenture relative to this Issue. Upon request to the office of the Authority's Executive Director, the name of the Trustee will be available on July 23, 1976.

#### CUSIP NUMBERS

If, within three working days after the award of the Bonds, the Purchaser in writing requests that CUSIP identification numbers be printed on the Bonds and agrees to be responsible for the CUSIP Service Bureau charge for the assignment of said numbers, they will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds.

#### DELIVERY

The Bonds shall be delivered within 40 days after the award, subject to the unqualified approving legal opinion of Faegre and Benson of Minneapolis, Minnesota and delivery of customary closing papers, including a statement of non-litigation. Bond printing and the legal opinion will be paid for by the Issuer. Delivery will be at a place of the Purchaser's choice. Payment must be made in Federal, or equivalent, funds, to be immediately available on the day of delivery. The legal opinion will be printed on the Bonds.

#### TYPE OF BID

Sealed bids for not less than \$770,000 and accrued interest on the principal sum of \$795,000 from the date of the Bonds to date of delivery must be filed with the undersigned prior to the time of sale, together with a certified or cashier's check in the amount of \$7,950, payable to the order of the Treasurer of the Issuer, to be retained as liquidated damages if the Bidder fails to comply with the accepted bid.

#### RATES

All rates must be in integral multiples of 5/100 or 1/8 of 1%. All Bonds of the same maturity must bear a single rate from the date of issue to maturity. The rate specified for any maturity may not exceed the rate specified for any subsequent maturity. Additional coupons may not be used. There is no limit upon the net effective average rate of the Issue.

AWARD

Award will be made on the basis of the lowest dollar interest cost determined by the addition of any discount to or the deduction of any premium from the total interest on all Bonds from their date to their stated maturity as computed on the basis of the schedule of bond years in the Official Statement published for the offering. The Issuer reserves the right to reject any and all bids, to waive informalities and to adjourn the sale.

Dated May 25, 1976

BY ORDER OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

/s/ Richard C. Hawk  
Secretary

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>BOND YEARS</u>	<u>CUMULATIVE BOND YEARS</u>	
1977	\$35,000	26.2500	26.2500	_____
1978	20,000	35.0000	61.2500	_____
1979	20,000	55.0000	116.2500	_____
1980	20,000	75.0000	191.2500	_____
1981	20,000	95.0000	286.2500	_____
1982	25,000	143.7500	430.0000	_____
1983	25,000	168.7500	598.7500	_____
1984	25,000	193.7500	792.5000	_____
1985	30,000	262.5000	1055.0000	_____
1986	30,000	292.5000	1347.5000	_____
1987	35,000	376.2500	1723.7500	_____
1988	35,000	411.2500	2135.0000	_____
1989	40,000	510.0000	2645.0000	_____
1990	40,000	550.0000	3195.0000	_____
1991	45,000	663.7500	3858.7500	_____
1992	50,000	787.5000	4646.2500	_____
1993	50,000	837.5000	5483.7500	_____
1994	55,000	976.2500	6460.0000	_____
1995	60,000	1125.0000	7585.0000	_____
1996	65,000	1283.7500	8868.7500	_____
1997	70,000	1452.5000	10321.2500	_____

callable

Average Maturity: 12.9827 Years.

Dated: August 1, 1976.

Interest: May 1, 1977 and each November 1 and May 1 thereafter to maturity.

Principal Due: May 1, 1977-1997, inclusive.

Redemption: At the option of the Issuer all Bonds maturing after May 1, 1989 shall be subject to prior payment in inverse order of serial numbers on November 1, 1989 and any interest payment date thereafter at a price of par and accrued interest, except that all Bonds are subject to redemption at par and accrued interest on any interest payment date, as a whole, but not in part, in certain events of damage, destruction or taking of the Project as provided in Section 6.15 of the Mortgage Trust Indenture, and in certain cases of change of law or circumstances as provided in Section 10.02 of the Lease, and in certain cases of interest on the Bonds becoming subject to federal income taxation as provided in Section 7.19 of the Lease.

SUMMARY OF BOND TERMS

DATED: August 1, 1976.

INTEREST: Each May 1 and November 1 to maturity commencing May 1, 1977.

DUE: May 1, 1977-1997, inclusive.

BOND YEARS: 10,321.25 Years.

AVERAGE MATURITY: 12.98 Years.

REDEMPTION: At the option of the Issuer all Bonds maturing after May 1, 1989 shall be subject to prior payment in inverse order of serial numbers on November 1, 1989 and any interest payment date thereafter at a price of par and accrued interest, except that all Bonds are subject to redemption at par and accrued interest on any interest payment date, as a whole, but not in part, in certain events of damage, destruction or taking of the Project as provided in Section 6.15 of the Mortgage Trust Indenture, and in certain cases of change of law or circumstances as provided in Section 10.02 of the Lease, and in certain cases of interest on the Bonds becoming subject to federal income taxation as provided in Section 7.19 of the Lease.

DISCOUNT: Bids must be for not less than \$770,000. (\$25,000 is the maximum discount.) Additional coupons may not be bid.

RATES: All rates must be in integral multiples of 5/100 or 1/8th of 1%. All Bonds of the same maturity must bear a single rate from the date of issue to maturity. The rate specified for any maturity may not exceed the rate specified for any subsequent maturity. Additional coupons may not be used.

RATE LIMIT: There is no rate limit.

DEFINITION OF TERMS AS USED  
IN THIS OFFICIAL STATEMENT

Authority Lessor Issuer	Whenever these words are capitalized, they shall refer to the Minnesota Higher Education Facilities Authority.
College Institution School Lessee	Whenever these words are capitalized, they shall refer to The College of Saint Catherine, St. Paul, Minnesota.
The Sisters of St. Joseph The Sisters	Whenever these words are capitalized, they shall refer to The Sisters of St. Joseph of Carondelet, St. Paul Province, comprising the Provincial Council of the congregation.
Issue Bonds Project Bonds	Whenever these words are capitalized, they shall refer to the \$795,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series R (The College of Saint Catherine ).
Project	Whenever these words are capitalized, they shall refer to the construction, furnishing and equipping of an apartment-dormitory complex on the campus of The College of Saint Catherine, St. Paul, Minnesota.

## THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 - 136A.42, Minnesota Statutes 1974), for the purpose of assisting institutions of higher education of the State in the construction and financing of projects. The Authority consists of six members appointed by the Governor with the advice and consent of the Senate and a seventh member who is the Executive Director of the Minnesota Higher Education Coordinating Board and who is designated as the Secretary of the Authority.

Originally the Authority was given power to issue revenue bonds in a total amount not to exceed \$45 million. The 1973 Legislature increased this limit to an aggregate of \$62 million of principal outstanding at any time. Bonds issued by the Authority can be payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. They do not in any manner represent or constitute a debt or pledge of the faith and credit of the State of Minnesota.

By the provisions of Chapter 868, Laws of Minnesota, 1971 "...neither the Authority nor its agent shall be required to pay any taxes or assessments upon or in respect of a project or any property acquired or used by the Authority or its agent under the provisions of this act or upon the income therefrom..."

Educational institutions of the State eligible for assistance by the Authority are non-profit educational institutions authorized to provide a program of education beyond the high school level. 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 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.

A project for which bonds are issued by the Authority becomes the property of the Authority - as long as bonds of the Authority issued for the project remain outstanding. Thereafter it may be subject to repurchase options. The project is leased by the Authority to the institution for operation. The revenues which are the primary security for the bonds are provided according to the terms of the lease between the Authority and the institution. Prior to delivery of an issue the Authority enters into a mortgage trust indenture with a trustee who administers the funds which are the security for the payment of the bonds; except the funds of the General Bond Reserve Account. These are under the supervision of the Authority.

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.



In Minnesota Higher Education Facilities Authority v. Hawk, filed August 8, 1975, the Minnesota Supreme Court affirmed the constitutionality of the issuance of tax exempt bonds by the Authority to refinance debts incurred by Minnesota private colleges in the construction of facilities used solely for nonsectarian educational purposes. In the opinion of Bond Counsel, this decision also confirms the legality of bonds issued by the Authority to finance original construction, improvement, and remodeling of projects.

The Authority is financed solely from fees paid by the institutions for whom bonds are issued. At the time of issuance, and usually from bond proceeds, the Authority is paid .35 percent of the principal amount of the issue. Thereafter, commencing as of the date of issue and payable in advance, the Authority receives an annual fee of .20 percent of the original principal amount of the bonds for their original term so long as any of the bonds are outstanding.

The staff of the Authority consists of its Executive Director, Dr. Joseph E. LaBelle, and one secretary.

Bond issuance costs, including fees of bond counsel, the fiscal consultant and trustee, are paid by the institution. The fees of bond counsel and the fiscal consultant also usually come from bond proceeds.

As a general policy, the Authority requires that the proceeds of the bonds include a sum equal to approximately one year's debt service, after deduction of any interest subsidy grants, for the creation of debt service reserves. Of this sum, 80% is deposited with the trustee in a Series Reserve Account; the remaining 20% is deposited by the Authority in the General Bond Reserve Account pledged to the payment of all bonds issued by the Authority for which such a deposit has been made. (See General Bond Resolution, Appendix V).

The fees of the Authority which are applicable to this Issue are:

Initial fee payable at time of settlement (.35% of Issue)	\$2,782.50
Annual fee payable in advance commencing as of time of settlement (.2% of Issue)	<u>1,590.00*</u> \$4,372.50

To date, exclusive of this Issue, the Authority has issued nineteen series of Bonds in the aggregate amount of \$39,175,000.

*\*This amount shall be payable to the date of final maturity even though the Issue may be redeemed, wholly or in part, prior to that time.*

# PURPOSE OF THE ISSUE

\$650,000 of the proceeds of the Issue will be used for constructing, furnishing and equipping an apartment-dormitory complex on the campus of The College of Saint Catherine in St. Paul, Minnesota.

The use of the proceeds is outlined in the following section.

## BOND PROCEEDS USE

Bond proceeds are expected to be expended as follows:

### College Need:

Construction	\$519,000	
Architectural & Engineering Fees	45,900	
Furnishings & Movable Equipment	85,000	
Miscellaneous & Contingency	<u>590</u>	\$650,490*
Discount		25,000
Replacement Reserve		30,000

### Reserve:

Series	\$ 60,000	
General	<u>15,000</u>	\$ 75,000

### Issuance Costs:

Authority	\$ 4,372.50	
Bond Counsel (est.)	3,737.50	
Fiscal Advisor (est.)	5,300.00	
Rating	<u>1,100.00</u>	\$ 14,510
Issue		\$795,000

*\*This sum will be increased by accrued interest, if any, on the principal sum of the Issue from the date of the Bonds to the time of settlement.*

**NOTE:** *The foregoing fees for the Authority, Bond Counsel and Fiscal Advisor are expected to be provided from Bond proceeds, except that the College has given the Authority an Indemnity Agreement by which it has agreed that its application fee of \$1,000 shall become the property of the Authority whether or not the Project shall be financed and the College has further agreed to pay the reasonable fees and expenses of the Authority's Fiscal Advisor and Bond Counsel and to pay any out-of-pocket expenses incurred by the Authority's staff on account of the Project whether or not the Project is financed.*

The sum of \$60,000 will be taken from Bond proceeds at settlement and will be deposited by the Trustee in a Series Reserve Account which shall be available only to the holders of this Issue. At the same time, and also from Bond proceeds, the sum of \$15,000 will be paid to the Authority to be deposited in the General Bond Reserve Account administered by the Authority. This Reserve is security for all currently outstanding bonds issued by the Authority, for these Bonds when issued, and for any future bonds issued by the Authority for which a contribution is made to the General Bond Reserve Account. To date the following contributions have been made to the General Bond Reserve Account:

<u>Original Amount</u>	<u>Issue</u>	<u>Contributions To General Bond Reserve</u>	<u>Final Maturity</u>
\$2,200,000	First Mortgage Revenue Bonds, Series A (Augsburg College)	\$ 31,743.60	2012
\$1,935,000	First Mortgage Revenue Bonds, Series B (Bethel College)	34,082.00	1997
\$ 595,000	First Mortgage Revenue Bonds, Series C (St. Mary's College)	9,000.00	1998
\$ 520,000	First Mortgage Revenue Bonds, Series D (College of St. Scholastica, Inc.)	8,643.40	1997
\$1,030,000	First Mortgage Revenue Bonds, Series E (Gustavus Adolphus College)	19,308.00	1993
\$1,610,000	First Mortgage Revenue Bonds, Series F (College of Saint Benedict)	21,304.00	1998
\$8,450,000	First Mortgage Revenue Bonds, Series G (The Minneapolis Society of Fine Arts)	220,000.00	1984
\$ 340,000	First Mortgage Revenue Bonds, Series H (College of Saint Scholastica, Inc.)	6,000.00	1999
\$1,600,000	First Mortgage Revenue Bonds, Series I (Augsburg College)	30,000.00	1995
\$ 370,000	First Mortgage Revenue Bonds, Series J (College of Saint Benedict)	7,000.00	2002
\$ 800,000	First Mortgage Revenue Bonds, Series K (College of St. Thomas)	14,000.00	1994
\$2,280,000	First Mortgage Revenue Bonds, Series L (St. Mary's Junior College)	47,667.70	1994
\$ 690,000	First Mortgage Revenue Bonds, Series M (College of Saint Catherine)	12,000.00	1996
\$1,450,000	First Mortgage Revenue Bonds, Series N (College of Saint Benedict)	28,000.00	1994
\$4,000,000	First Mortgage Revenue Bonds, Series O (Carleton College)	80,000.00	2000
\$2,350,000	First Mortgage Revenue Bonds, Series P (College of St. Olaf)	53,425.83	1989
\$6,460,000	First Mortgage Revenue Bonds, Refunding Series 1975-1 (Bethel College)	138,000.00	1994
\$1,695,000	First Mortgage Revenue Bonds, Refunding Series 1976-1 (College of Saint Teresa)	40,000.00	1991
\$ 800,000	First Mortgage Revenue Bonds, Series Q (Concordia College, Moorhead, Minnesota)	<u>\$ 17,000.00</u>	1994
	Sub-Total	\$817,174.53	
\$ 795,000	This Issue	<u>15,000.00</u>	1997
\$39,970,000	Total	<u>\$832,174.53</u>	

Funds in the General Bond Reserve are invested in authorized securities (see "General Bond Resolution," Appendix V). The current value of the investments may be more or less than shown here. Earnings are retained in the General Bond Reserve. Charges which relate to the investment of funds of the account, such as investment counsel fees, legal fees and accounting fees, may be paid from the account. (See the "General Bond Resolution," Appendix V.)

The following is the current status of the General Bond Reserve Account as of June 30, 1976.

	<u>Par Value</u> <sup>1/</sup>	<u>Security</u> <sup>2/</sup>	<u>Due</u>
1.	\$ 3,188.54	Savings Certificate #OV6704, First National Bank of St. Paul 7.25%	1/8/78
2.	142,000.00	Certificate of Deposit #40779.3, First National Bank of St. Paul 6.95%	12/2/76
3.	\$150,000.00	Federal Land Bank Debentures 6.60%	10/20/77
4.	\$ 50,000.00	Federal National Mortgage Association Debentures 7.00%	3/10/92
5.	\$ 95,000.00	Federal Intermediate Credit Bank Debentures 5.80%	12/1/76
6.	\$ 30,000.00	Federal Land Bank Debentures 7.20%	10/20/76
7.	\$ 15,000.00	Federal Land Bank Debentures 7.60%	4/20/78
8.	\$235,000.00	Federal National Mortgage Association Debentures 9.80%	6/11/79
9.	\$ 70,000.00	Federal National Mortgage Association Debentures 6.80%	9/10/82
10.	\$ 80,000.00	Federal Land Bank Debentures Series B - 1981 7.45%	10/20/81
11.	\$ 20,000.00	Federal National Mortgage Association Debentures Series SM-1978-H 7.45%	9/11/78
12.	\$ 11,000.00	Repurchase Agreement, First National Bank of St. Paul (original security: Farmers Home Administration Repo Collateral, bearing 8.75% interest, dated 8/20/77) 5.125%	7/12/76
	<u>\$901,188.54</u>		
	745.64	Cash on hand June 30, 1976	
	<u>\$901,934.18</u>		

<sup>1/</sup> Current value has not been determined.

<sup>2/</sup> Interest rates shown are coupon rates.

ESTIMATED GENERAL BOND RESERVE  
COMPARISON WITH TOTAL DEBT SERVICE  
REQUIREMENTS OF ALL AUTHORITY BONDS  
AND REMAINING PRINCIPAL

Calendar Year	Authority Estimated General Bond Reserve <sup>1/</sup>	Total Debt Service <sup>2/</sup>	Coverage By General Bond Reserve (Times)	Remaining Principal <sup>3/</sup> (000 Omitted)	Percentage That General Bond Reserve is to Remaining Principal
1976	\$ 810,559.94	\$ 3,545,339.17	0.229	\$36,500	2.22%
1977	931,193.53	4,068,556.25	0.229	38,680	2.41%
1978	987,065.14	4,114,247.50	0.240	37,190	2.65%
1979	1,046,289.07	4,065,535.00	0.257	35,570	2.94%
1980	1,109,066.40	4,023,302.50	0.276	33,895	3.27%
1981	1,175,610.39	4,011,430.00	0.293	32,155	3.66%
1982	1,246,147.00	4,032,407.50	0.309	30,315	4.11%
1983	1,320,915.81	5,054,465.00	0.261	28,335	4.66%
1984	1,006,184.29	2,841,362.50	0.354	25,205	3.99%
1985	1,066,555.35	2,841,000.00	0.375	24,085	4.43%
1986	1,130,548.66	2,849,262.50	0.397	22,890	4.94%
1987	1,198,381.57	2,854,712.50	0.420	21,605	5.55%
1988	1,270,284.50	2,872,081.25	0.442	20,225	6.28%
1989	1,346,501.56	3,200,948.75	0.421	18,730	7.19%
1990	1,306,500.98	2,627,677.50	2.497	16,800	7.78%
1991	1,384,891.04	2,798,345.00	0.495	15,310	9.05%
1992	1,372,122.15	2,427,647.50	0.565	13,535	10.14%
1993	1,454,449.49	2,435,938.13	0.597	12,015	12.11%
1994	1,479,793.08	3,298,071.88	0.449	10,375	14.26%
1995	828,686.23	1,201,395.00	0.690	7,745	10.70%
1996	776,420.53	1,047,830.00	0.741	7,030	11.04%
1997	782,210.97	944,095.00	0.829	6,430	12.17%
1998	596,878.08	609,010.00	0.980	5,895	10.13%
1999	502,629.91	489,320.00	1.027	5,670	8.86%
2000	507,036.48	4,463,257.50 <sup>4/</sup>	0.114	5,555	9.13%
2001	194,109.02	182,720.00	1.062	1,460	13.30%
2002	205,755.56	211,820.00	0.971	1,360	15.13%
2003	182,319.09	153,600.00	1.187	1,225	14.88%
2004	193,258.23	158,840.00	1.217	1,140	16.95%
2005	204,853.73	158,520.00	1.292	1,045	19.60%
2006	217,144.95	157,920.00	1.375	945	22.98%
2007	230,173.65	162,040.00	1.421	840	27.40%
2008	243,984.06	165,600.00	1.473	725	33.65%
2009	258,623.11	168,600.00	1.534	600	43.10%
2010	274,140.49	171,040.00	1.603	465	58.95%
2011	290,588.92	172,920.00	1.681	320	90.81%
2012	308,024.26	174,240.00	1.768	165	186.68%

\$74,755,097.93

The foregoing schedule is a general indication of the ratio of reasonably anticipated General Bond Reserve balances to anticipated approximate annual debt service requirements and should not be relied upon as a representation of actual future facts.

1/ The estimated General Bond Reserve shown for each year as of January 1 of that year was computed in the following manner:

- a. All principal contributions to the General Bond Reserve made during the previous year were added to the balance shown for the previous year and so were included for the first time in the year immediately following the year of contribution.
- b. Interest on the sum arrived at per "a" above was computed at the rate of 6% per annum and added to said sum (to date, funds of the General Bond Reserve have been invested in federal government or agency securities at an average rate in excess of 6%); except that: (i) In the instance of an issue scheduled to be paid fully in the previous year, the sum of the original contribution to the General Bond Reserve for that issue plus interest thereon, at the annual compounded rate of 6% per annum from January 1 of the year that the contribution was made to January 1 of the year following the final maturity of the issue, was deducted from the balance arrived at per "b" above.
- c. The \$15,000 contribution to the General Bond Reserve Fund for this Issue was included in the computations and is first reflected as of January 1, 1977.

2/ The amount of debt shown for each year is the total of all principal and interest of all issues which will come due January 1, or thereafter, of each calendar year.

Debt service for this Issue has been included with interest computed at the rate of 7.50%.

No prepayment of any issue was assumed, except that it was assumed that for the Minneapolis Society of Fine Arts issue principal prepayments of: \$800,000 - 1976; \$900,000 - 1977-80; \$950,000 - 1981; \$1,000,000 - 1982 and \$2,100,000 - 1983 will be made, as they must be if funds are available, even though the bonds are not otherwise due until August 1, 1984. The \$800,000 due August 1, 1976 is available for payment as scheduled.

3/ The amount of principal remaining shown for each year is the amount outstanding as of January 1, assuming no prepayments and the schedule of payments described in note 2/ above for the bonds of the Minneapolis Society of Fine Arts.

4/ This reflects the \$4,000,000 Series O issue for Carleton College which is due in its entirety in 2000. This Series O issue is collateralized in the amount of 110% of its outstanding principal.

## SECURITY OF THE BONDS

The Bonds will be secured by:

1. The guarantee of The College of Saint Catherine of St. Paul, Minnesota.
2. A first lien upon the gross revenues of the Project.
3. A Series Reserve of \$60,000.
4. The General Bond Reserve of the Authority, the principal contributions to which, including this Issue, total \$832,174.53, which is pledged to the debt service of all bonds issued to date by the Authority and which will be pledged to all future bonds issued by the Authority for which a contribution is made to the General Bond Reserve.

The Bonds do not represent a debt or pledge of the faith or credit of the State of Minnesota.

## CASH FLOW

As Required:

- |         |   |
|---------|---|
| First:  | To the Bond and Interest Sinking Fund Account |
| Second: | To the General Bond Reserve Account           |
| Third:  | To the Debt Service Reserve Account           |
| Fourth: | To the Repair and Replacement Reserve Account |
| Fifth:  | To the Redemption Account                     |

Except that in the event the Authority or Trustee takes possession of the Project by reason of the Institution's default, the second priority will be to an Operation and Maintenance Account for payment of current expenses of the Project. In this event, the priority of each of the other Accounts, except that of the Bond and Interest Sinking Fund Account, will be one step lower than stated above.

## ACCOUNTS

1. Revenue Fund Account  
(p. 31, Section 5.01 of the Mortgage Trust Indenture, Appendix III)

All pledged revenues will be deposited in this Account, to be expended and used by the Authority in the order set out in the section "Cash Flow" at page 18 hereof.
2. Bond and Interest Sinking Fund Account (p. 31, Section 5.02, op.cit.)

Base rent payments pursuant to the Lease will be deposited at least five business days prior to Interest payment dates of the Bonds.
3. Operation and Maintenance Account (p. 31, Section 5.03, op.cit.)

No payments will be made to this Account so long as the Institution shall not be in default. But, in the event the Authority or Trustee assumes operation of the Project, revenues remaining after debt service will be paid into it to meet operational costs.
4. Debt Service Reserve Account (p. 33, Section 5.04, op.cit.)

At delivery of the Bonds, the College will deposit \$60,000 from Bond Proceeds in this Account. Funds and investments in the Debt Service Reserve Account shall be irrevocably pledged to and shall be used by the Trustee as may be required by debt service of the Bonds.
5. Repair and Replacement Reserve Account (p. 34, Section 5.05, op.cit.)

At delivery of the Bonds, the College will deposit \$30,000 from Bond Proceeds in this Account. Funds may be drawn from this Account to pay the cost of unusual or extraordinary maintenance or repairs. If necessary, funds may be withdrawn and transferred to the Bond and Interest Sinking Fund Account, the General Bond Reserve Account and the Debt Service Reserve Account.
6. Redemption Account (p. 34, Section 5.06, op.cit.)

Any revenues received which are not otherwise committed will be paid into this Account. Funds in it will be available to maintain required balances in other Accounts and to purchase or redeem Bonds. No specific amounts are required.



7. General Bond Reserve Account  
(p. 36, Section 5.08, op.cit.)

This Account will be maintained by the Authority for debt service, if needed, for any Bonds of the Authority for which a deposit has been made in the Account. The amount of \$15,000 will be placed in the account at closing from Bond proceeds. No institution is responsible for replenishment of this Account except for withdrawals on its behalf.

### OPERATING EXPERIENCE

Proceeds of this Issue will be used to construct, furnish and equip an apartment-dormitory complex on the campus of the College. The complex will be identical to that financed by the Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series M, of 1975 (The College of Saint Catherine).

The latter facility has completed its first year of operation, with operating results as follows:

Income (1975/76)		\$86,160 <sup>1/</sup>
Less:		
Debt service	\$49,032 <sup>2/</sup>	
Operating expenses	<u>12,174<sup>3/</sup></u>	<u>61,206</u>
Net income		\$24,954

Based upon the experience of the above facility, operating results for the new facility for the 1976/77 fiscal year (its first year of operation) are projected as follows:

Income (1976/77)		\$90,880 <sup>1/ 4/</sup>
Less:		
Debt service (average)	\$74,719	
Operating expenses	<u>12,900<sup>3/</sup></u>	<u>87,619</u>
Net income		\$ 3,261

<sup>1/</sup> Although no summer income is included in these figures, both facilities are expected to generate additional income from summer rentals to Saint Catherine students. During the summer of 1976, for example, the Series M facility is expected to generate an additional \$5,000 to \$8,000.

<sup>2/</sup> Debt service in future years will average approximately \$65,000 for this facility.

<sup>3/</sup> Operating expenses exclude depreciation and general administrative expenses. They include utilities (gas, electricity, water and sewer, and telephone), insurance, rubbish removal, repairs, supplies, decorating, exterminating, snowplowing, and grounds and building maintenance.

<sup>4/</sup> This figure is projected on the basis of 100% occupancy and a 1976/77 average room rental of \$770 per student for the 9-month academic year.

PROJECTED GROSS REVENUE COVERAGE  
FOR THIS ISSUE

<u>Fiscal Year</u>	<u>Debt Service<sup>1/</sup></u>	<u>Total Gross Revenues<sup>2/</sup></u>	<u>Coverage (Times)</u>
1977	\$79,718.75	\$ 90,880	1.140
1978	77,000.00	90,880	1.180
1979	75,500.00	90,880	1.204
1980	74,000.00	90,880	1.228
1981	72,500.00	90,880	1.254
1982	76,000.00	90,880	1.196
1983	74,125.00	90,880	1.226
1984	72,250.00	90,880	1.258
1985	75,375.00	90,880	1.206
1986	73,125.00	90,880	1.243
1987	75,875.00	90,880	1.198
1988	73,250.00	90,880	1.241
1989	75,625.00	90,880	1.202
1990	72,625.00	90,880	1.251
1991	74,625.00	90,880	1.218
1992	76,250.00	90,880	1.192
1993	72,500.00	90,880	1.254
1994	73,750.00	90,880	1.232
1995	74,625.00	90,880	1.218
1996	75,125.00	90,880	1.210
1997	75,250.00	143,380 <sup>3/</sup>	1.905

<sup>1/</sup> Principal and Interest of this Issue. (Interest was computed at a constant rate of 7.50%).

<sup>2/</sup> Based upon projected gross revenues for the fiscal year ending June 30, 1977, provided by the College's Business Office. No provision is made for summer occupancy, increased rates or operating costs, or decreased occupancy.

<sup>3/</sup> Assumes that there will be no decrease in the principal contributions to the Series Reserve or the General Bond Reserve and that the General Bond Reserve contribution of \$15,000 will be invested at 6% compounded interest for 21.5 years, thus making available \$52,500 for Debt Service in addition to the \$90,880 of projected gross revenues.

PROJECTED NET OPERATING REVENUE COVERAGE  
FOR THIS ISSUE

<u>Fiscal Year</u>	<u>Debt Service<sup>1/</sup></u>	<u>Total Net Operating Revenues<sup>2/</sup></u>	<u>Coverage (Times)</u>
1977	\$79,718.75	\$ 77,980	0.978
1978	77,000.00	77,980	1.013
1979	75,500.00	77,980	1.033
1980	74,000.00	77,980	1.054
1981	72,500.00	77,980	1.076
1982	76,000.00	77,980	1.026
1983	74,125.00	77,980	1.052
1984	72,250.00	77,980	1.079
1985	75,375.00	77,980	1.035
1986	73,125.00	77,980	1.066
1987	75,875.00	77,980	1.028
1988	73,250.00	77,980	1.065
1989	75,625.00	77,980	1.031
1990	72,625.00	77,980	1.074
1991	74,625.00	77,980	1.045
1992	76,250.00	77,980	1.023
1993	72,500.00	77,980	1.076
1994	73,750.00	77,980	1.057
1995	74,625.00	77,980	1.045
1996	75,125.00	77,980	1.038
1997	75,250.00	130,480 <sup>3/</sup>	1.734

<sup>1/</sup> Principal and Interest of this Issue. (Interest was computed at a constant rate of 7.50%.)

<sup>2/</sup> Based upon projected gross revenues of \$90,880 less operating expenses of \$12,900 for the fiscal year ending June 30, 1977, provided by the College's Business Office. No provision is made for summer occupancy, increased rates and operating costs or decreased occupancy.

<sup>3/</sup> Assumes that there will be no decrease in the principal contributions to the Series Reserve or the General Bond Reserve and that the General Bond Reserve contribution of \$15,000 will be invested at 6% compounded interest for 21.5 years, thus making available \$52,500 for Debt Service in addition to the \$77,980 of projected net operating revenues.

LONG-TERM DEBT

Principal Balance  
As of July 1, 1976

The College has the following long-term obligations:

1. \$1,000,000 Bond, dated April 1, 1960, at 3 1/8%, remaining principal of \$760,000 due April 1, 1977 through 2000, ranging progressively from \$20,000 to \$45,000, purchased by the U.S. Department of Housing and Urban Development; The First Trust Company of St. Paul, Minnesota acts as Trustee; interest payments on October 1 and April 1 to maturity; the proceeds of the loan were used to construct St. Mary's Hall dormitory and are secured by the full faith and credit of The Sisters of St. Joseph of Carondelet, St. Paul, Minnesota. (St. Mary Hall dormitory, with a net book value of \$828,000, and its related gross revenues are pledged toward the repayment of this obligation.) \$ 760,000
  2. \$800,000 Note, dated October 1, 1970, at 7 1/2%, remaining principal of \$588,650 due in monthly payments of \$7,416 including interest through February 1986; held by The Sisters of St. Joseph of Carondelet, the note is unsecured and was used to finance part of the cost of construction of the Mother Antonia McHugh Fine Arts Complex. \$ 588,650
  3. \$690,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds of 1975, Series M, dated April 1, 1975, bearing coupons ranging progressively from 7.40% to 8.00%, remaining principal of \$690,000 due November 1, 1976 through 1996 in amounts progressing from \$10,000 in 1976 to \$50,000 in 1995 and a payment of \$105,000 in 1996; with interest payable November 1 and May 1 to maturity; used to construct a dormitory on the campus at 559 Fairview Avenue in St. Paul; secured by a first mortgage on the land and building and by a pledge of the gross revenues of the facility, as well as the full faith and credit of the College and the General Bond Reserve of the Authority and the Series Reserve established for the issue. \$ 690,000
- TOTAL \$2,038,650

THE COLLEGE OF SAINT CATHERINE  
LONG-TERM DEBT AMORTIZATION SCHEDULE FOR  
FISCAL YEARS ENDING JUNE 30, 1977 THROUGH 2000

Fiscal Year Ending June 30	Total Payments	1960 HUD Bond	Note Due The Sisters of St. Joseph <sup>1/</sup>	1975 MHEFA Series M	This Issue <sup>2/</sup>
1977	\$ 257,267	\$ 43,750	\$ 67,798	\$ 66,000	\$ 79,719
1978	252,798	43,125	67,798	64,875	77,000
1979	249,548	42,500	67,798	63,750	75,500
1980	255,516	46,094	67,797	67,625	74,000
1981	251,736	45,313	67,798	66,125	72,500
1982	257,954	44,531	67,798	69,265	76,000
1983	253,423	43,750	67,798	67,750	74,125
1984	248,892	42,969	67,798	65,875	72,250
1985	254,203	47,031	67,797	64,000	75,375
1986	235,073	46,094	48,729	67,125	73,125
1987	185,906	45,156		64,875	75,875
1988	180,094	44,219		62,625	73,250
1989	184,281	43,281		65,375	75,625
1990	187,563	47,188		67,750	72,625
1991	185,469	46,094		64,750	74,625
1992	183,000	45,000		61,750	76,250
1993	180,156	43,906		63,750	72,500
1994	181,938	42,813		65,375	73,750
1995	182,813	46,563		61,625	74,625
1996	233,313 <sup>3/</sup>	45,313		112,875 <sup>3/</sup>	75,125
1997	119,313 <sup>4/</sup>	44,063			75,250 <sup>4/</sup>
1998	42,813	42,813			
1999	46,406	46,406			
2000	45,000 <sup>5/</sup>	45,000 <sup>5/</sup>			
Totals:	\$4,654,475	\$1,072,972	\$658,909	\$1,353,500	\$1,569,094

<sup>1/</sup>Debt Service for years 1977-1985 has been reduced by an annual HUD interest subsidy of \$21,195, reflected in the given figures.

<sup>2/</sup>Assuming a 7.50% coupon rate.

<sup>3/</sup>For the 1975 MHEFA Series M Issue, a general reserve of \$12,000 plus compounded interest and a series reserve of \$48,000 will be available to reduce debt service.

<sup>4/</sup>A general reserve of \$15,000 plus compounded interest and a series reserve of \$60,000 will be available to reduce debt service.

<sup>5/</sup>A sinking fund of one year's annual payment will be available for debt service on the bonds for St. Mary's Hall.

THE COLLEGE

GENERAL INFORMATION

The College of Saint Catherine is a non-profit, non-sectarian four-year women's liberal arts college. It is the only four-year college granting degrees to women only in the Minneapolis-St. Paul metropolitan area.

ACCREDITATIONS

The College is accredited by:

North Central Association of Colleges and Secondary Schools

National Council for the Accreditation of Teacher Education

National League for Nursing and the Minnesota Board of Nursing

Council on Medical Education of the American Medical Association,  
in collaboration with the American Occupational Therapy Association

National Council on Social Work Education

MEMBERSHIPS

The College is a member of these associations:

Associated Colleges of the Twin Cities

North Central Association of Colleges and Secondary Schools

American Council on Education

National Catholic Educational Association

Association of American Colleges

Association of Minnesota Colleges

American Association of Colleges for Teacher Education

Minnesota Private College Council

Upper Midwest Association for Intercultural Education

National Association of College Admissions Counselors

LOCATION

The College of Saint Catherine is located in St. Paul, Minnesota. The population of the Minneapolis-St. Paul metropolitan area is 1,987,651.<sup>1/</sup>

<sup>1/</sup> Figure estimated by the Minneapolis/St. Paul Metropolitan Council, June, 1976.

### STUDENT BODY

Enrollments as of the beginning of the 1975/76 academic year were: 1833 (head count); 1783 (full-time equivalent).

The student body is drawn from varied social, economic, cultural, racial and religious backgrounds. As of the fall of 1975, 78.4% of the students were Minnesota residents; 82.0% of those entering in the fall of 1975 were affiliated with the Roman Catholic Church.

### ORIGIN

The College was founded in 1905 by The Sisters of St. Joseph of Carondelet, St. Paul Province. It received accreditation in 1916 from the North Central Association of Colleges and Secondary Schools and an examining board from the University of Minnesota.

### GOVERNANCE

The bylaws of the College provide that a majority of the membership of the Board of Trustees be members of the religious order known as The Sisters of St. Joseph of Carondelet.

Separately elected and appointed members of The Sisters of St. Joseph comprise the members of the Corporation. The College's Board of Trustees is the governing body of the Corporation; however, the Trustees may not mortgage, lease or sell any corporate real estate and may not contract for major construction without consent of the members of the Corporation. The necessary consent has been given for this project.

In addition to The College of Saint Catherine, The Sisters of St. Joseph operate St. Mary's Junior College in Minneapolis, the hospitals of St. Mary's in Minneapolis and St. Joseph in St. Paul, and a hospital in Fargo, North Dakota. They also operate several secondary and elementary schools. The institutions with which they are involved in many instances benefit from common management in such areas as purchasing, but none is responsible for another.

There is no pledge, directly or indirectly, of the credit or support by The Sisters of St. Joseph of Carondelet for the Bonds of this offering.

### CAMPUS

The campus covers an area of 98 acres in a residential neighborhood near the Mississippi River and midway between downtown St. Paul and downtown Minneapolis. The College owns approximately 84% of the land; the Sisters own the balance. Approximately one-third of the acreage is open space.

Among the newer buildings on campus is O'Shaughnessy Auditorium, considered the St. Paul home of the Minnesota Orchestra and used also for concerts by the Civic Orchestra of Minneapolis, the St. Paul Philharmonic and Chamber Orchestras, and a variety of other performing groups.



CALENDAR

The College has a 4-1-4 program: 2 semesters of 4 months each (September - December; February - May) and an interim 1-month term (January). Each course counts as four semester credits. A full-time student carries four courses per semester and one course in the interim term.

FEES

The fees for the total of the two terms of the academic year, September through April, have been and will be as follows:

	<u>1975/76</u>	<u>1976/77</u>
Tuition	\$2,100	\$2,300
Room and Board	1,150	1,250
Student Activity Fee	15	15
	<u>\$3,265</u>	<u>\$3,565</u>

There are presently eight different room fee charges, varying with type and size of housing, averaging \$570 per student for the 1976/77 academic year.

## ACADEMIC INFORMATION

### LIBRARY

The College has a 199,000 volume library, which also houses an audio-visual center; a separate performing arts library includes a slide collection. Students have access to the libraries of the other colleges in the five-college exchange program, described below.

### DEGREE OFFERINGS

The College of Saint Catherine offers the Bachelor of Arts degree, with majors from more than thirty departments. Departmental offerings may be combined to form a special major.

### GRADUATION REQUIREMENTS

Degree candidates must complete 32 courses and 3 interim courses and must have a cumulative grade average of at least a "C" (2.0).

### PROGRAMS

The College participates in a 5-college exchange program with The College of St. Thomas, Hamline University, Macalester College and Augsburg College, enabling students to register for courses offered at any of these institutions. Buses commute hourly among campuses. During the 1975/76 academic year, an average of 953 students from The College of Saint Catherine took courses offered at the other colleges; an average of 731 students from the other colleges took courses offered at Saint Catherine.<sup>1/</sup>

The College offers continuing education programs for adult women, including alumnae and senior citizens. Half-tuition and free audit privileges are available.

Other special programs include Departmental Honors and overseas programs arranged through the Upper Midwest Association for Intercultural Education (UMAIE), the Associated Colleges of the Midwest (ACM) or various Junior Year Abroad groups.

### ADVANCED EDUCATION

13% of recent graduates entered postgraduate and professional study.

### HONOR SOCIETIES

Honor Societies represented at the College include: Phi Beta Kappa; Kappa Gamma Pi (Catholic women); Delta Phi Lambda (creative writing); Alpha Pi Epsilon (secretarial); Iota Sigma Pi (chemistry); Pi Gamma Theta (social sciences); Pi Delta Phi (French); Pi Epsilon Delta (drama); Sigma Theta Tau (nursing); Beta Beta Beta (biology); Delta Phi Delta (art); Pi Mu Epsilon (mathematics); Delta Phi Alpha (German); Sigma Delta Pi (Spanish).

<sup>1/</sup> "Report on the Exchange Program, 1975-1976," provided by the College.

FACULTY AND STAFF

The full-time faculty-student ratio (1975/76) is: 1 to 14.6. 31% of the faculty are members of The Sisters of St. Joseph; there is no religious or denominational prerequisite nor any participatory religious requirement for faculty membership. The College subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

SALARIES OF FULL-TIME INSTRUCTIONAL FACULTY, 1975/76

<u>Academic Rank</u>	<u>Number of Faculty<sup>1/</sup></u>	<u>Average Salary<sup>2/</sup></u>
Professor	15 (10)	\$20,640
Associate Professor	40 (12)	14,839
Assistant Professor	30 ( 7)	12,878
Instructor	16 ( 2)	11,029
Combined	101 (31)	\$14,514

CONTRIBUTED SERVICES

The Average Salaries shown in the preceding table reflect both salaries actually paid to lay faculty members and salaries which the College could expect to pay comparably-qualified lay faculty for the services performed by The Sisters of St. Joseph.

For the fiscal year ending June 30, 1975, the value of the "Contributed Services" of the Sisters was \$473,997 net of expenses. This represents the difference between what was actually paid the Sisters and what would be paid lay faculty performing their services. Expenses of the College per Sister presently include \$39/month for food, \$40/month in cash and an average \$10/month in medical costs. An annual cash payment of \$139,750 for a retirement contribution and for an annuity contribution is made to the Order of The Sisters of St. Joseph.

NUMBER OF EMPLOYEES AND PAYROLL TOTALS

Full-time faculty	101
Part-time faculty	54
All other staff and employees	<u>276</u>
Total	431

Contributed Services:

Academic	\$542,000	
Other	<u>300,000</u>	\$ 842,000

Salaried Payroll \$2,426,000

Total Payroll and Contributed Services \$3,268,000

<sup>1/</sup> Figures in parentheses represent Sister faculty included in the total figures for each category.

<sup>2/</sup> Salaries are for 9-month contracts and exclude fringe benefits.

## PRESIDENT

Sister Alberta Huber has served The College of Saint Catherine as its President since 1964. Prior to her selection as President, she was the Academic Dean of the College.

Sister Alberta holds a B.A. in English from the College, an M.A. from the University of Minnesota and a Ph.D. from the University of Notre Dame. She recently received "les Palmes Academique," chevalier rank from France, for which she was nominated by a member of the French National Senate. She is listed in:

Leaders in Education, Fourth Edition  
Who's Who of American Women  
Who's Who in Education  
Dictionary of International Biography, Fifth Edition  
Who's Who in America  
Directory of American Schools  
Two Thousand Women of Achievement

Sister Alberta is a member of the Board of Directors of the Minnesota Orchestra (honorary), the St. Paul Chamber of Commerce, and St. Paul Junior Achievement. She also serves on the Board of Trustees of St. Joseph's Hospital in St. Paul.

THE COLLEGE OF SAINT CATHERINE

OFFICERS

Leonard W. Bisanz, Chairman\*

St. Paul, Minn.

BOARD OF TRUSTEES

Rev. Msgr. William L. Baumgaertner  
Rector, The St. Paul Seminary

St. Paul, Minn.

Leonard W. Bisanz<sup>1/</sup>  
Realtor & Developer, L.W. Bisanz Properties

St. Paul, Minn.

Thomas L. Carlin  
Publisher, St. Paul Dispatch & Pioneer Press

White Bear Lake, Minn.

Jane Keefe Clifford  
Past President, Alumnae Association

Hopkins, Minn.

Thomas P. Coughlan<sup>1/</sup>  
President, National Bank of Mankato

Mankato, Minn.

Sister Miriam Joseph Cummings<sup>1/</sup>  
Provincial Director

St. Paul, Minn.

Sister Katherine Egan  
Co-Principal, Holy Angels Academy

Minneapolis, Minn.

Barbara Fitzpatrick<sup>2/</sup>  
President, Alumnae Association

St. Paul, Minn.

John Foley<sup>2/</sup>  
Director of Business and Planning  
St. Paul Province of the Sisters of St. Joseph

Minneapolis, Minn.

Sister Jean Funk  
Principal, St. Stephen's School

Minneapolis, Minn.

Sister Victoria Houle  
Principal, Nativity Convent

St. Paul, Minn.

Sister Florence Steichen  
Assistant Professor, St. Mary's Junior College

Minneapolis, Minn.

Sister Judith Kavanaugh  
Principal, Derham Hall High School

St. Paul, Minn.

Thomas A. Lewis  
Investments, F.S. Moseley & Co.

Hinsdale, Ill.

Sister Victorine Long <sup>1/</sup>  
Cardiology Technician, St. Joseph's Hospital

St. Paul, Minn.

*\*On June 25, 1976 Mr. Bisanz resigned as Chairman, effective upon the selection of his successor.*

Sister Phyllis Matton  
Teacher, Holy Redeemer Convent

Marshall, Minn.

Abigail McCarthy  
Writer and Lecturer

Washington, D.C.

Lawrence M. O'Shaughnessy  
Vice President, Globe Oil & Refining Co.

St. Paul, Minn.

The Most Rev. John R. Roach  
Archbishop of St. Paul and Minneapolis

St. Paul, Minn.

Sister Marie DePaul Rochester  
Administrator, St. Joseph's Hospital

St. Paul, Minn.

Sister Catherine Mary Rosengren  
Assistant to the Provincial Treasurer

St. Paul, Minn.

Joseph M. Ryan M.D.  
Physician Internist

St. Paul, Minn.

Sister St. Joseph Wilson<sup>1/</sup>  
Registrar, St. Mary's Junior College

Minneapolis, Minn.

<sup>1/</sup> Member of the Executive Committee.

<sup>2/</sup> Ex Officio Member of the Board of Trustees.

# EXISTING FACILITIES<sup>1/</sup>

<u>Building</u>	<u>Usage</u>	<u>Built</u>	<u>Dormitory Capacity</u>	<u>Cost</u>	<u>Replacement Costs as Estimated for Insurance Purposes<sup>2/</sup></u>
Derham Hall	Office-Dormitory	1903	70	\$ 318,717.82	\$ 1,959,900.00
Whitby Hall	Classroom-Dormitory	1914	137	350,763.25	2,618,500.00
Caecilian Hall	Classroom-Dormitory	1921	72	253,963.70	1,023,600.00
St. Joseph Hall	Dormitory-Student Center- Classroom	1954	53	1,515,884.52	3,071,800.00
St. Mary Hall	Dormitory	1961	199	1,134,343.67	1,636,700.00
Stanton Hall	Dormitory	1969	54	174,365.54	273,000.00
Crandall Hall	Dormitory	1969	54	174,365.54	273,000.00
Mendel Hall	Classroom	1927		414,094.56	2,811,700.00
Fontbonne Hall	Gym-Classroom	1931		314,321.00	1,839,400.00
Fairview Hall	Dormitory	1975	118	505,884.64	540,000.00
Library	Library	1960		917,421.28	1,739,700.00
Visual Arts Building	Classroom	1972		974,053.21	1,444,100.00
Auditorium & Music Bldg.	Classroom-Auditorium	1972		4,258,193.03	4,975,300.00
Chapel	Chapel	1924		566,072.08	3,406,100.00
Book Store	Bookstore	1941		24,185.19	149,500.00
Steam Plant		1936		473,175.78	1,446,700.00
Other Buildings, including 2 residences				<u>52,995.88</u>	<u>222,200.00</u>
Total Buildings				\$12,422,800.69	\$29,683,600.00

<sup>1/</sup> Figures prepared by the staff of The College of Saint Catherine, June 30, 1975. Land values are not included.

<sup>2/</sup> Figures reflect insurance values prepared by W.A. Lang Company, insurance brokers, as of January 1, 1976 and are not necessarily fair market values.

# ENDOWMENTS, GIFTS AND GRANTS

Additions have been made to the College's endowments, gifts and grants as follows:

<u>Fiscal Year</u>	<u>Endowment and Investment Income</u>	<u>Gifts and Private Grants <sup>1/</sup></u>	<u>Governmental Grants <sup>2/</sup></u>
1974/75	\$145,014	\$370,171	\$554,221
1973/74	109,804	340,490	291,173
1972/73	101,739	378,723	382,776
1971/72	81,887	303,421	323,082
1970/71	64,944	322,982	250,460

## DEVELOPMENTAL ACTIVITIES <sup>3/</sup>

An annual giving campaign is conducted among the 9000 college alumnae. During the last complete fiscal year, 1974/75, alumnae contributed \$103,000, thereby earning a Bush Foundation challenge grant of \$44,000. Alumnae giving participation has averaged 52%, compared with a national average of only 18%.

An annual campaign is also conducted among 3500 parents of past and present students. During fiscal year 1974/75, this campaign netted \$51,000, earning a \$10,000 Bush Foundation challenge grant. The level of parent-giving, like alumnae participation, exceeds national averages.

Among the special fund raising activities of the College's Development Office are annual solicitations of foundation, corporate and individual gifts for specific programs and projects. For fiscal year 1975/76, such gifts are expected to total \$500,000.

## O'SHAUGHNESSY BEQUEST

The College is the beneficiary of a bequest by I.A. O'Shaughnessy, who died in 1973 and left the College voting trust certificates representing 20,000 common shares of Globe Oil and Refining Company of Illinois. The First Trust Company of St. Paul, Minnesota, as executor of the estate, has indicated that the value of the bequest is presently \$1,100,000, or \$55 per share. Globe Oil currently pays an annual dividend of \$1.60 per share or \$32,000 annually for the College's 20,000 shares.

While the gift is unrestricted, the College's Board of Trustees has restricted its use to operation and maintenance of O'Shaughnessy Auditorium, which is otherwise supported from the Current and Plant Fund.

Globe Oil stock is not listed and generally not traded, although the College may legally sell it if a buyer is available. Legal title to the stock has not yet been transferred to the College, however, by reason of the fact that the U.S. Internal Revenue Service has not approved the Federal Estate Tax which was filed by the executors.

<sup>1/</sup> For 1970/71, 1971/72 and 1972/73, the source of these figures is "The Development Report of The College of Saint Catherine" for the respective year. The figures shown for these years consist of the income received in the form of awards from various donors and agencies. Figures for 1973/74 and 1974/75, by comparison, reflect actual expenditures, the result of a change in accounting procedures.

<sup>2/</sup> Ibid.

<sup>3/</sup> Information provided by the Development Office of the College.



#### DEFERRED GIFTS

A Deferred Giving Program was begun by the College in August, 1974. Funded for two years by a grant from the Northwest Area Foundation, the Program has thus far consisted primarily of the training of a full-time Deferred Giving Officer; an annual seminar on monetary planning and a College publication, "Planning Your Future," have been used to explain the program to the alumnae body.

The College expects the Program to become a significant element of its developmental activities. To date, deferred gifts have been completed valued at almost \$50,000.

COMPARATIVE SUMMARY OF OPERATIONS  
1970-1975

The following is a combined summary of operations, including both unrestricted and restricted income and expenses, of The College of Saint Catherine for the six years ended June 30, 1975.

Fiscal Years Ended June 30:	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>
Revenues	\$5,617,130	\$4,729,268	\$4,423,556	\$3,823,475	\$3,286,221	\$2,985,779
Contributed: Services of The Sisters	\$ 751,228	\$ 747,320	\$ 730,424	\$ 729,419	\$ 690,691	\$ 749,650
Less: Expenses	277,231	274,997	236,823	245,736	183,455	176,460
Net Contributed Services	473,997	472,323	493,601	483,683	507,236	573,190
Total Income	\$6,091,127	\$5,201,591	\$4,917,157	\$4,307,158	\$3,793,457	\$3,558,969
Net Expenses	\$5,812,604	\$4,825,838	\$4,322,234	\$4,037,285	\$3,866,062	\$3,488,300
Excess (Deficiency) of Income Over Expenditures before Depreciation	\$ 278,523	\$ 375,753	\$ 594,923	\$ 269,873	\$ (72,605)	\$ 70,669
Less: Depreciation	\$ 301,463	\$ 305,392	\$ 284,538	\$ 280,468	\$ 281,636	\$ 169,239
Excess (Deficiency) of Income Over Expenditures after Depreciation	\$ (22,940)	\$ 70,361	\$ 310,385	\$ (10,595)	\$ (354,241)	\$ (98,540)

ACTUAL AND ESTIMATED  
REVENUES AND EXPENSES <sup>1/</sup>  
(000 OMITTED)

Fiscal Years Ended June 30:	Estimate 1977	Estimate 1976	Actual 1975	Estimate 1975
Revenues:				
Student tuition and fees <sup>2/</sup>	\$3,965	\$3,600	\$3,293	\$3,300
Grants and gifts	575	600	603	600
Contributed services	525	505	474	500
Endowment income	100	100	146	-
Other income	125	125	184	150
Total operating income	<u>\$5,290</u>	<u>\$4,930</u>	<u>\$4,700</u>	<u>\$4,550</u>
Contributions for Scholarships	325	325	321	300
Auxiliary services	<u>1,200</u>	<u>1,125</u>	<u>1,070</u>	<u>1,050</u>
TOTAL REVENUES	<u>\$6,815</u>	<u>\$6,380</u>	<u>\$6,091</u>	<u>\$5,900</u>
Operating expenses including depreciation: <sup>3/</sup>				
Instructional	\$2,160	\$2,000	\$1,901	\$1,850
Library	380	350	304	350
Services to students	430	400	383	375
Plant operations	560	520	470	440
General and administrative	<u>1,050</u>	<u>990</u>	<u>1,001</u>	<u>900</u>
Total operating expenses	<u>\$4,580</u>	<u>\$4,260</u>	<u>\$4,059</u>	<u>\$3,915</u>
Student aid	800	720	692	640
Auxiliary services	<u>1,435</u>	<u>1,400</u>	<u>1,363</u>	<u>1,250</u>
TOTAL EXPENSES	<u>\$6,815</u>	<u>\$6,380</u>	<u>\$6,114</u>	<u>\$5,805</u>
Excess (Deficiency) of income over expenses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (23)</u>	<u>\$ 95</u>

<sup>1/</sup> These estimates were provided by the Business Office of the College. Actual revenues and expenses may be altered by changes in economic and other circumstances.

<sup>2/</sup> These figures reflect actual fees and expected enrollments.

<sup>3/</sup> Estimates for operating expenses are the composit of the several budgets compiled by each department of the College.

#### RENOVATION AND REMODELING

The College is nearing completion of a program of renovation and remodeling of campus classrooms and dormitories financed through a combination of current operating funds and special contributions. During 1974/75, some \$150,000 was used to add carpeting, ceilings and insulation to Whitby Hall and to install a fire standpipe system in Derham, Whitby and Caecilian Halls, as well as to begin remodeling of Mendel and Fontbonne Halls. Jeanne d'Arc Auditorium was remodeled with outside contributions of \$180,000 received for that purpose.

#### FUTURE INDEBTEDNESS

No additional bonded indebtedness is presently planned.

## INVESTMENT OF BOND ACCOUNTS

By the provisions of the Mortgage Trust Indenture the Trustee shall, upon request by the Authorized Institution Representative or the Authority, invest monies on deposit in the:

- Repair and Replacement Reserve Account
- Bond and Interest Sinking Fund Account
- Debt Service Reserve Account
- Redemption Account

Investments for these Accounts may be in any of these:

- Direct obligations of, or obligations fully guaranteed by, the United States of America
- Certificates of Deposit of banks or trust companies having a combined capital and surplus of at least \$10,000,000
- Securities issued by the following agencies of the United States:

- Federal Home Loan Banks
- Federal Intermediate Credit Banks
- Federal Land Banks
- Banks for Cooperatives
- Federal National Mortgage Association

The General Bond Resolution permits the Authority to invest monies in the General Bond Reserve Account in:

- Direct Obligations of the United States of America
- Certificates of Deposit or Time Deposits secured by direct obligations of the United States of America
- Such other securities as are eligible for investment of public funds of the State of Minnesota or of municipalities of the State

All investments are limited by arbitrage provisions of the Internal Revenue Code and regulations thereunder.

Yield from funds invested by the Trustee may be used for abatement of Base Rent payments, but those from investment of the General Bond Reserve Account may not. The latter will remain in the General Bond Reserve Account, except that at such time as the bonds for an institution have been fully retired and all amounts required to be paid by the institution have been paid, the Authority will rebate to the institution its proportionate share of both its original contribution and earnings of the General Bond Reserve Account in proportion to its contribution less a proportionate charge for unrecovered advances. In the event that the amount in the General Bond Reserve Account at any time exceeds the total sum of all debt service, for which the funds of the Account are pledged, in each subsequent year such excess may also be rebated proportionately.

## AGREEMENTS AND SECURITY

### Agreement

The Authority and the Institution will enter into an Agreement attached to which as exhibits will be the forms, subject to completion, of the Deed, the Lease, the Indenture, the General Bond Resolution, the Series Resolution and the Guaranty Agreement referred to below, as well as the Official Statement, a Financing Statement for filing under the Uniform Commercial Code and a Schedule of Closing Documents. By the Agreement, the College represents among other things that the Application previously filed by the College and approved by the Authority is true and complete in all respects. In the Application materials and in the Lease, the College represents, and the Authority has found, that the College is a nonprofit institution of higher education eligible for financial assistance under Chapter 868, Minnesota Laws of 1971, as amended, that the project is eligible for financing under the Act, and that the College is non-sectarian and does not discriminate in its admission policies or programs on account of religion, race, color, creed or national origin.

The Agreement provides for: the award of sale of the Project Bonds by the Authority, at its discretion, provided the Institution concurs or does not object before the award is made; the execution of the closing documents; the issuance and sale of additional parity lien bonds, at the discretion of the Authority, if necessary to pay additional Project costs; the completion of Project construction pursuant to construction contracts previously made by the Institution as agent of the Authority, with approved changes; and the operation of the Project by the Institution under the Lease and as agent of the Authority pursuant to the Act. Under the Agreement, the Institution agrees to register or qualify the Bonds under the securities act of any state other than Minnesota, or to cooperate in the registration of qualification, at the request and expense of the underwriters. By the Agreement, the Institution grants to the Authority a security interest in the Project, gross revenues of the Project, and the Leased Equipment.

### Deed, Lease and Mortgage Trust Indenture

At or prior to closing, the Institution will execute, deliver and record a warranty deed conveying the Project and sites thereof, and appurtenant easements, to the Authority. At closing, the Institution shall procure and deliver to the Authority and Bond Counsel a title insurance binder (or unless otherwise required by the Authority, an opinion of the College's counsel as to title) satisfactory to the Authority and Bond Counsel covering the Project and other sites and any easements specified in the Deed or Indenture.

At or prior to closing, the Authority as lessor and the College as lessee will execute and deliver a net Lease with repurchase options, for a lease term expiring at the last Bond maturity date, providing for Base Rent payments sufficient to pay principal of and interest on the Bonds. The Authority will also execute to the Trustee and record a Mortgage Trust Indenture mortgaging the Project land and buildings and Leased Equipment and also assigning the Authority's interest in the Lease (except for certain additional rent representing the Authority's annual fees) to secure the Bonds. The Lease and Mortgage Trust Indenture, Appendices II and III respectively, subject to completion, will be executed in substantially the forms set out in said Appendices.

General Bond Resolution; Series Resolution and Guaranty

The General Bond Resolution of the Authority was adopted October 31, 1972 to create the General Bond Reserve Account and to establish the terms of the pledge of that Account to bonds of the Authority. At or prior to closing, the College will guarantee the prompt and full payment of the principal of and interest on the Bonds by execution of a Guaranty Agreement substantially in the form of Appendix IV. The Series Resolution, subject to completion, is to be adopted by the Authority when the sale of the Bonds is awarded in substantially the form set out in Appendix VI.

Tax Exempt Status of the Bonds

It is intended that the interest paid on the Bonds will not be included in the gross income of the recipients of said interest by reason of Section 103 (a) of the Internal Revenue Code of 1954, as presently in effect. However, the Lease will provide that, in the event the interest payable on the Bonds becomes subject to Federal income taxes under the Internal Revenue Code and corrections as presently in effect, the Bonds shall be redeemable and shall be redeemed and the Institution shall purchase the Project at the earliest practicable interest payment date.

#### LITIGATION

The College has no litigation threatened or pending against it.

#### DEFAULT

The College has never defaulted in the payment of any of its obligations for borrowed money.

#### LEGAL OPINION

The issuance and sale of the Project Bonds shall be subject to the delivery of the approving legal opinion of Messrs. Faegre & Benson, as Bond Counsel to the Authority, the Institution, the Trustee and the purchaser of the Project Bonds, to the effects that (i) the Authority has authority under the Act to issue the Project Bonds, to acquire and lease to the Institution the Project and to execute and deliver the Indenture to secure the Project Bonds, (ii) the Project Bonds, the Deed, the Lease and the Indenture have been duly authorized by all necessary proceedings and duly executed and delivered, (iii) the Project Bonds, the Lease and the Indenture are valid and binding instruments in accordance with their terms, (iv) the Indenture provides a valid and direct first mortgage lien on the Project subject only to the Lease and encumbrances permitted by the Indenture, (v) the Guaranty is the valid and binding obligation of the Authority, (vi) the Project Bonds are further secured by the General Bond Reserve Account on a parity with bonds of other series as provided in the General Bond Resolution, (vii) the interest on the Project Bonds is exempt from federal and Minnesota state income taxes (other than Minnesota corporate franchise taxes measured by income) under present laws and rulings, (viii) the Project Bonds are exempt from registration under the Securities Act of 1933 and Minnesota Statutes, Chapter 80A, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939.



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## Auditors' Report

Exhibit

## Financial Statements-

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ARTHUR ANDERSEN & Co.  
SAINT PAUL, MINNESOTA

To Sister Miriam Joseph Cummings,  
Province Director, and  
Sister Alberta Huber, President,  
The College of St. Catherine:

We have examined the balance sheets of THE COLLEGE OF ST. CATHERINE (a Minnesota corporation organized not for profit; owned and operated by the Sisters of St. Joseph of Carondelet Province of St. Paul) as of June 30, 1975, and June 30, 1974, and the related statements of changes in fund balances, operations and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of The College of St. Catherine as of June 30, 1975, and June 30, 1974, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Our examination has been made primarily for the purpose of forming the opinion stated in the preceding paragraph. The data contained in Exhibits 5 through 7 of this report, although not considered necessary for a fair presentation of financial position, results of operations and changes in financial position, are presented as supplementary information and have been subjected to the audit procedures applied in the examination of the basic financial statements. In our opinion, these data are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

ARTHUR ANDERSEN & CO.

September 5, 1975.

THE COLLEGE OF ST. CATHERINE  
BALANCE SHEETS--JUNE 30, 1975 AND JUNE 30, 1974

EXHIBIT 1

A S S E T S

	1975	1974
<b>CURRENT AND PLANT FUND:</b>		
Current assets-		
Cash, including time deposits of \$686,914 in 1975 and \$459,824 in 1974	\$ 737,345	\$ 644,709
Marketable securities (Note 1)	197,471	262,446
Accounts receivable, principally grants from U. S. Government agencies	193,661	180,699
Inventories, principally books and supplies, at cost	85,386	63,857
Prepaid expenses	14,801	12,203
Total current assets	\$ 1,228,664	\$ 1,163,914
Plant assets (Notes 1 and 2)-		
Cash and investments restricted for construction in progress	\$ 551,040	\$ -
Construction in progress	76,955	8,858
Land and land improvements	316,567	306,438
Buildings	11,872,901	11,782,993
Furniture and equipment	1,509,331	1,450,241
Library books	596,335	616,382
Reserves for depreciation	(4,732,930)	(4,434,929)
Total plant assets	\$10,190,199	\$ 9,729,983
Other assets, principally cash surrender value of life insurance and debt financing expenses	\$ 78,621	\$ 39,586
Total current and plant fund assets	\$11,497,484	\$10,933,483
<b>SPECIAL PURPOSE FUNDS:</b>		
Cash, including time deposits of \$16,103 in 1975	\$ 130,173	\$ 28,834
Marketable securities (Note 1)	-	125,000
Accounts receivable, principally grants from U. S. Government agencies	87,443	66,706
Total assets held for special purposes	\$ 217,616	\$ 220,540
<b>STUDENT LOAN FUNDS:</b>		
Cash	\$ 122,735	\$ 40,682
Notes receivable from students	835,718	771,578
Due from U. S. Government agency	-	90,073
Total student loan funds assets	\$ 958,453	\$ 902,333
<b>ENDOWMENT AND SIMILAR FUNDS:</b>		
Cash	\$ 14,349	\$ 5,520
Due from current and plant fund	30,165	45,125
Note receivable from St. Paul Province, a related organization	-	220,000
Marketable securities (Note 1)	1,490,867	1,491,266
Total endowment and similar fund assets	\$ 1,535,381	\$ 1,761,911
	\$14,208,934	\$13,818,267

LIABILITIES AND FUND BALANCES

	1975	1974
<b>CURRENT AND PLANT FUND:</b>		
Current liabilities-		
Current maturities of long-term debt (Note 2)	\$ 63,000	\$ 74,000
Student deposits, principally tuition and room reservation fees	303,598	290,227
Accounts payable	279,335	210,665
Accrued salaries and wages	32,647	20,468
Accrued interest	12,562	6,250
Due to endowment and similar funds	30,165	45,125
Total current liabilities	\$ 721,307	\$ 646,735
Long-term debt less current maturities (Note 2)	\$ 1,878,125	\$ 1,572,224
Current and plant fund balance (Note 1) (Exhibit 2)	\$ 8,898,052	\$ 8,714,524
Total current and plant fund liabilities and fund balance	\$11,497,484	\$10,933,483
<b>CONTINGENCIES AND COMMITMENTS (Notes 3, and 4)</b>		
<b>SPECIAL PURPOSE FUNDS (Note 1) (Exhibit 2)</b>	\$ 217,616	\$ 220,540
<b>STUDENT LOAN FUNDS (Note 1) (Exhibit 2):</b>		
U. S. Government funds	\$ 785,782	\$ 747,679
College and other funds	172,671	154,654
Total student loan funds	\$ 958,453	\$ 902,333
<b>ENDOWMENT AND SIMILAR FUNDS (Note 1) (Exhibits 2 and 7):</b>		
Permanent endowment funds	\$ 1,196,725	\$ 1,201,056
Quasi - endowment funds	338,656	560,855
Total endowment and similar funds	\$ 1,535,381	\$ 1,761,911
	\$14,208,934	\$13,818,267

The accompanying notes to financial statements are an integral part of these balance sheets

THE COLLEGE OF ST. CATHERINE

EXHIBIT 2

STATEMENTS OF CHANGES IN FUND BALANCES  
FOR THE YEARS ENDED JUNE 30, 1975 AND JUNE 30, 1974

	1975				1974			
	Current and Plant Fund	Special Purpose Funds	Student Loan Funds	Endowment and Similar Funds	Current and Plant Fund	Special Purpose Funds	Student Loan Funds	Endowment and Similar Funds
BALANCE, BEGINNING OF YEAR	\$8,714,524	\$220,540	\$902,333	\$1,761,911	\$8,653,170	\$192,768	\$817,450	\$1,674,985
ADD (DEDUCT):								
Excess (deficiency) of income over expenses (Exhibit 3)	(22,940)	-	-	-	70,361	-	-	-
Restricted donations of cash and securities	-	205,540	-	5,570	-	186,127	-	92,972
Investment income, including restricted endowment income	-	31,672	13,293	-	-	49,167	12,988	-
Loss on sale of securities	-	-	-	(12,100)	-	-	-	(6,046)
Received or receivable from U. S. Government agencies	-	397,410	68,940	-	-	189,989	92,115	-
Forgiveness of student loan principal	-	-	(29,335)	-	-	-	(29,227)	-
Expenditures from special purpose funds for scholarships and various operating expenses of The College of St. Catherine	-	(647,856)	-	-	-	(397,511)	-	-
Fund transfers-								
Transfer to Current and Plant Fund for debt retirement	220,000	-	-	(220,000)	-	-	-	-
Mandatory transfers for student loan and work study programs	(13,532)	5,491	8,041	-	(9,007)	-	9,007	-
Other	-	4,819	(4,819)	-	-	-	-	-
BALANCE, END OF YEAR	\$8,898,052	\$217,616	\$958,453	\$1,535,381	\$8,714,524	\$220,540	\$902,333	\$1,761,911

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

## THE COLLEGE OF ST. CATHERINE

## STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JUNE 30, 1975 AND JUNE 30, 1974

	1 9 7 5			1 9 7 4		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
INCOME:						
Educational and general-						
Tuition and fees	\$3,292,795	\$ -	\$3,292,795	\$2,874,475	\$ -	\$2,874,475
Private grants and gifts	169,160	201,011	370,171	169,456	171,034	340,490
Federal government grants	-	417,439	417,439	-	183,338	183,338
State government grants	136,782	-	136,782	107,835	-	107,835
Endowment income	115,608	29,406	145,014	66,665	43,139	109,804
Contributed services of Sisters, net	473,997	-	473,997	472,323	-	472,323
Income from investments	104,015	-	104,015	56,375	-	56,375
Miscellaneous income	79,985	-	79,985	91,707	-	91,707
Total	\$4,372,342	\$647,856	\$5,020,198	\$3,838,836	\$397,511	\$4,236,347
Auxiliary services (Exhibit 6)	1,070,929	-	1,070,929	965,244	-	965,244
Total income	\$5,443,271	\$647,856	\$6,091,127	\$4,804,080	\$397,511	\$5,201,591
EXPENSES (Exhibit 5):						
Educational and general-						
Instructional	\$1,688,436	\$212,398	\$1,900,834	\$1,513,090	\$100,394	\$1,613,484
Library	279,441	24,568	304,009	269,915	5,000	274,915
Services to students	363,246	19,475	382,721	338,180	19,698	357,878
Plant operations and maintenance	450,382	19,690	470,072	358,997	-	358,997
General, administrative and institutional	950,289	50,452	1,000,741	801,220	-	801,220
Student aid, principally tuition and scholarship allowances	371,577	320,964	692,541	320,740	272,419	593,159
Total	\$4,103,371	\$647,547	\$4,750,918	\$3,602,142	\$397,511	\$3,999,653
Auxiliary services (Exhibit 6)	1,362,840	309	1,363,149	1,131,577	-	1,131,577
Total expenses	\$5,466,211	\$647,856	\$6,114,067	\$4,733,719	\$397,511	\$5,131,230
Excess (deficiency) of income over expenses	\$ (22,940)	\$ -	\$ (22,940)	\$ 70,361	\$ -	\$ 70,361

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

NOTES TO  
FINANCIAL  
STATEMENTS  
(Continued)

(1) Summary of Significant Accounting Policies  
(Continued):

Description of Funds (continued)-

Endowment and Similar Funds:

Permanent endowment funds represent gifts to the College, the principal of which must remain intact as stipulated by the donor. Income earned on endowments which is restricted by the donor for specific purposes is recorded in the special purpose funds until the funds are expended for the specified purpose. Income earned on endowment funds which is not restricted by the donor is recorded in the statement of operations. Gains and losses realized on the sale of securities are added to or deducted from the principal of the funds.

Quasi-endowment funds represent assets designated by the Board of Trustees of the College to function as endowment funds. Any portion of the quasi-endowment fund may be expended at the discretion of the Board of Trustees. Income earned on quasi-endowment funds has been designated for the support of various programs of the College, and is recorded in the statement of operations.

Marketable Securities-

Substantially all endowment fund investments of The College of St. Catherine are pooled for investment purposes and are not identified by source. Income earned on endowment fund investments is allocated on the basis of each fund's proportionate interest in the pooled investment portfolio.

Marketable securities are recorded at cost when purchased or at quoted market at the date received. Gains and losses are recognized at the time of sale.

NOTES TO  
FINANCIAL  
STATEMENTS  
(Continued)

(1) Summary of Significant Accounting Policies  
(Continued):

Marketable Securities (continued)-

Marketable securities as of June 30, 1975 and 1974, include:

	1975		1974	
	Cost	Quoted Market	Cost	Quoted Market
Common and preferred stocks	\$ 991,267	\$1,078,811	\$ 991,269	\$1,033,801
Certificates of deposit	-	-	225,000	225,000
Church and other charitable organizations bonds	466,087	431,840	466,087	409,708
Industrial bonds	107,966	71,939	129,632	79,221
Other, principally U. S. Government obligations	123,018	122,977	66,724	66,270
Total	\$1,688,338	\$1,705,567	\$1,878,712	\$1,814,000
Included in:				
Current and plant fund	\$ 197,471	\$ 187,966	\$ 262,446	\$ 246,849
Special purpose funds	-	-	125,000	125,000
Endowment and similar funds	1,490,867	1,517,601	1,491,266	1,442,151
Total	\$1,688,338	\$1,705,567	\$1,878,712	\$1,814,000

Plant Assets and Depreciation-

Plant assets are stated at cost or fair value at date received in the case of gifts. The College, unlike many similar institutions, provides for depreciation of its plant assets in the accompanying statement of operations in recognition of the cost expiration associated with the use of such assets. Depreciation is computed on a straight-line method over the estimated service life of the property.



NOTES TO  
FINANCIAL  
STATEMENTS  
(Continued)

(2) Long-Term Debt:

Long-term debt, at June 30, 1975 and 1974, consisted of:

Description	Interest Rate	Amount Due June 30, 1975			Total Amount Due June 30, 1974	Collateral
		Within One Year	After One Year	Total		
The College of St. Catherine Dormitory Bonds, Series 1960, less sinking fund deposits of \$100,600, due in annual amounts of \$20,000 to \$45,000 to 2000	3-1/8%	\$20,000	\$ 659,400	\$ 679,400	\$ 699,400	St. Mary Hall dormitory building with a net book value of \$828,000 and its related gross revenue
Minnesota Higher Education Facilities Authority, First Mortgage Revenue Bonds, Series M (The College of St. Catherine), less sinking fund deposits of \$60,000, due in annual amounts of \$10,000 to \$105,000 to 1996	7.4 to 8.0	-	630,000	630,000	-	Land and building under construction and related base rents and other income as defined
Note payable to Sisters of St. Joseph of Carondelet Province of St. Paul, due in monthly amounts of \$7,416 including interest to 1986	7-1/2	43,000	588,725	631,725	671,696	Unsecured
Note payable to Sisters of St. Joseph of Carondelet Province of St. Paul	5	-	-	-	275,128	Unsecured
		----- \$63,000 =====	----- \$1,878,125 =====	----- \$1,941,125 =====	----- \$1,646,224 =====	

NOTES TO  
FINANCIAL  
STATEMENTS  
(Continued)

(2) Long-Term Debt (Continued):

The College of St. Catherine Dormitory Bonds, Series 1960 are guaranteed by the Sisters of St. Joseph of Carondelet Province of St. Paul. As of June 30, 1975, the sinking fund deposits for debt service totaled \$95,000 and the related accumulated interest reserve was \$5,600.

The Minnesota Higher Education Facilities Authority (the Authority) is in the process of constructing a student apartment building on land conveyed to the Authority by the college with the proceeds from the sale of the First Mortgage Revenue Bonds, Series M. Total estimated cost of the project is approximately \$600,000. The building will be leased to the college upon completion at an aggregate rental equal to the principal and interest payments on the bonds. The College has the option to purchase the land and building at the expiration of the lease term (November 1, 1997) for \$500. The College has recorded the cost of the building and the related debt obligation in the accompanying financial statements.

In connection with the 7-1/2% note payable to the Sisters of St. Joseph of Carondelet, St. Paul Province, which was obtained to finance a portion of the cost of the Fine Arts Center, the College has received an interest subsidy grant from a U. S. Government agency of \$21,195 per year for the term of the loan.

(3) Retirement Plan:

The College has a non-contributory retirement plan covering substantially all full time non-professional employees. The total retirement plan expense for the year was \$12,000, which included amortization of prior service costs over a period of 10 years. The actuarially computed value of vested benefits did not exceed the assets of the pension fund as of June 30, 1973 (date of last actuarial review).

(4) Bequest:

During 1974, the College of St. Catherine was named beneficiary to a bequest by I. A. O'Shaughnessy of 20,000 common shares of Globe Oil and Refining Company of Illinois. The stock, which is not listed on any stock exchange, is valued by the executor of the estate at \$1,100,000. The bequest is unrestricted as to use.

Title to the shares has not been transferred to the College pending completion of an Internal Revenue Service review of the Federal Estate Tax Return and, accordingly, the bequest has not been reflected in the accompanying financial statements.

## THE COLLEGE OF ST. CATHERINE

## STATEMENTS OF OPERATING EXPENSES

FOR THE YEARS ENDED JUNE 30, 1975 AND 1974

	Educational and General							Auxiliary Services					Total 1975	Total 1974
								Cost Allocations From						
								Plant						
	Instructional	Library	Services to Students	Plant Operations and Maintenance	General, Administrative and Institutional	Student Aid	Total	Direct Costs	Operations and Maintenance	General and Administrative	Total			
Salaries, wages and Sisters' services	\$1,733,940	\$178,532	\$330,400	\$166,802	\$283,871	\$ -	\$2,693,545	\$104,923	\$178,468	\$ 39,049	\$ 322,440	\$3,015,985	\$2,709,200	
Cost of food, books and supplies	46,515	58,515	13,398	59,999	51,523	-	229,950	518,952	8,047	-	526,999	756,949	611,169	
Maintenance and repairs	6,698	2,013	5,620	6,913	4,652	-	25,896	2,944	11,535	-	14,479	40,375	37,495	
Utilities and communications	-	-	1,811	183,967	32,924	-	218,702	4,969	172,877	-	177,846	396,548	327,206	
Student services	40,577	33,993	2,428	-	6,950	-	83,948	39,746	-	-	39,746	123,694	97,021	
Insurance	-	-	-	-	84,153	-	84,153	-	-	10,380	10,380	94,533	86,051	
Interest	-	-	-	-	15,245	-	15,245	-	-	59,577	59,577	74,822	76,320	
Depreciation	-	-	-	-	160,952	-	160,952	-	-	140,512	140,512	301,464	305,392	
Student aid	-	-	-	-	-	692,541	692,541	-	-	-	-	692,541	593,159	
Other	73,104	30,956	29,064	52,391	360,471	-	545,986	64,642	6,528	-	71,170	617,156	386,088	
Total - 1975	\$1,900,834	\$304,009	\$382,721	\$470,072	\$1,000,741	\$692,541	\$4,750,918	\$736,176	\$377,455	\$249,518	\$1,363,149	\$6,114,067		
Total - 1974	\$1,613,484	\$274,915	\$357,878	\$358,997	\$ 801,220	\$593,159	\$3,999,653	\$583,143	\$302,623	\$245,811	\$1,131,577		\$5,131,230	

THE COLLEGE OF ST. CATHERINE

STATEMENTS OF AUXILIARY ENTERPRISE OPERATIONS

FOR THE YEARS ENDED JUNE 30, 1975 AND 1974

	O'Shaughnessy Auditorium	Bookstore	Residence Halls	Food Services	Total	
					1975	1974
REVENUES	\$ 65,833	\$165,717	\$372,873	\$466,506	\$1,070,929	\$ 965,244
EXPENSES:						
Salaries, wages and Sisters' services	\$ 51,851	\$ 19,914	\$ 26,384	\$ 6,774	\$ 104,923	\$ 98,185
Cost of food, books and supplies	2,861	153,415	1,341	361,335	518,952	430,448
Maintenance and repairs	2,500	183	110	151	2,944	3,785
Utilities and communications	347	-	4,621	-	4,969	3,649
Student services	-	911	38,835	-	39,746	19,903
Other	2,745	296	61,028	573	64,642	27,173
Allocated portion of-						
General and administrative expense	92,430	3,391	138,707	14,991	249,518	245,811
Plant operations and maintenance expense	101,182	2,934	248,450	24,889	377,455	302,623
Total expenses	\$ 253,916	\$181,044	\$ 519,476	\$408,713	\$1,363,149	\$1,131,577
Income (loss):						
1975	\$(188,083)	\$(15,327)	\$(146,603)	\$ 57,793	\$ (292,220)	
1974	\$(168,968)	\$ (6,797)	\$ (60,601)	\$ 70,033		\$ (166,333)

THE COLLEGE OF ST. CATHERINESTATEMENTS OF ENDOWMENT AND SIMILAR FUND BALANCESJUNE 30, 1975 AND 1974

	<u>1975</u>	<u>1974</u>
PERMANENT ENDOWMENT FUND BALANCES:		
The Charles and Ellora Alliss Educational Fund	\$ 20,000	\$ 20,000
Alumnae Scholarship Fund	201,059	201,059
Archbishop Dowling Loan Fund	1,403	1,403
Archbishop Ireland Scholarship Fund	16,721	16,721
Aimee Mott Butler Trust for Charity Fund	50,000	50,000
Walter Butler Scholarship Fund	3,517	3,517
Carnegie Corporation Fund for the Library	6,321	6,321
Emily Cochran Scholarship Fund	8,698	7,229
Clara Denis Annuity Fund	1,000	-
Hugh Derham Scholarship Fund	5,976	5,976
Monsignor Donahue Scholarship Fund	5,924	5,924
Isabel Donaldson Debate Fund	575	575
Gleason Family Memorial Fund	2,873	2,873
Sister Jerome Scholarship Fund	9,308	9,208
Katherine Keegan Scholarship Fund	3,275	3,275
Henry Keffeler Scholarship Fund	5,746	5,746
P. and J. Kennelly Memorial Scholarship Fund	4,338	4,338
Mary Lingl Scholarship Fund	43,376	43,376
Eugene McCahill Prize Fund	4,380	4,380
Louis McCahill Scholarship Fund	7,814	7,814
John V. McDonald Scholarship Fund	2,743	2,743
Cornelia McNamara Scholarship Fund	14,438	14,438
Gertrude Malloy Scholarship Fund	7,125	7,125
R. N. Morrison Scholarship Fund	3,499	3,499
The Ben and Vigil Nilles Educational Fund	33,555	33,555
Edward O'Brien Scholarship Fund	1,935	1,935
Helen O'Connell Memorial Fund	1,241	1,241
Elizabeth Quinlan Memorial Fund	17,078	17,078
Readers Digest Foundation Scholarship Fund	12,500	12,500

EXHIBIT 7  
(Continued)

	<u>1975</u>	<u>1974</u>
PERMANENT ENDOWMENT FUND BALANCES (Continued):		
St. Ann Scholarship Fund	\$ 20,563	\$ 20,563
Ruth Sawyer Fund for Library	5,000	5,000
Sara Schmid Scholarship Fund	3,000	-
Charlotte Hill Slade Scholarship Fund	11,138	11,138
Mary Hill Slade Scholarship Fund	11,138	11,138
Earle Clement Smith Memorial Fund	1,030	1,030
The Vivian O'Gara Weyerhaeuser Music Scholarship Fund	6,247	6,247
Archbishop Ireland Educational Fund	225,804	225,804
Clara Hill Lindley Fund	80,125	80,125
Harry R. P. Miller Fund	9,495	9,495
Rafferty Fund	315	315
Rockefeller Educational Fund	357,625	357,625
Mother Seraphine Fund	22,459	22,459
(Loss) on disposition of securities, not allocated	(53,632)	(43,732)
	-----	-----
Total	\$1,196,725	\$1,201,056
	=====	=====
QUASI-ENDOWMENT FUND BALANCES:		
Ford Foundation Fund	\$ 57,181	\$ 277,181
I. A. O'Shaughnessy Auditorium Maintenance Fund	254,200	254,200
I. A. O-Shaughnessy Fund	40,000	40,000
(Loss) on disposition of securities, not allocated	(12,725)	(10,526)
	-----	-----
	\$ 338,656	\$ 560,855
	=====	=====

\$795,000 Minnesota Higher Education  
Facilities Authority First Mortgage  
Revenue Bonds, Series R  
(The College of Saint Catherine)

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L E A S E

PARTIES                THIS LEASE, Made as of the 1st day of August, 1976, between the MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY, an agency of the State of Minnesota having its principal office at 278 Metro Square Building, in St. Paul, Minnesota (herein sometimes called the "Authority"), and THE COLLEGE OF SAINT CATHERINE, a Minnesota nonprofit corporation and a nonprofit institution of higher education located and having its principal office in St. Paul, Minnesota (herein sometimes called the "College" or "Institution"),

WITNESSETH:

LEASING                The Authority hereby leases to the College, and the  
CLAUSE                College hereby hires and takes from the Authority,  
the following:

I.    The premises and buildings and improvements thereon situated in the City of St. Paul, County of Ramsey, State of Minnesota, set forth on Exhibit A hereto attached (herein sometimes called the "Leased Premises").

II.   The items of furnishings, equipment and related property, installed and to be installed in the Leased Premises (hereinafter defined as "Leased Equipment") generally described in Exhibit B attached hereto.

TERM AND                TO HAVE AND TO HOLD the Leased Premises and Leased  
CONSIDERATION        Equipment (herein collectively called the "Leased Property") unto the College for a term of 20 years 9 months commencing on the 1st day of August, 1976 and ending on the 1st day of May, 1997 (herein sometimes called the "Lease Term"), subject to prior termination as hereinafter provided, in consideration of the Base Rent and Additional Rent provided in Sections 4.01 and 4.03 of this Lease to be paid by the College and the terms, covenants and conditions to be performed and kept by the College.

         This Lease is granted and accepted upon the following representations, terms, covenants and conditions, and the Authority and the College hereby agree to keep and perform all the terms, covenants and conditions hereof on their part to be kept and performed, as follows:

## ARTICLE I

### DEFINITIONS, PROJECT DESCRIPTION

Section 1.01 Defined Terms Generally. In addition to the words and terms elsewhere defined in this Lease, the following words and terms as used in this Lease shall have the following meanings unless the context or use indicates another or different meaning or intent, and such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms herein defined:

"Act" means Minnesota Statutes, Sections 136A.25 to 136A.42, and acts amendatory thereof and supplemental thereto.

"Additional Bonds" means the Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, which may be issued by the Authority under Section 2.10 of the Indenture to provide for completion of or improvements or additions to the Project.

"Additional Rent" means rent provided for in Section 4.03 of this Lease.

"Agreement" means the Agreement between the Authority and the College dated May 25, 1976 relating to the Project and providing, among other things, for the execution of this Lease and the Indenture in the form of exhibits thereto attached.

"Authority" means the Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota created and existing under the Act, and its lawful successors.

"Authorized Authority Representative" means the Chairman, Vice Chairman, Secretary or Executive Director of the Authority, and also includes such other person at the time designated to act on behalf of the Authority by written certificate furnished to the Institution and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chairman, Vice Chairman, Secretary or Executive Director. Such certificate may designate an alternate or alternates.

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

"Base Rent" means rent payable to the Trustee for payment of Bond principal, premium (if any) and interest and reserves under Section 4.01 of this Lease.

"Board of Directors" means the board of directors, board of trustees or other governing body of the Institution, and includes any executive committee thereof authorized to act for such body.

"Bonds" mean the Project Bonds and any Additional Bonds.

"Bond and Interest Sinking Fund Account" means the Bond and Interest Sinking Fund Account created under Section 5.02 of the Indenture.

"Bond Resolution" means, for the Project Bonds, the General Bond Resolution adopted by the Authority on October 31, 1972, as supplemented by the Series Resolution adopted by the Authority on July 27, 1976 providing for the Project Bonds, and when used in connection with Additional Bonds or to relate to Bonds when Additional Bonds are outstanding, shall mean or include, as the case may be, the resolution providing for the issuance of such Additional Bonds and original Series Resolution, but only to the extent consistent with the General Bond Resolution, all as the same may be amended, modified or supplemented by any amendments or modifications thereof and supplements thereto entered into in accordance with the provisions of the Indenture.

"Building" means that certain building or buildings and all other structures and facilities, the general use of which is described in Section 1.02 hereof and in any lease supplementing this Lease, forming a part of the Project and not constituting part of the Leased Equipment, which is to be constructed and is located on the Leased Premises, as it or they may at any time exist.

"Completion Date" means the date of completion of the construction, reconstruction, remodeling and renovating of the Building and installation therein of the Leased Equipment as that date shall be certified as provided in Section 3.05 hereof.

"Construction Account" means the Construction Account created in Section 4.01 of the Indenture for the Project Bonds and referred to in Section 3.02 hereof.

"Construction Period" means the period between the beginning of construction or the date on which Bonds are first delivered to the purchasers thereof, whichever is earlier, and the Completion Date.

"Debt Service Reserve Account" means the Debt Service Reserve Account created under Section 5.04 of the Indenture.

"General Bond Reserve Account" means the General Bond Reserve Account created under the Bond Resolution, including particularly Section 2 of the General Bond Resolution, to provide additional security to holders of the Bonds and holders of other revenue bonds issued by the Authority from time to time.

"Indenture" means the Mortgage Trust Indenture constituting a trust agreement between the Authority and the Trustee, dated August 1, 1976, under which the Bonds are authorized to be issued and a mortgage of the Project to secure the Bonds, and including any indenture supplemental thereto.

"Independent Counsel" means any attorney duly admitted to practice law before the highest court of Minnesota and not an officer or a full time employee of the Authority or the Institution.

"Independent Engineer" means an engineer or engineering firm or an architect or architectural firm qualified to practice the profession of engineering or architecture under the laws of Minnesota and who or which is not an officer or a full time employee of the Authority or the Institution.

"Institution" or "College" means The College of Saint Catherine, a Minnesota nonprofit corporation, and a nonprofit institution of higher education under the laws of the State of Minnesota, identified as such above under "Parties", its successors and assigns.

"Lease" means this agreement as from time to time amended pursuant to Section 11.07 hereof or as from time to time supplemented in connection with the issuance of any Additional Bonds.

"Lease Term" means the duration of the leasehold estate created in this Lease as above specified under "Term and Consideration" to the date of termination including early termination provided for herein.

"Leased Equipment" means (i) those items of furnishings, equipment and related property required herein to be acquired and installed in the Building or elsewhere on the Leased Premises with proceeds from the sale of the Bonds or the proceeds of any payment by the Institution pursuant to Section 3.06 hereof (which property is described generally in Exhibit B hereto and will be described in the certificate signed by the Project Supervisor referred to in Section 3.05 hereof and in any lease supplementing this Lease), (ii) any fixtures installed or to be installed in the Building or elsewhere on the Leased Premises, including without limitation heating and ventilating equipment, plumbing, lighting, conduits and other building service equipment, and (iii) any item of furnishings and equipment and related property acquired and installed in the Building or elsewhere on the Leased Premises in substitution therefor or as fixtures thereto pursuant to the provisions of Sections 5.07, 6.01 and 6.02 hereof, less furnishings, equipment and related property as may be released from this Lease pursuant to Section 5.07 of this Lease or taken by the exercise of the power of eminent domain as provided in Section 6.02 of this Lease, all as they may at any time exist, but not including the Institution's own movable furnishings and equipment heretofore installed, or hereafter installed under the provisions of Section 7.09 hereof.

"Leased Premises" means the real estate, interests in real estate and other rights described in the Leasing Clause above, Exhibit A hereto and any lease supplementing this Lease, together with all additions thereto and substitutions therefor, less such real estate, interests in real estate and other rights as may be released from this Lease pursuant to Sections 7.03, 7.04 and 10.04 of this Lease or taken by the exercise of the power of eminent domain as provided in Section 6.02 of this Lease.

"Leased Property" means the Leased Premises and Leased Equipment.

"Net Proceeds", when used with respect to any insurance or condemnation award, means the gross proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorney's fees and any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

"Permitted Encumbrances" means, as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) this Lease and the Indenture, (iii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an Independent Engineer certifies will not interfere with or impair the use of or operations being conducted in the Building or elsewhere on the Leased Premises, (iv) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Leased Property and as do not in the aggregate, in the opinion of Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Authority, or the College, and (v) those additional encumbrances identified in Exhibit C hereto.

"Project" means the buildings described in Section 1.02, together with necessary furnishings, equipment, exterior utilities and site improvements at the Institution.

"Project Bonds" means the Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series R (The College of Saint Catherine), authorized by the Indenture and the Bond Resolution and described in Section 2.01(d) hereof.

"Project Supervisor" means the project supervisor or supervisors who at the time shall have been designated as such in or pursuant to the provisions of Section 3.07 hereof.

"Redemption Account" means the Redemption Account created under Section 5.06 of the Indenture.

"Repair and Replacement Reserve Account" means the Repair and Replacement Reserve Account created under Section 5.05 of the Indenture.

"Revenue Fund Account" means the Revenue Fund Account created under Section 5.01 of the Indenture.

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

Section 1.02 Description of Project. The term "Project" (A) means constructing, furnishing and equipping a new student apartment building to accommodate approximately 118 students, with appurtenant equipment, furnishings, and site improvements, at the College, or (B) after the Completion Date, means the Leased Property.

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## ARTICLE II

### REPRESENTATIONS

Section 2.01 Representations by the Authority. The Authority makes the following representations as the basis for the undertakings on its part herein contained:

(a) Under the provisions of the Act, the Authority has the power to enter into the transactions contemplated by this Lease and to carry out its obligations hereunder. The Authority is not in violation of any of the provisions contained in the laws of Minnesota. The Authority has been duly authorized to execute and deliver this Lease.

(b) The Authority has acquired a title in fee simple to the Leased Premises, subject to Permitted Encumbrances, from the Institution and has not conveyed or encumbered or permitted any conveyance or encumbrance thereof except Permitted Encumbrances; proposes to cause the completion, as herein provided, of the construction of the Building and the acquisition and installation of the Leased Equipment; and hereby leases the Project to the Institution and proposes to sell the Project to the Institution as hereinafter provided, all for the purpose of enhancing the educational opportunities of the people of the state and providing means of instruction through provision of educational facilities at educational institutions. The Authority agrees to use its best efforts to procure from the appropriate state, county, municipal and other authorities and corporations connection and discharge arrangements for the supply of water, gas, electricity and other utilities and sewage and waste disposal for the operation of the Project throughout the Lease Term.

(c) The Authority has examined with the Institution evidence as to the status of the title to the Leased Premises and both the Authority and the Institution agree that all defects, irregularities, encumbrances, easements, rights-of-way and clouds on title set forth in such evidence of title fall within the definition of Permitted Encumbrances.

(d) To finance part of the cost of the Project, the Authority proposes to issue Bonds of the Authority as provided in the Act, Indenture and Bond Resolution. The Authority will initially issue Project Bonds in the aggregate principal amount of \$795,000 and such Project Bonds (i) will be scheduled to mature (or be redeemed at 100 percent of the principal amount thereof), on the first day of May in the years and the principal amounts set forth in the following table:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1977	\$35,000	1988	\$35,000
1978	\$20,000	1989	\$40,000
1979	\$20,000	1990	\$40,000
1980	\$20,000	1991	\$45,000
1981	\$20,000	1992	\$50,000
1982	\$25,000	1993	\$50,000
1983	\$25,000	1994	\$55,000
1984	\$25,000	1995	\$60,000
1985	\$30,000	1996	\$65,000
1986	\$30,000	1997	\$70,000
1987	\$35,000		

and (ii) will be subject to prior redemption at the option of the Authority as follows:

At the option of the issuer all bonds maturing May 1, 1990 through May 1, 1997 shall be subject to prior payment in inverse order of serial numbers on November 1, 1989 and any interest payment date thereafter at a price of par and accrued interest.

All Project Bonds are also subject to redemption at par plus accrued interest upon the happening of damage, destruction, condemnation and certain other events more fully defined in Sections 7.19 and 10.02 hereof.

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(e) There is no litigation pending or, to the best of its knowledge threatened, against the Authority relating to the acquisition, construction and financing of the Project or to the Bonds or to this Lease or questioning the organization, powers or authority of the Authority respecting the Project or the Bonds.

Section 2.02 Representations by the Institution. The Institution makes the following representations:

(a) The Institution is a nonprofit institution of higher education duly incorporated and existing under the laws of Minnesota, duly authorized to provide and providing a program of education beyond the high school level.

(b) The Institution has power to enter into this Lease and by proper corporate action has been duly authorized to execute and deliver this Lease, and the execution and delivery of this Lease and construction of the Project does not violate any provision of the Articles of Incorporation, By-Laws, rules or regulations of the Institution, or any contract or agreement to which it is a party or by which it is bound, or any statute, regulation, judgment or order of the United States, the State of Minnesota, or political subdivision or agency thereof.

(c) The Institution intends to use and operate the Project at all times as an educational facility, eligible to be and defined as a "project" in the Act, and not as a facility used or to be used for sectarian instruction or as a place of religious worship nor primarily in connection with any part of a program of a school or department of divinity for any religious denomination.

(d) The Institution admits students without discrimination by reason of religion, race, creed, color or national origin.

(e) The Institution does not exclude, expel, limit or otherwise discriminate against enrolled students because of sex, religion, race, color, creed or national origin.

(f) The Institution is nonsectarian; does not require nor forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; does not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect; and all courses of study, including any religion or theology courses, are taught according to the academic requirements of the subject matter and the instructor's concept of professional standards.

(g) All statements, representations and things furnished by the Institution to the Authority in the Application to the Authority (F.A. Form 1) and exhibits thereto, or pursuant to the Indemnity Agreement filed by the Institution with the Application, or pursuant to the Agreement, are true and complete in all respects, except as to such changes and additional information which the Institution has reported to the Authority in writing, which reports are true and complete, at the date of execution of this Lease by the Institution.

(h) There exists no default by the Institution or, to the best of the knowledge of the Institution, by any other party, under the Agreement or any other contract between the Institution and the Authority, or under any other agreement relating to the acquisition, construction or financing of the Project, except as reported in writing by the Institution to the Authority.

(i) There is no litigation pending, or to the best of its knowledge threatened, against the Institution relating to the construction, acquisition or financing of the Project.

(j) The use of the Project by the Institution pursuant to the terms and conditions of this Lease will contribute to the purposes stated in Section 136A.27 of the Act.

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# ARTICLE III

## CONSTRUCTION OF THE PROJECT

### ISSUANCE OF THE BONDS

Section 3.01 Agreement to Construct and Equip the Building on the Leased Premises. The Authority agrees that:

(i) It will cause the Building to be constructed or improved as herein provided on the Leased Premises, in accordance with the plans and specifications now on file in the office of the Authority as such plans and specifications are from time to time amended and approved by the Institution and furnished to the Authority prior to the Completion Date, and will use its best efforts to cause construction, acquisition and installation of other facilities and real and personal property deemed necessary for the operation of the Project.

(ii) It will cause to be acquired and installed in the Building or on the Leased Premises for use of the Institution, the Leased Equipment which in the Institution's reasonable judgment may be necessary for the use and operation of the Project as an educational facility and as shall from time to time prior to the Completion Date be specified in written orders from the Institution to the Authority, all of which acquisitions and installations shall be made in accordance with the Institution's specifications and directions.

The Authority agrees that only such changes will be made in the said plans and specifications as may be approved by the Institution. The Authority agrees that it will enter into, or accept the assignment of, such contracts as the Institution may request in order to effectuate the purposes of this Section, subject to approval by counsel designated by the Authority as to the adequacy of such of said contracts as the Authority may determine, but that it will not make or execute any other contract or give any order for such construction or for the acquisition and installation of Leased Equipment except in the manner provided in this Lease.

The Authority hereby makes, constitutes and appoints the Institution as its true and lawful agent, and the Institution hereby accepts such agency, (a) to construct or improve the Building on the Leased Premises and acquire and install the Leased Equipment in accordance with plans and specifications heretofore prepared and now on file in the office of the Authority as such plans and specifications are from time to time amended and approved by the Institution and the Authorized Authority Representative prior to

the Completion Date, all in accordance with all applicable zoning, planning and building regulations of governmental authorities having jurisdiction of the Project, (b) to make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions (subject to approval by the Authorized Authority Representative and by counsel designated by him of such thereof as he may determine) either in the name of the Institution solely or as the stated agent for the Authority, with any other persons, firms or corporations, and in general to do all things which may be requisite or proper, all for constructing or improving the Building and acquiring and installing the Leased Equipment with the same powers and with the same validity as the Authority could do if acting in its own behalf, (c) pursuant to the provisions of this Lease, to pay all fees, costs and expenses incurred in the construction and improving of the Building and the acquisition and installation of the Leased Equipment from funds made available therefor in accordance with this Lease and (d) to ask, demand, sue for, levy, recover and receive all such sums of money, debts, dues and other demands whatsoever which may be due, owing and payable to the Authority under the terms of any contract, order, receipt, writing and instruction in connection with construction and completion of the Building and the acquisition and installation of the Leased Equipment, and to enforce the provisions of any contract, agreement, obligation, bond or other performance security. So long as the Institution is not in default under any of the provisions of this Lease, this appointment of the Institution to act as agent and all authority hereby conferred is granted and conferred irrevocably to the Completion Date and thereafter until all activities in connection with the construction of the Building and acquisition and installation of the Leased Equipment shall have been completed, and shall not be terminated prior thereto by act of the Authority or of the Institution or by operation of law.

The Authority and the Institution each agree that construction of the Building shall proceed with all reasonable dispatch; the acquisition and installation of all Leased Equipment shall be effected as promptly as practicable after specification by the Institution of the items to be installed and the installation schedule desired by the Institution; and to use their best efforts to cause the said construction, acquisition and installation to be completed by September 1, 1976, or as soon thereafter as may be practicable, delays incident to strikes, riots, acts of God or the public enemy beyond the reasonable control of the Authority or the Institution only excepted, but if for any reason such construction, acquisition and installation is not completed by said date there shall be no resulting liability on the part of the Authority and no diminution in or postponement of the rental payments required in Section 4.01 or 4.03 hereof to be paid by the Institution.

Section 3.02 Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds for payment of the cost of the acquisition, construction and installation provided for in Section 3.01 hereof, the Authority will have, promptly after execution of this Lease, issued and delivered to the initial purchasers thereof the Project Bonds and also will have deposited the proceeds of said Project Bonds as follows: (i) in the Bond and Interest Sinking Fund Account a sum equal to the accrued interest paid by the purchasers of such Bonds, (ii) in the Debt Service Reserve Account and the Repair and Replacement Reserve Account the sum or sums, if any, required to be deposited therein by the Bond Resolution or the Indenture, and (iii) in the Construction Account the balance of the proceeds received from said sale.

If necessary to provide for unanticipated Project costs, the Authority may, in its discretion, issue Additional Bonds in accordance with paragraph 6 of the Agreement for the Project Bonds, and the Institution agrees to enter into an amendment of this Lease for the additional rents required by said paragraph.

Section 3.03 Disbursements from the Construction Account. The Authority has, in the Indenture, authorized and directed the Trustee to use the moneys in the Construction Account for payment, or reimbursement of payments advanced by the Authority or the Institution, of the following costs and for the following purposes (but, subject to the provisions of Section 3.09 hereof, for no other purpose):

(a) Obligations incurred for labor and to contractors, builders and materialmen in connection with the construction of the Project, including all necessary construction, acquisition, demolition, alteration, enlargement, reconstruction, and remodeling and obligations for machinery, materials and equipment therefor;

(b) Payments made by the Institution to acquire land and interests in land, and to remove encumbrances and restrictions on land in connection with and specifically for the site of the Project, and site improvements required for the construction or operation of the Project;

(c) Interest accruing upon the Bonds during the construction of the Project and interest accruing upon interim financing incident to the construction of the Project before the Bonds were delivered to the purchaser or purchasers;

(d) The cost or allocable share of cost of any indemnity and surety bonds during construction, taxes or other municipal or governmental charges levied or assessed during construction upon the Project or any property acquired therefor, and the premiums for insurance, if any, in connection with the Project during construction;

(e) Costs of acquisition and installation of Leased Equipment;

(f) Fees and expenses of engineers and architects for surveys and estimates and other preliminary investigations, preparation of plans, drawings and specifications, and supervising construction, as well as for the performance of all other duties of engineers and architects in relation to the construction and financing of the Project;

(g) Expenses of administration, supervision and inspection properly chargeable to the Project, fees of the government, legal expenses and fees, fiscal consultants charges, cost of audits and of preparing, offering and issuing the Bonds, abstracts of title, title reports or opinions, deed taxes, mortgage registry taxes, recording fees, title insurance premiums and initial fees of the Trustee, incident to the construction and financing of the Project; and

(h) Any other obligation or expense incurred by the Institution in connection with the construction of the Project defined as and constituting a proper Project cost under the Act and approved by the Authorized Authority Representative and the Authorized Institution Representative; and also

(i) All moneys in the Construction Account (including moneys earned pursuant to the provisions of Section 3.09 hereof) remaining after the Completion Date and payment in full of the costs of construction of the Building and acquisition and installation of the Leased Equipment and of all other items provided for in the preceding subsections (a) to (h), inclusive, of this Section, then due and payable, shall be deposited in the Bond and Interest Sinking Fund Account or the Debt Service Reserve Account or the Repair and Replacement Reserve Account, or to the extent not required to establish the maximum reserves in said Accounts, then in the Redemption Account to be used by the Trustee at the direction of the Institution for the purchase of any Bonds (whether or not redeemable by call) in the open market for the purpose of cancellation, at prices not exceeding the redemption price applicable to any Bonds on the earliest date for redemption; provided that amounts approved by the Authorized Authority Representative and the Authorized Institution Representative shall be retained by the Trustee in the Construction Account for payment of Project costs not then due and payable.



Each of the payments referred to in the preceding subsections (b), (c), (d), (f), (g) and (h) of this Section shall be made only upon the written order of the Authorized Institution Representative, which shall not be unreasonably withheld; provided that interest accruing on the Bonds during construction may be paid from the Construction Account without the order of the Authorized Institution Representative. Before any of the payments referred to in the preceding subsections (a), (b) and (e) of this Section may be made, the Project Supervisor shall certify with respect to each such payment: (I) that none of the items for which the payment is proposed to be made has formed the basis for any payment theretofore made from the Construction Account, and (II) that each item for which the payment is proposed to be made is or was necessary in connection with the Project. In the case of any contract providing for the retention of a portion of the contract price, there shall be paid from the Construction Account only the net amount remaining after deduction of any such portion.

Section 3.04 Obligation of the Parties to Cooperate in Furnishing Documents to Trustee. The Authority and the Institution agree to cooperate in furnishing to the Trustee the documents referred to in Section 3.03 hereof that are required to effect payments out of the Construction Account, and to cause such orders to be directed by the Authorized Authority Representative and the Authorized Institution Representative to the Trustee as may be necessary to effect payments out of the Construction Account in accordance with Section 3.03 hereof. Such obligation is subject to any provision of this Lease or the Indenture requiring additional documentation with respect to payments and shall not extend beyond the moneys in the Construction Account available for payment under the terms of the Indenture.

Section 3.05 Establishment of Completion Date. The Completion Date shall be evidenced to the Trustee by a certificate signed by the Project Supervisor stating that, except for amounts retained by the Trustee for Project costs not then due and payable as provided in Section 3.03(i): (i) Construction of the Building has been completed in accordance with the specifications therefor and all labor, services, materials and supplies used in such construction have been paid for, (ii) all other facilities necessary in connection with the Project have been constructed, acquired and installed in accordance with the specifications therefor and all costs and expenses incurred in connection therewith have been paid, (iii) the Building and all other facilities necessary in connection with the Project have been constructed or installed, as the case may be, in such manner as to conform with all applicable zoning, planning and building regulations of the governmental authorities having jurisdiction of the Project, and (iv) the Leased Equipment (which shall be described in an exhibit attached to said certificate) has been installed to his satisfaction, the Leased Equipment so installed is suitable and sufficient for the efficient use and operation of the Project for the purposes specified in Section 3.01(i) and (ii)

hereof and all costs and expenses incurred in the acquisition and installation of the Leased Equipment have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. The Authority and the Institution agree to cooperate one with the other in causing such certificate to be furnished to the Trustee.

Section 3.06 Institution Required to Pay Project Costs in Event Construction Account Insufficient. In the event the moneys in the Construction Account available for payment of the costs of the Project (including moneys from the proceeds of any Additional Bonds sold pursuant to paragraph 6 of the Agreement) should not be sufficient to pay the same in full, the Institution agrees, for the benefit of the Authority, to complete the Project and to deposit into the Construction Account such amounts as are necessary and sufficient for payment of the balance of the Project costs. The Authority does not make any warranty, either express or implied, that the moneys, which will be paid into the Construction Account and which under the provisions of this Lease will be available for payment of the costs of the Project, will be sufficient to pay all of the Project costs or costs which will be incurred in that connection or that Additional Bonds can or will be issued and sold to provide financing for such excess costs. The Institution agrees that if after exhaustion of the moneys in the Construction Account the Institution should pay any portion of the said costs of the Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Authority, the Trustee, or the holders of any of the Bonds, nor shall it be entitled to any diminution in or postponement of the rents payable under Sections 4.01 or 4.03 hereof.

Section 3.07 Project Supervisor. The Project Supervisor and the Alternate Project Supervisor shall be designated by a Certificate signed by an Authorized Institution Representative for the purpose of taking all actions and making all certificates required to be taken and made by the Project Supervisor under the provisions of this Lease. In the event both of said persons, or any successors appointed under the provisions of this Section, should become unavailable or unable to take any action or make any certificate provided for in this Lease, another Project Supervisor or Alternate Project Supervisor who is acceptable to the Institution and to the Trustee shall thereupon be appointed by the Authority. If the Authority fails to make such appointment within ten days following the date on which the Trustee notifies the Authority and the Institution that the then incumbent is unavailable or unable to take any of said actions, the Trustee may then appoint as a successor or alternate any architect or engineer licensed under the laws of Minnesota to serve as such until such appointment by the Institution or the Authority.

Section 3.08 Remedies to be Pursued Against Contractors and Subcontractors and Their Sureties. In the event of default of any contractor or subcontractor under any contract made by it in connection with the Project or in the event of a breach of warranty with respect to any materials, workmanship, or performance guaranty, the Institution will promptly proceed, either separately or in conjunction with others, to exhaust the remedies of the Institution or the Authority against the contractor or subcontractor so in default and against each such surety for the performance of such contract. The Institution agrees to advise the Authority of the steps it intends to take in connection with any such default. If the Institution shall so notify the Authority, the Institution may, in its own name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving any such contractor, subcontractor or surety which the Institution deems reasonably necessary, and in such event the Authority hereby agrees to cooperate fully with the Institution and to take all action necessary to effect the substitution of the Institution for the Authority in any such action or proceeding. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after deduction of expenses incurred in such recovery, prior to the Completion Date shall be paid into the Construction Account or, if recovered after the Completion Date and full disposition of the Construction Account in accordance with Section 3.03 hereof, shall be paid into the Revenue Fund Account for deposit in and uses of the proper Account provided in Article V of the Indenture.

Section 3.09 Investment of Construction Account Moneys Permitted. The moneys on deposit in the Construction Account shall at the written request of the Authorized Institution Representative be invested or reinvested by the Trustee in: (i) Any bonds or other obligations which as to principal and interest constitute direct obligations of the United States of America, or (ii) certificates of deposit or time deposit obligations of banks or trust companies, including the Trustee or any affiliate of the Trustee, secured by direct obligations of the United States of America, or (iii) securities issued by the agencies of the United States described in Section 5.07 of the Indenture, any of which shall (A) be payable in such amounts and at such times not later than the time or times when such moneys will be needed to pay Project costs and (B) mature or may be redeemed at not less than the purchase price no later than 18 months from the date of investment. The type, amount and maturity of such investments shall be as specified by the Authorized Institution Representative. The deposit of any moneys in the Construction Account may be evidenced by certificates of deposit of the Trustee or any affiliate of the Trustee, as specified by the Authorized Institution Representative. Any such investment made by the Trustee may be purchased from the Trustee or any affiliate of the Trustee. The Institution covenants that that portion of the Construction Account representing proceeds of said Project Bonds shall be directed to be invested and deposited

only for a temporary period pending the need for expenditure to pay Project costs, and it further covenants that said portion representing said proceeds shall not be directed to be invested or used in such manner that any of said Project Bonds would be "arbitrage bonds" for purposes of Section 103(d) of the Internal Revenue Code of 1954.

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## ARTICLE IV

### RENT, PREPAYMENT

Section 4.01 Base Rent. At least five business days before each semiannual interest payment date (commencing with the interest payment date of May 1, 1977 and continuing thereafter until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture), the Institution agrees to pay and shall pay as Base Rent for the use of the Project:

(a) A sum equal to (i) one-half of the amount payable as principal of the Bonds maturing on such semiannual interest payment date or, if no Bonds mature on such interest payment date, then one-half of the amount payable as principal on the next succeeding interest payment date, plus (ii) the amount payable as (not otherwise provided to the Trustee for payment of) principal of the Bonds which have become due on or prior to such semiannual interest payment date by call for redemption or by acceleration of maturity in event of default, plus (iii) the premium, if any, and interest due on the Bonds on such semiannual interest payment date, provided that the amount to be paid on or before May 1, 1977 shall be the amount equal to the principal of and interest on the Bonds due and payable on such date (after crediting the amount of accrued interest, if any, paid by the purchasers of the Bonds and deposited in the Bond and Interest Sinking Fund Account); and

(b) In the event the Institution shall have made payments of Base Rent with respect to a semiannual interest payment date, but the funds on deposit in the Bond and Interest Sinking Fund Account (after crediting thereto any funds on deposit in the Debt Service Reserve Account) are nevertheless insufficient to pay such principal, premium (if any) and interest on the Bonds then due or to become due on such semiannual interest payment date, the Institution will pay as Base Rent the amount of the deficiency; and

(c) Unless the funds and investments in the Debt Service Reserve Account equal the sum of Sixty Thousand Dollars (\$60,000), the Institution will pay as Base Rent such sum as may be necessary and sufficient to restore the Debt Service Reserve to such sum; and

(d) Unless the funds and investments in the Repair and Replacement Reserve Account equal the sum of Thirty Thousand Dollars (\$30,000), the Institution will pay as Base Rent such sum as may be necessary and sufficient to restore the Repair and Replacement Reserve to such sum, provided that the Institution shall not be obligated to restore to the Repair and Replacement Reserve more than Ten Thousand Dollars (\$10,000) in any Fiscal Year of the Institution; and

(e) Such amounts, if any, as may become payable under Section 6.01 or 6.02 hereof;

except to the extent the Base Rent may be abated or reduced under Section 4.07 or Section 5.11 hereof. If the Institution fails to pay any Base Rent under this Section when due, resulting in a default in payment of any Bond or coupon, the Institution agrees to pay interest on the amount in default at the rate provided in the Bond or represented by the coupon.

Section 4.02 Place of Payment of Base Rent. The Base Rent provided for in Section 4.01 shall be paid directly to the Trustee at its corporate trust office for the account of the Authority for deposit in the Revenue Fund Account and then transfer and deposit into the Bond and Interest Sinking Fund Account, Debt Service Reserve Account and Repair and Replacement Reserve Account as provided in the Indenture. The Institution shall furnish to the Authority, at its office, advice of the transmittal of Base Rent to the Trustee at the time of transmittal of payment.

Section 4.03 Additional Rent. The Institution will pay as Additional Rent:

(a) To the Authority, at its office, on August 1, 1976 and on the 1st day of May in each year thereafter through May 1, 1996, the sum of One Thousand Five Hundred Ninety Dollars (\$1,590) as the annual fee provided for in the Agreement of 2/10 of 1% of the original principal amount of the Bonds to be used by the Authority for its general purposes; and

(b) To the Trustee, for itself or remittance to other paying agents, commencing with May 1, 1977 and continuing until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture, (i) an amount equal to the fee of the Trustee, as trustee, for the ordinary services of the Trustee rendered and its ordinary expenses incurred under the Indenture during the preceding billing period, (ii) the reasonable fees and charges of paying agents on the Bonds for acting as paying agent as provided in the Indenture, as and when the same become due, and (iii) the reasonable fees and charges of the Trustee for necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when the same become due; provided, that the Institution may, without creating a default hereunder, contest in good faith the necessity for any such extraordinary services and extraordinary expenses and the reasonableness of any such fees, charges or expenses; and

(c) To the Trustee or Authority, as the case may be, upon demand amounts advanced by the Trustee for the account of the Authority or the Institution under Section 8.12 or 8.14 of the Indenture or advanced by the Authority under Section 9.05 of this Lease; and

(d) To the County Treasurer or other appropriate authority for the account of the Authority, and before the same becomes delinquent or any penalty attaches, all taxes, special assessments, or other governmental charges imposed on or with respect to the Leased Property or any part thereof, subject to Section 5.08 hereof.

The Institution shall furnish to the Authority, at its office, advice of the transmittal of all payments of Additional Rent at the time of transmittal to any person other than the Authority. If the Institution fails to pay any Additional Rent under this Section, when due, the Institution shall pay interest thereon at the rate of 8.00% per annum or, if greater, at the rate provided by law.

Section 4.04 Net Lease. This is a net lease, and the Authority shall not be required to make any expenditures whatsoever in connection with this Lease or the Leased Property (except as otherwise provided in this Lease, the Agreement and the Indenture from proceeds of Bonds), or to make any repairs or to maintain the Leased Premises or Leased Equipment. The obligations of the Institution to make the payments of Base Rent and Additional Rent required in Sections 4.01 and 4.03 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional; and until such time as the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Institution (i) will not, subject to the provisions of Section 4.07 hereof, suspend or discontinue any payments of Base Rent and Additional Rent provided for in Sections 4.01 and 4.03 hereof, (ii) will perform and observe all of its other agreements contained in this Lease, and (iii) except as provided in Article X or Section 7.19 hereof will not terminate the Lease Term for any cause including, without limiting the generality of each of the foregoing, failure to complete the Project, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, frustration of purpose, any change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State of Minnesota or any political subdivision of either, or any failure of the Authority to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with this Lease or the Indenture. Nothing contained in this Section shall be construed to release the Authority from the performance of any of the agreements on its part contained in this Lease; and in the event the Authority should fail to perform any such agreement on its part, the Institution may institute such action against the Authority as the Institution may deem necessary, so long as no judgment or court order sought or obtained in such action shall interfere with the prompt and full payment of the Base Rent and Additional Rent as contemplated hereby.

Section 4.05 Rent a General Obligation; Security Therefor. This Lease, and particularly the obligations of the Institution to make the payments of Base Rent and Additional Rent required by

Sections 4.01 and 4.03 hereof and to perform and observe the other agreements on its part contained herein, is a general obligation of the Institution additionally secured by a security interest in certain property, including gross revenues of the Project and the Leased Equipment, as provided in the Agreement.

The Institution agrees to pay the rentals and payments required by this Lease from the general funds or any other moneys legally available to the Institution in the manner and at the times provided by this Lease. The Institution covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the general funds or any other moneys legally available to the Institution, shall provide moneys sufficient at all times: (i) to pay such rentals and payments required by this Lease; (ii) to meet current expenses of operation and maintenance of the Project and all other obligations and payments required by this Lease; and (iii) to pay all other obligations of the Institution as the same become due and payable. Without limiting the foregoing, the Institution covenants and agrees to establish at the beginning of each Fiscal Year rental rates and charges which, on the basis of 95% assumed occupancy of the Project, will produce Project gross revenues and income equal to 1.3 times the unfunded debt service on the Bonds for such Fiscal Year. For purposes of this Section, the term "unfunded debt service" shall mean the total of principal of and interest on the Bonds due and payable during the Fiscal Year, less amounts on deposit in the Bond and Interest Sinking Fund Account at the beginning of the Fiscal Year not needed or set aside for principal of and interest on the Bonds theretofore due and payable.

Section 4.06 Prepayment of Rents; Redemption of Bonds.

There is expressly reserved to the Institution the right, and the Institution is authorized and permitted, at any time it may choose, to prepay all or any part of the Base Rent payable under Section 4.01 hereof, and the Authority agrees that the Trustee may accept such prepayment of rents when the same are tendered by the Institution. All rents so prepaid shall be credited on the Base Rent payments specified in Section 4.01 hereof, in the order of their maturities.

The Institution also may at any time deliver to the Trustee moneys in addition to the rental payments required under this Lease with instructions to the Trustee to deposit such funds in the Redemption Account and to use such moneys for the purpose of purchasing any of the outstanding Bonds or to call for redemption any of the Bonds in accordance with the provisions of the Indenture. Any moneys so delivered to the Trustee shall be held in the Redemption Account and shall not be considered as payment of rent or prepayment of rent under this Lease and shall not operate to abate the payment of Base Rent required by Section 4.01 of this Lease.

Section 4.07 Institution Entitled to Base Rent Abatements if Bonds Paid Prior to Maturity. If at any time the aggregate moneys in the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account and the Redemption Account shall be sufficient to retire, in accordance with the provisions of the Indenture, all of the Bonds at



the time outstanding, and to pay all fees and charges of the Trustee and any paying agent of the Bonds due or to become due through the date on which the last of the Bonds is retired, under circumstances not resulting in termination of the Lease Term, and if the Institution is not at the time in default hereunder, the Institution shall be entitled to use and occupy the Project from the date on which such aggregate moneys are in the hands of the Trustee to the termination of the Lease Term, without the payment of the Base Rent specified in Section 4.01 hereof during that interval (but otherwise on the terms and conditions hereof).

Section 4.08 Payments from General Bond Reserve Account.

In the event the Authority shall pay principal of or premium (if any) or interest on any of the Bonds from the General Bond Reserve Account, such payment shall constitute an advance by the Authority to the Institution under Section 9.05 of this Lease and shall not operate to satisfy, abate or reduce any accrued or future amount of Base Rent payable by the Institution under this Lease.

Section 4.09 Investment of Funds, Abatement of Base Rent.

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account, the Repair and Replacement Reserve Account, or the Redemption Account shall be invested by the Trustee, upon request by the Authorized Institution Representative to the Trustee or the Authority, in authorized securities as defined in Section 5.07 of the Indenture. Obligations so purchased shall be deemed at all times to be a part of the respective Account, but may from time to time be sold or otherwise converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to such Account. Any interest and income accruing on and any profit realized from such investment shall be credited against the amount of Base Rent required to be deposited under paragraph (a), (c), or (d), as appropriate, of Section 4.01 hereof prior to the next semiannual interest payment date; it being intended that interest, income and profit shall not be permitted to accumulate but shall be used to provide debt service on the Bonds or for the prior redemption or retirement of Bonds. The investment of such funds shall be valued according to the current market value as of June 30 of the then current year, or December 31 of the immediately preceding calendar year, or the date of issuance of such securities, whichever is latest. Any such investment made by the Trustee may be purchased from the Trustee or any affiliate of the Trustee. The Trustee shall redeem or sell, at the best price obtainable, any obligations so purchased, whenever it shall be necessary to do so in order to provide moneys to meet any payment from the respective Account. Neither the Trustee nor the Authority shall be liable for any loss resulting from any such investment, nor from failure to preserve rights against endorsers or other prior parties to instruments evidencing any such investment. Investment of funds pursuant to this Section shall be limited as to amount and yield of investment in such manner that no part of the outstanding Bonds shall be deemed "arbitrage bonds" under Section 103(d) of the Internal Revenue Code of 1954 and regulations thereunder.

## ARTICLE V

### USE, MAINTENANCE, CHARGES AND INSURANCE

Section 5.01 Use of Leased Premises. The Institution will use and operate the Project at all times as an educational facility, eligible to be and defined as a "project" under the Act, and not as a facility for sectarian instruction or as a place of religious worship nor primarily in connection with any part of a program of a school or department of divinity for any religious denomination. The Institution will not use or permit any person to use the Leased Premises or the Project for any use or purpose in violation of the laws of the United States, the State of Minnesota, or any ordinance of the City where the Project is located, and agrees to comply with all the orders, rules, regulations and requirements of the Board of Fire Underwriters, officers or boards of the City, County or State or other governmental authority having jurisdiction over the Leased Premises. The Institution shall have the right to contest by appropriate legal proceedings, without cost or expense to the Authority, the validity of any law, ordinance, order, rule, regulation or requirement of the nature herein referred to, and if by its terms compliance therewith legally may be held in abeyance without subjecting the Authority or the Leased Property to any lien, charge, liability, damage or loss, the Institution may postpone compliance until the final determination of any such proceedings. The Authority agrees to cooperate in the institution, defense or maintenance of any such proceeding at the request and at the expense of the Institution except for any proceeding contesting the Act or any rule or regulation of the Authority.

Section 5.02 Quiet Enjoyment. The Institution acknowledges that it is now in possession of the Leased Premises. The Authority agrees that the Institution, upon paying the specified rental and performing the covenants herein agreed by it to be performed, shall and may peaceably and quietly have, hold, and enjoy the said Leased Property for the term specified. The Authority and the Trustee shall have the right at all reasonable times during the Lease Term to enter the Leased Premises for the purpose of examining or inspecting the Leased Property and of making such repairs and replacements therein as the Authority or the Trustee shall deem necessary and for purposes of exhibiting the same for sale or lease. Nothing in this Section shall imply any duty upon the part of the Authority or Trustee to do or pay for any work which under any provision of this Lease the Institution is required to perform, and the performance thereof by the Authority or the Trustee shall not constitute a waiver of the Institution's default in failing to perform the same.

Section 5.03 Maintenance of Project by Institution. The Institution agrees that during the Lease Term it will keep the Project including all appurtenances thereto and the equipment and machinery

therein in good repair and good operating condition at its own cost, and upon the expiration or termination of this Lease it will, unless it shall have elected to exercise any option to purchase the Project granted hereunder, surrender the Project including the Leased Premises, Building and Leased Equipment and appurtenances thereto to the Authority in as good condition as prevailed at the time it was put in full possession thereof, loss by fire or other casualty covered by insurance, ordinary wear and tear, obsolescence and acts of God excepted, subject to the provisions of Sections 5.04 and 5.07 of this Lease. To the extent provided by Section 5.05 of the Indenture, the Institution shall be entitled to use moneys and investments in the Repair and Replacement Reserve Account for the repair and replacement of Project facilities.

Section 5.04 Alterations. The Institution shall have the privilege of remodeling the Building or making alterations, modifications and improvements to the Leased Premises, the Building or the Leased Equipment from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, the cost of which remodeling, additions, modifications and improvements shall be paid by the Institution or to the extent permitted by the Indenture from the proceeds of Additional Bonds, and the same shall be the property of the Authority and be included under the terms of this Lease as part of the Project. Before contracting for any such remodeling, addition, modification or improvement estimated to cost \$30,000 or more, the Institution shall cause plans and specifications therefor to be prepared and submitted to the Authority for its approval, which approval shall not be unreasonably withheld. The Institution shall also secure a payment and performance bond to the extent and in the form required by Section 5.15 of this Lease.

Section 5.05 Liens. The Institution will not permit any mechanics' or other liens to be established or remain against the Project for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements so made by it; provided, that if the Institution shall first notify the Trustee of its intention so to do, the Institution may in good faith contest any mechanics' or other liens filed or established against the Project, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the Institution that, in the opinion of Independent Counsel, by nonpayment of any such items the lien of the Indenture will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event the Institution shall promptly pay and cause to be satisfied and discharged all such unpaid items. The Authority will cooperate fully with the Institution in any such contest.

Section 5.06 Certificate as to Leased Equipment and Alterations. The Institution agrees that it will file with the Authority and the Trustee, within 90 days after the end of each fiscal year of the Institution following the Completion Date, a certificate of the Authorized Institution Representative setting forth the

description of any machinery, equipment or related property which has become a part of the Leased Equipment and of any additions, remodeling, modifications or improvements to the Leased Premises or Building which have been made during the fiscal year of the Institution next preceding the filing of such certificate.

Section 5.07 Removal of Leased Equipment. The Authority shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary Leased Equipment. The Institution shall have the privilege from time to time of substituting furnishings, equipment and related property for any Leased Equipment, provided that such property so substituted shall not impair the character or significance of the Project as an educational facility. Any such substituted property shall become the property of the Authority and be included under the terms of this Lease, and the replaced Leased Equipment shall become the property of the Institution. The Institution shall also have the privilege of removing any Leased Equipment, without substitution therefor; provided, that the Institution pays to the Authority a sum equal to the then value of said Leased Equipment as determined by an Independent Engineer selected by the Institution if and so long as any of the Bonds remain outstanding. The Institution shall pay such amounts directly to the Trustee for deposit in the Redemption Account and shall deliver to the Trustee a certificate signed by said Engineer setting forth the value of said Leased Equipment and a certificate signed by the Authorized Institution Representative stating that the removal of such equipment will not impair the character or significance of the Project as an educational facility, provided that if the original cost of any item of equipment so removed was less than \$5,000, such removal without substitution may be effected without such determination of value and certificate by an Independent Engineer upon such showing by the Institution as may be satisfactory to the Trustee.

The Institution may at any time while it is not in default under this Lease remove from the Project any machinery or equipment purchased and installed by it pursuant to Section 7.09 of this Lease and not included as Leased Equipment and shall deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that its removal will not impair the character or significance of the Project as an educational facility.

In the event any removal of furnishings or equipment under this Section or Section 7.09 causes damage to existing buildings or structures, the Institution shall restore the same or repair such damage at its sole expense.

The Authority agrees to execute and deliver such documents (if any) as the Institution may properly request in connection with any action taken by the Institution in conformity with this Section 5.07. The removal from the Project of any portion of the Leased Equipment pursuant to the provisions of this Section shall not entitle the Institution to any abatement or diminution of the Base

Rent or Additional Rent payable under Sections 4.01 and 4.03 hereof, and any amounts deposited to the Redemption Account by reason of removal of Leased Equipment shall not be credited against subsequent rentals under the provisions of Sections 4.01 or 4.03 hereof but shall be used by the Trustee either for purchase of Bonds on the open market for cancellation at a price not exceeding the then or next available price at which Bonds may be called for redemption, or to call Bonds for redemption, when practical, in the manner provided in the Indenture. The Institution will not remove, or permit the removal of, any of the Leased Equipment from the Leased Premises except in accordance with the provisions of this Section.

Section 5.08 Taxes, Other Governmental Charges and Other Charges. The Institution will pay, as the same respectively become due, all taxes, special assessments, and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project or any furnishings, equipment or other property installed or brought by the Institution therein or thereon, and all claims for rent, royalties, labor, materials, supplies, utilities and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project.

The Institution may, at its expense and in its own name and behalf or in the name and behalf of the Authority, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the Institution that, in the opinion of Independent Counsel, by nonpayment of any such items the lien of the Indenture on any property mortgaged or revenues pledged thereunder or the interests of the Authority in the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid promptly. The Authority will cooperate fully with the Institution in any such contest.

Section 5.09 Fire and Extended Coverage Insurance. Until the Completion Date, the Institution shall obtain or require the construction contractors to obtain and, after the Completion Date and so long as any Bonds are outstanding hereunder, the Institution shall obtain and at all such times maintain in force fire and extended coverage insurance on all buildings, structures and improvements, fixtures, equipment, furniture and furnishings constituting the Project in amounts sufficient to provide for not less than full recovery whenever the loss from causes covered by such insurance does not exceed eighty percent (80%) of the full insurable value of the property to be so insured.

As an alternative to the above, if acceptable to the Trustee, the Institution may insure such property under a blanket insurance policy or policies which cover not only such property but other properties.

Section 5.10 Boiler Insurance. The Institution shall, if such insurance is not already in force, procure and maintain, so long as any of the Bonds are outstanding, Boiler Insurance covering any boilers servicing the Project, in a minimum amount of \$50,000.

Section 5.11 [This Section intentionally omitted.]

Section 5.12 Additional Provisions Respecting Insurance. Any insurance policy issued pursuant to Article V hereof shall be so written or endorsed as to make losses, if any, payable to the Authority, the Institution and the Trustee as their respective interests may appear; provided, any such insurance policy may be so written or endorsed as to make losses not in excess of \$100,000 for each occurrence payable directly to the Institution as hereinafter provided in Section 6.01. Each insurance policy provided for in Sections 5.09, 5.10 and 5.13 hereof shall contain a provision to the effect that the insurance company shall not cancel the same without first giving written notice thereof to the Authority and the Trustee at least ten days in advance of such cancellation, and the Institution shall deliver to the Trustee duplicate copies of certificates of insurance pertaining to each such policy of insurance procured by the Institution and agrees to keep such duplicate copies or certificates up to date.

Section 5.13 Public Liability Insurance. The Institution agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the State of Minnesota, in minimum amounts of \$300,000 for the death of or bodily injury to one person and \$1,000,000 for bodily injury or death for each occurrence in connection with the Project and \$100,000 for property damage for any occurrence in connection with the Project. The Authority shall be made an additional insured under such policies, or such policies may provide that all of the lessors of and owners of property leased by the Institution are insured in lieu of naming the Authority specifically. The insurance provided by this Section may be by blanket insurance policy or policies.

Section 5.14 Workmen's Compensation Coverage. Throughout the Lease Term, the Institution shall maintain Workmen's Compensation Coverage or cause the same to be maintained to the extent required by law.

Section 5.15 Performance Payment Bonds. Whenever the Institution shall cause the Project to be repaired, rebuilt or restored under Section 6.01 or 6.02, or to be altered or improved under Section

5.04, the Institution agrees that it will cause each contractor to deliver to it, naming it and the Authority as obligee, a performance and payment bond written by a company qualified to transact insurance business in Minnesota, including surety insurance, in a penal sum equal to the full amount payable by the Institution under each contract, which bond shall secure and be for the benefit of all subcontractors, materialmen and laborers, as well as the Institution (i) to the extent and in the form required by Section 574.26, Minnesota Statutes, or any other law applicable to public contracts or work on public property and (ii) in any case when the amount of the contract and any related contracts shall be estimated to cost \$30,000 or more. The Institution shall deliver an executed copy of each such bond for contracts executed as of the time of the delivery of the Project Bonds to the Authority together with a copy thereof to the Trustee at the time of the delivery of the Project Bonds; and as to any contracts executed thereafter, similar delivery to the Authority and Trustee will be made.

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## ARTICLE VI

### DAMAGE, DESTRUCTION AND CONDEMNATION

Section 6.01 Damage and Destruction. If prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Building or the Leased Equipment shall be damaged or partially or totally destroyed by fire, flood, windstorm or other casualty at any time during the Lease Term, there shall be no abatement or reduction in the rent payable by the Institution under this Lease, and, to the extent that the claim for loss resulting from such damage or destruction is not greater than \$100,000, the Institution (i) will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Institution and as will not impair the character or significance of the Project as an educational facility, and (ii) will apply for such purpose so much as may be necessary of any Net Proceeds of insurance policies resulting from claims for such losses not in excess of \$100,000 as well as funds and investments in the Repair and Replacement Reserve Account, any additional moneys of the Institution necessary therefor or moneys available from the sale of Additional Bonds pursuant to paragraph 6 of the Agreement for the Project Bonds. All Net Proceeds of insurance resulting from claims for losses up to such amounts shall be paid to the Institution by the Trustee under the Indenture unless the Net Proceeds of insurance and other available funds are insufficient to complete the repair, reconstruction, or restoration of the damaged or destroyed property.

Unless the Institution shall have elected to exercise its option to purchase pursuant to the provisions of Section 10.02 of this Lease, if prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Building or the Leased Equipment shall be destroyed (in whole or in part) or damaged by fire, flood, windstorm or other casualty to such extent that the claim for loss resulting from such destruction or damage is in excess of \$100,000, the Institution shall promptly give written notice thereof to the Trustee. All Net Proceeds of insurance policies resulting from claims for losses over \$100,000 shall be paid to and held by the Trustee in a separate insurance loss account, whereupon (i) the Institution will proceed to repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Institution and as will not impair the character or significance of the Project as an educational facility, and (ii) the Trustee will apply so much as may be necessary of the Net Proceeds of such insurance, funds and investments in the Repair and Replacement Reserve Account and moneys available from the sale of Additional Bonds, to payment of the costs of such repair, rebuilding or restoration,



either on completion thereof or as the work progresses, upon delivery to the Trustee of a certificate signed by an Authorized Institution Representative and approved by the Authorized Authority Representative, setting forth (1) the costs theretofore incurred or paid, and (2) that the Net Proceeds and other legally available moneys are sufficient to complete the repairing or reconstructing, which certificate shall be approved by an Independent Engineer, if any, named in any request for such approval by the holder or holders of 51% of the outstanding Bonds. In the event said Net Proceeds, Repair and Replacement Reserve Account and moneys available from the sale of Additional Bonds pursuant to paragraph 6 of the Agreement for the Project are not sufficient to pay in full the costs of such repair, rebuilding or restoration, the Institution will nonetheless complete the work thereof and will provide for payment of the portion of the cost thereof in excess of the amount available from said sources unless the Institution, by resolution of its Board of Directors, shall certify to the Trustee and the Authority (A) to one of the effects provided in clauses (i), (ii) and (iii) of paragraph (a) of Section 10.02 regarding restoration within six months, interruption of operations for more than six months, and cost of restoration exceeding by more than \$100,000 the Net Proceeds of insurance, and (B) that the Institution elects that the outstanding Bonds shall be redeemed. The Institution shall not, by reason of the payment of any such excess costs, be entitled to any reimbursement from the Authority or any diminution or abatement of the Base Rent or Additional Rent payable under this Lease. If an Authorized Authority Representative and Authorized Institution Representative shall request and the holders of not less than fifty-one per centum (51%) of the then outstanding Bonds shall so agree in writing, the Trustee shall permit to be applied to such repair, rebuilding or restoration all securities or moneys in the Bond and Interest Sinking Fund Account and Debt Service Reserve Account held by it under and as provided in the Indenture.

Any amounts held by the Trustee or by the Authority and remaining at the completion of, and payment for, such repair, rebuilding or restoration, shall be deposited in the Bond and Interest Sinking Fund Account, Debt Service Reserve Account, Repair and Replacement Reserve Account or Redemption Account, as appropriate, and applied in accordance with the provisions of the Indenture.

In the event the Institution certifies and elects not to repair, rebuild or restore the damaged or destroyed property as above provided, all of the outstanding Bonds shall be retired and the Net Proceeds shall be applied for that purpose. In such event all of the Bonds are subject to redemption, and redemption shall be effected pursuant to the provisions of, in the manner, and with the effect provided in the Indenture. If the Net Proceeds of insurance shall be insufficient, together with the amount then credited to the Bond and Interest Sinking Fund Account, Debt Service Reserve Account, Repair and Replacement Reserve Account and Redemption Account, and available to redeem or retire, in accordance with the provisions of the Indenture, all of the outstanding Bonds

(including principal, interest, expenses of redemption, redemption premium, if any, and Trustee's fees), the Institution shall pay such deficiency as Base Rent; and the Net Proceeds of insurance, together with any additional Base Rent paid by reason of insufficiency shall, together with any amounts then credited to such Accounts, be applied to the redemption of all outstanding Bonds at the earliest possible date. If the Bonds have been fully paid, and payment of all Additional Rent payable to the Authority and the Trustee has been made or provided for, all Net Proceeds will be paid to the Institution.

Section 6.02 Condemnation. Unless the Institution shall exercise its option to purchase pursuant to the provisions of Section 10.02 hereof, if at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), title to all or substantially all the Project shall be taken in any proceeding (hereinafter referred to as a "Proceeding") involving exercise of the right of eminent domain, this Lease (except as to the following provisions of this Section 6.02) and the Lease Term, and all right, title and interest of the Institution in the Project, shall come to an end at midnight of the 31st day after vesting of title pursuant to the Proceeding, and the Authority shall be entitled to receive the Net Proceeds of the award, which the Institution hereby assigns to the Authority. If the Net Proceeds of the award shall be insufficient, together with the amount then credited to the Bond and Interest Sinking Fund Account, Debt Service Reserve Account, Repair and Replacement Reserve Account, and Redemption Account, and available to redeem or retire, in accordance with the provisions of the Indenture, all of the outstanding Bonds (including principal, interest, expenses of redemption, redemption premium, if any, and Trustee's fees), the College shall pay such deficiency as Base Rent. If the Net Proceeds of the award, together with the amount then credited to such Accounts, is in excess of the amount required to redeem or retire the Bonds as aforesaid, such excess shall be paid in full to the Institution. The Net Proceeds of the award received by the Authority (less any excess amount paid to the Institution, as hereinbefore provided), together with any additional Base Rent paid by reason of insufficiency shall, together with any amounts then credited to such Accounts, be applied to the redemption of all outstanding Bonds at the earliest possible date. For purposes of this Section, "all or substantially all the Project" shall be deemed to have been taken if the taking under any Proceeding shall involve such an area, or such impairment of access to the Project over public highways, that the Institution cannot in its opinion, evidenced by written notice to the Authority, given within 30 days after the commencement of the Proceeding, reasonably operate its business in the remainder of the Project for a period of at least six (6) months substantially in the same manner and as satisfactorily as before.

If at any time after the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), title to all or substantially all the Project shall be taken in any Proceeding, this Lease and the Lease Term, and all right, title and interest of the College in the Project shall come to an end at midnight of the 31st day after the vesting of title pursuant to the Proceeding, and the Net Proceeds of the award shall be paid in full to the Institution.

If, during the Lease Term, title to less than all or substantially all the Project shall be taken in any Proceeding, neither the terms of this Lease nor any of the obligations of either party under this Lease shall be reduced or affected in any way, and the Institution shall promptly repair, rebuild or restore the Project to a condition substantially equivalent to its condition prior to the taking by such Proceeding, or if that is not possible, then to a complete architectural unit and "project" as that term is used in the Act. The Authority will cause the Net Proceeds received by it from any award made in such Proceeding to be applied to such repair, rebuilding or restoration, and if the Net Proceeds shall be insufficient to pay the cost of such repair, rebuilding or restoration, the Institution shall pay the deficiency. Any balance of the Net Proceeds of the award remaining after paying such cost shall be paid into the Redemption Account. If the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), all Net Proceeds will be paid to the Institution.

The Authority and Institution shall cooperate fully in the handling and conduct of any prospective or pending Proceeding with respect to the Project or any part thereof, and the Authority will join with the Institution, to the extent it may lawfully do so and at the Institution's expense, in maintaining or permitting the Institution to maintain a defense or contest of amount of award in any such Proceeding. In no event will the Authority voluntarily settle, or consent to the settlement of, any prospective or pending Proceeding with respect to the Project or any part thereof without the written consent of the Institution.

Section 6.03 Condemnation of Institution-Owned Property.  
The Institution shall also be entitled to the Net Proceeds of any condemnation award or portion thereof made for damages to or taking of its own property or for damages on account of the taking of or interference with the Institution's right to possession, use or occupancy of the Project. Similarly, the Institution shall also be entitled to the Net Proceeds of any fire and extended coverage or similar insurance on its own property not constituting part of the Project.

## ARTICLE VII

### SPECIAL COVENANTS

Section 7.01 No Warranty of Condition or Suitability; Indemnification. The Authority does not make any warranty, either express or implied, as to the design or capacity of the Project; as to the suitability for operation of the Project; or as to the condition of the Project; or that it will be suitable for the Institution's purposes or needs. The Institution releases the Authority from, agrees that the Authority shall not be liable for, and agrees to hold the Authority, its members and employees, harmless against, any claim, cause of action, suit, or liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project or the use thereof, including that caused by any negligence of the Authority or anyone acting in its behalf; provided, that the indemnity in this sentence shall be effective only to the extent of any loss that may be sustained by the Authority in excess of the Net Proceeds received by the Authority from any insurance carried with respect to the loss sustained.

In connection with the sale of the Project Bonds, the Institution has furnished or caused to be furnished to the Authority certain information for inclusion in the Official Statement of the Authority respecting the Bonds and as to such information concerning the Institution, the Project, and the operations of the Institution, it agrees to indemnify and hold harmless the Authority against any and all losses, claims, damages or liability to which the Authority may become subject under law, and to reimburse the Authority for any out-of-pocket legal and other expenses (including reasonable counsel fees) incurred by the Authority in connection with investigating any such losses, claims, damages, or liabilities or in connection with defending any actions insofar as the same relate to the aforesaid information furnished to the Authority by the Institution. The Authority agrees, at the request and expense of the Institution, to cooperate in the making of any investigation in defense of any such claim and promptly to assert any or all of the rights and privileges and defense which may be available to the Authority. The provisions of this Section do not supersede the provisions of paragraph 1(b) of the Agreement or the Indemnity Agreement executed by the Institution to the Authority.

Section 7.02 Institution to Maintain its Existence and Accreditation; Conditions Under Which Exceptions Permitted. The Institution agrees that during the Lease Term it will maintain its existence as a nonprofit corporation and a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting organizations; will not dissolve or otherwise dispose of all or substantially all of its assets; and will not merge into another institution or permit one or more other corporations to consolidate with or merge into it; provided, that the Institution may,

without violating the agreement contained in this Section, consolidate with or merge into another institution of higher education, or permit one or more other of such institutions to consolidate with or merge into it, or sell or otherwise transfer to another such institution all or substantially all of its assets as an entirety and thereafter dissolve, provided that if the surviving, resulting or transferee institution, as the case may be, is other than the Institution, such surviving, resulting or transferee institution assumes in writing all of the obligations of the Institution herein, and is either a state university or college or is a nonprofit corporation and a nonprofit institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of Sections 7.11 and 7.12 hereof.

If merger or sale or other transfer is made as provided in this Section, the provisions of this Section shall continue in full force and effect and no further merger or sale or other transfer shall be made except in compliance with the provisions of this Section.

Section 7.03 Release of Certain Land. Notwithstanding any other provision of this Lease, the parties hereto reserve the right, at any time and from time to time, to amend this Lease for the purpose of effecting the release of and removal from this Lease and the leasehold estate created hereby of (i) any unimproved part of the land included in the Leased Premises (on which neither the Building nor any Leased Equipment is situated), or (ii) any part of such land with respect to which the Authority proposes to grant an easement or convey fee title to a public utility or public body in order that utility services or roads may be provided for the Project; provided, that if at the time any such amendment is made any of the Bonds are outstanding and unpaid, such amendment shall not be effective until and unless there are deposited with the Trustee the following:

(a) Copies of the said amendments to this Lease as executed.

(b) A resolution of the Authority (i) stating that the Authority is not in default under any of the provisions of the Indenture and that the Authority and the Institution are not to the knowledge of the Authority in default under any of the provisions of this Lease, (ii) giving an adequate legal description of that portion of the Leased Premises to be released, (iii) stating the purpose for which the release is desired, (iv) requesting such release, and (v) approving such amendments to this Lease.

(c) Evidence of the authority of the officer of the Institution who executes such amendments to this Lease.

(d) A resolution of the Board of Directors of the Institution or an opinion of counsel for the Institution stating that the Institution is not in default under this Lease.

(e) If applicable, a copy of the instrument granting the easement or conveying the title to a public utility or public body.

(f) A certificate of an Independent Engineer, acceptable to the Trustee, dated not more than sixty days prior to the date of the release and stating that in the opinion of such Engineer (i) the portion of the Leased Premises so proposed to be released is necessary or desirable in order to obtain utility services or roads to benefit the Project, or is not otherwise needed for the use and operation of the Project for the purpose hereinabove stated, and (ii) the release so proposed to be made will not impair the usefulness of the Building as an educational facility and will not destroy the means of ingress thereto and egress therefrom.

Section 7.04 Granting Easements. If neither the Authority nor the Institution is then in default, and to the extent permitted by the Indenture, the Authority at the request of the Institution from time to time shall grant easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Leased Premises, or may release existing easements, licenses, rights-of-way and other rights or privileges with or without consideration, and the Authority agrees that it shall execute and deliver any instrument necessary or appropriate to grant or release any such easement, license, right-of-way or other right or privilege upon receipt of: (a) a copy of the instrument of grant or release; and (b) a written application signed by the Authorized Institution Representative requesting such instrument, and certifying that in his opinion (i) such grant or release is not detrimental to the proper use or operation of the Project, and (ii) such grant or release will not impair the character or significance of the Project as an educational facility.

Section 7.05 Annual Statement. The Institution agrees to have an annual audit made by its regular independent certified public accountants and to furnish to the Authority and the Trustee promptly upon completion a copy of audited financial statements, pertaining to the assets, liabilities and results of operation of the Institution, including the operations of the Project, the changes in and condition of enrollment at the Institution, and statement of insurance coverage required by this Lease, in such form and detail and with such additional information as will enable the Authority to comply with the provisions of Section 6.17 of the Indenture. The Institution shall render to the Authority such additional reports concerning the repair, maintenance and condition of the Project as the Authority may from time to time request.

Section 7.06 No Abatement or Diminution of Rent. No release or grant effected under the provisions of Section 7.03 or 7.04 of this Lease nor the application of moneys as provided in

Section 7.07 hereof shall entitle the Institution to any abatement or diminution of the Base Rent or Additional Rent payable under Section 4.01 or 4.03 hereof.

Section 7.07 Payment into Redemption Account. Any moneys received by the Authority pursuant to Section 7.03 or 7.04 of this Lease shall be paid into the Redemption Account, and such amounts shall not be credited against subsequent Base Rent or Additional Rent.

Section 7.08 Federal Income Tax Status. The Institution represents that it presently is, and covenants and agrees that it shall take all appropriate measures to assure that it remains, an organization described in Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, exempt from Federal income taxes under Section 501(a) of such Code. The Institution covenants and agrees that it shall not perform any acts nor enter into any agreements which shall adversely affect such Federal income tax status of the Institution and shall not use, carry or permit to be carried on in the Project or in its campus any trade or business the conduct of which is not in conformity with this Lease and substantially related (aside from the need of the Institution for income or funds or the use it makes of the profits derived) to the exercise or performance by such Institution of the purposes or functions constituting the basis for its exemption under Section 501 of such Code.

Section 7.09 Institution to Maintain Furnishings and Movable Equipment. The Institution agrees that during the Lease Term it will provide and maintain all furnishings and movable equipment necessary to permit the full use, operation and occupancy of the Project for use as an educational facility. In addition to the Building and Leased Equipment, the Institution may from time to time, for that purpose and at its own expense, install additional movable personal property in the Building or on the Leased Premises. All such movable personal property so installed by the Institution shall remain the sole property of the Institution, in which the Authority and the Trustee shall have no interest, may be modified or removed at any time while the Institution is not in default hereunder and shall not be subject to the lien of the Indenture. Nothing contained in the preceding provisions of this Section shall prevent the Institution from purchasing, after delivery of the Indenture, movable personal property, equipment, furniture or fixtures, not constituting Leased Equipment, on conditional sale contract or lease sale contract, or subject to vendor's lien or security interest, as security for the unpaid portion of the purchase price thereof; provided no such lien or security interest shall attach to any part of the Project. The Institution agrees to pay as due the purchase price of, and all costs and expenses with respect to the acquisition and installation of, any such movable personal property, equipment, furniture or fixtures installed by it pursuant to this Section.

Section 7.10 Redemption of Bonds. The Authority, at the request at any time of the Institution and if the Bonds are then callable, shall forthwith take all steps that may be 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 Institution, on the earliest redemption date on which such redemption may be made under such applicable provisions, provided that the Institution shall have made available funds in adequate amount therefor or shall have made arrangements satisfactory to the Authority therefor.

Section 7.11 Against Discrimination. The Institution (i) will continue to admit students without discrimination by reason of religion, race, creed, color or national origin, (ii) will not exclude, expel, limit or otherwise discriminate against enrolled students because of sex, or religion, race, color, creed or national origin, and without limiting the foregoing, (iii) will not discriminate in the use or operation of the Project because of religion, race, color, creed or national origin, (iv) will comply with all applicable laws and regulations of the State of Minnesota and the United States against discrimination among employees, students or others on account of sex or religion, race, color, creed or national origin, and (v) will comply with all provisions of any Grant Agreement or other agreement with any federal or state agency or political subdivision against discrimination.

Section 7.12 Institution to be Nonsectarian. The Institution will continue to be nonsectarian; will not require nor forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect. All courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

Section 7.13 Observe Regulations of the Authority and the State. The Institution will observe the rules and regulations of the Authority now or hereafter adopted (i) specifically established for the use of the Project pursuant to Section 136A.29, Subd. 12 of the Act, or other provision of law or (ii) generally with respect to the Authority, participating institutions of higher education and projects, under Section 136A.29, Subd. 5 of the Act, or other provisions of law. The Institution will further observe all applicable laws and regulations of the State of Minnesota and each other department or agency thereof, including (without limitation) regulations of the Department of Education and the Higher Education Coordinating Board applicable to nonprofit institutions of higher education. The Institution shall have the right to contest by appropriate procedures the adoption, validity or applicability of any law, rule or regulation referred to in this Section and to delay compliance therewith, without violating the provisions of this Section,



if (a) the Authority shall consent to such delay in writing or (b) a court of competent jurisdiction shall so order or determine or (c) in the opinion of Independent Counsel furnished to the Authority, the procedures taken by the Institution to contest the validity or applicability of any such law, rule or regulation are appropriate and have the effect of staying the finality and enforceability thereof against the Institution.

Section 7.14 Further Assurances. The Institution will execute or cause to be executed any and all further instruments that may reasonably be requested by the Authority or the Trustee and be authorized by law to perfect the lien of the Indenture, or intended to be provided thereby, or to vest in the Trustee the right to receive and apply the revenues and income pledged to the payment or protection and security of the Bonds, and will cause the Indenture, this Lease (or Short Form Lease) and any supplemental instrument to be filed, registered or recorded in any office provided by law and to execute, deliver, file or record any financing statement pursuant to the Uniform Commercial Code if such filing, registration or recording shall be necessary or convenient to effect, protect or confirm the pledge and lien of the Indenture. The Institution shall pay all recording, filing and registration taxes and fees, together with all expenses incidental to the preparation, execution, acknowledgment, filing, registering and recording of the Indenture, of any paper pursuant to the Uniform Commercial Code and of any instrument of further assurance, and all stamp taxes, mortgage registry taxes and other taxes, duties, imposts, assessments and charges lawfully imposed upon the Bonds or upon the Indenture or this Lease.

Section 7.15 Maintain List of Bondholders. To the extent that such information shall be made known to the Institution, the Institution will furnish to the Authority and the Trustee a list of names and addresses of the last known holders of all Project Bonds with the principal amount of Bonds believed to be held by each.

Section 7.16 Observance of Indenture Covenants and Terms. The Institution will not do or require the Authority to do, in any manner, anything otherwise than in accordance with the provisions of the Indenture, and will not suffer or permit any default to occur under the Indenture, but will faithfully observe and perform, and will do all things necessary so that the Authority may observe and perform, all the conditions, covenants and requirements of the Indenture. The Authority agrees that it will observe and perform all obligations imposed upon it by the Indenture and the Bonds, and will not suffer or permit any default to occur under the Indenture; provided that the Authority has no obligation to use its own funds or funds of the State to perform or cause performance of any such obligations.

Section 7.17 Observe Federal Regulations. The Institution will observe and perform all applicable laws and regulations of the United States of America and of each department and agency thereof.

Section 7.18 Maintenance of General Bond Reserve Account. The Authority covenants with the Institution that it will create and maintain the General Bond Reserve Account in accordance with the provisions of the Bond Resolution and use and invest the amounts received for the General Bond Reserve Account only in accordance with the provisions of the Bond Resolution. The Institution shall have no right to require the Authority to use any funds or investments in the General Bond Reserve Account to pay the Project Bonds or any Additional Bonds and shall have no title to or interest in any funds or investments in the General Bond Reserve Account except as provided in the Bond Resolution and Section 11.03 of this Lease. All credits to and charges against the General Bond Reserve Account and the sub-account therein in the name of the Institution and the subaccounts therein in the names of other participating institutions of higher education shall be made as provided in the Bond Resolution. The Institution agrees that the Authority shall be entitled to determine all accounting questions relating to the General Bond Reserve Account and subaccounts therein, and that all such accounting determinations by the Authority shall be binding on the Institution.

Section 7.19 Tax Exempt Status of Bonds; Obligation to Purchase Project. It is the intention of the parties hereto that the interest paid on the Bonds will not be included in the gross income of the recipients of said interest by reason of Section 103(a) of the Internal Revenue Code of 1954, as presently in effect. In order to confirm and carry out such intention, the Institution shall provide such certificates of an Authorized Institution Representative, Opinions of Counsel, and other evidence as may be necessary or requested by the Authority or the Trustee to establish the exemption of the Bonds under Section 103(a) and the absence of arbitrage expectation under Section 103(d) of the Internal Revenue Code, and file such information and statements, acting alone or with the Authority, with the Internal Revenue Service as may be required from the Institution or the Authority to establish or preserve such exemption or as may be required by Section 103 of the Internal Revenue Code, regulations thereunder and related provisions of law or regulation. In the event the interest payable on the Bonds becomes subject to Federal income taxes by reason of the application of the provisions of the Internal Revenue Code presently in effect and regulations thereunder, the Bonds shall be redeemable and shall be redeemed, the Institution shall purchase the Project, and the Authority agrees to sell the Project upon the earliest practicable interest payment date. The Institution shall have no obligation to repurchase the Project or cause the Bonds to be called for prior redemption if interest on the Bonds shall become subject to federal income taxation solely by reason of an amendment or an addition to the Internal Revenue Code (or regulations thereunder) adopted after the Bonds have been issued. The event of taxability described in

the foregoing sentence shall be established by a ruling from the National Office of the Internal Revenue Service or a final decision of a court of competent jurisdiction obtained on the question of taxability. Any purchase required by this Section shall be effected upon the following terms and conditions:

(a) Within thirty days after the occurrence of the event the Institution shall give written notice to the Authority and the Trustee, or in the event of its failure to do so the Trustee shall give written notice to the Authority and the Institution, stating a date of closing the purchase not less than forty-five days after the notice is mailed and not less than thirty days before the next interest payment date of the Bonds occurring seventy-five days or more after the notice is mailed, and the Institution shall make arrangements satisfactory to the Trustee for the giving of notice required for redemption of all of the outstanding Bonds on that date and for the transmittal of funds needed for such redemption in advance of that date.

(b) The cash purchase price payable at the closing date shall be an amount equal to the sum of the following:

(i) an amount which, when added to the amounts in the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account, Repair and Replacement Reserve Account and Redemption Account will equal the principal amount of all then outstanding Bonds plus accrued interest thereon to the redemption date; plus

(ii) an amount equal to the Trustee's and any paying agent's fees under the Indenture, accrued and to accrue until final payment and redemption of the Bonds and all other advances, fees, costs and expenses incurred by the Trustee under the Indenture.

(c) The closing shall be completed otherwise as provided for purchase upon exercise of the Institution's options under Article X hereof.

## ARTICLE VIII

### ASSIGNMENT, SUBLEASING AND SELLING

#### Section 8.01 Assignment and Subleasing by Institution.

This Lease may be assigned in whole or in part, and the Project may be subleased as a whole or in part, by the Institution only upon obtaining the consent of the Authority and the Trustee, and upon such conditions and requirements as they may impose, including those necessary to the objectives of the Act, and to the security of the bondholders, which shall include conditions that:

(a) No assignment (other than pursuant to Section 7.02 hereof) or subletting shall relieve the Institution from primary liability for any of its obligations hereunder, and in the event of any such assignment or subletting the Institution shall continue to remain primarily liable for the payment of the Base Rent and Additional Rent specified in Sections 4.01 and 4.03 hereof and for performance and observance of the other agreements on its part herein provided to be performed and observed by it; and

(b) Any assignment or sublease from the Institution must retain for the Institution such rights and interests as will permit it to perform its obligations under this Lease, and any assignee from the Institution shall assume the obligations of the Institution hereunder to the extent of the interest assigned; and

(c) The Institution shall, within thirty days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of each such assignment and sublease, as the case may be, together with an instrument of assumption.

Notwithstanding the above provisions of this Section, the consent of the Authority or of the Trustee shall not be required for, and clause (c) of this Section shall not apply to, (i) rentals or other authorizations of use of the Project or parts thereof to others by the Institution if such rental or authorization does not involve use of the Project for more than ninety (90) consecutive days, or (ii) rentals or other authorizations of use of particular rooms to students, faculty members, or student or faculty groups, provided in either case that such rentals or authorizations of use shall in all respects be subject to the covenants contained in Sections 5.01 and 7.02 of this Lease.

#### Section 8.02 Assignment and Mortgaging by the Authority.

The Authority may mortgage the Project and may assign its rights and security interests under and interest in, and pledge any moneys receivable under or pursuant to, this Lease, to the Trustee pursuant

to the Indenture as security for payment of the principal of and interest on the Bonds, but such mortgage shall be subordinate and subject to this Lease.

Section 8.03 Restrictions on Transfer and Encumbrances of Project by the Authority. The Authority agrees that, except as otherwise provided in this Lease or contemplated by the Indenture, it will not sell, assign, transfer, convey or otherwise dispose of the Project or any portion thereof during the Lease Term and that it will not, to the extent permitted by law, take any action which may reasonably be construed as tending to cause or induce the levy of special assessments by others against the Leased Premises without the written consent of the Institution, nor will it create or suffer to be created any debt, lien or charge thereon or make any pledge or assignment of or create any lien or encumbrance upon the rents, revenues and receipts derived from the sale, lease or other disposition of the Project other than as provided in Section 8.02 hereof.

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## ARTICLE IX

### EVENTS OF DEFAULT AND REMEDIES

Section 9.01 Events of Default. The following shall be "events of default" under this Lease and the term "event of default" shall mean, whenever used in this Lease, any one or more of the following events:

(a) If the Institution fails to pay the rents required to be paid under Section 4.01 or 4.03 hereof, or to make payment of any insurance premium to be paid under Section 5.09, 5.10, 5.13, 5.14 or 5.15 hereof on or prior to the dates on which payments are required to be made by said Sections and within a period of two days after written notice mailed or delivered to it by the Trustee or the Authority that the rent or payments referred to in such notice has not been received; or

(b) If the Institution shall discontinue or unreasonably delay or fail to carry on with reasonable dispatch the construction and acquisition of the Project; or

(c) If the Project shall be destroyed or damaged and shall not be promptly repaired, replaced or reconstructed (whether such failure promptly to repair, replace or reconstruct the same be due to impracticability of such repair, replacement or reconstruction or to lack of funds therefor, or for any other reason); or

(d) If the Institution shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in this Lease or in any instrument supplemental hereto on the part of the Institution to be performed, and such default shall have continued for a period of thirty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Institution by the Authority; or

(e) If the Institution files a petition in bankruptcy, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property at the Institution; or

(f) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the Institution an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Institution or of the Project or Project revenues and income, or of the whole or any substantial part of the property at the Institution, or approving a petition filed against the Institution seeking reorganization of the

Institution under any applicable law or statute of the United States of America or any State thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty days from the date of the entry thereof; or

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

The provisions of paragraphs (b), (c) and (d) of this Section are subject to the following limitations: If by reason of force majeure the Institution is unable in whole or in part to carry out its agreements on its part contained herein, the Institution shall not be deemed in default during the continuance of such disability. The term "force majeure" as used herein includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraints or government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or conduits; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Institution. The provisions of paragraph (d) of this Section are subject to the further limitation that if the default can be remedied but not within a period of thirty days after notice and if the Institution has taken all action reasonably possible to remedy such default within such thirty day period, the default shall not become an event of default for so long as the Institution shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Authority. The Institution agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the Institution from carrying out its agreements.

Section 9.02 Remedies on Default. Whenever any event of default referred to in Section 9.01 hereof shall have happened and be subsisting, any one or more of the following steps may be taken:

(a) The Authority, with the prior written consent of the Trustee, or the Trustee may at its option declare all or any installments of Base Rent and Additional Rent payable under Sections 4.01 and 4.03 hereof for the remainder of the Lease Term to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Authority, with the prior written consent of the Trustee, or the Trustee or a receiver may re-enter and take possession of the Project without terminating this Lease, holding the Institution liable for the difference in the net income derived from such possession and the rents and other amounts payable by the Institution hereunder.

(c) The Authority, with the prior written consent of the Trustee, or the Trustee or a receiver may terminate the Lease Term, exclude the Institution from possession of the Project and use its best efforts to again lease or sell the Project in accordance with applicable law, but holding the Institution liable for all rent and other payments otherwise due under this Lease up to the effective date of such new leasing or sale.

(d) The Authority may take whatever action at law or in equity may appear necessary or desirable to collect the rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Institution under this Lease.

Any amounts collected pursuant to action taken under this Section shall be applied first to advances, expenses and payment of the Bonds (principal, interest and premium, if any) as provided in Sections 7.05 and 7.15 of the Indenture and then to any Additional Rent payable to the Authority under Section 4.03(a), and any excess to the Institution.

Section 9.03 Remedies Cumulative, Delay Not to Constitute Waiver. No remedy conferred upon or reserved to the Authority, the Trustee, or a receiver by this Lease is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, and any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority, the Trustee, or a receiver to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to a particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.04 Agreement to Pay Attorney's Fees and Expenses. In the event the Institution should default under any of the provisions of this Lease and the Authority, the Trustee, or a receiver should employ attorneys or incur other expenses for the



collection of rent or the enforcement of performance or observance of any obligation or agreement on the part of the Institution contained in this Lease, the Institution agrees that it will on demand therefor reimburse the reasonable fee of such attorneys and such other expenses so incurred.

Section 9.05 Advances. In the event the Institution shall fail to pay any Base Rent or Additional Rent under Sections 4.01 or 4.03 hereof, or shall fail to maintain or repair, rebuild or restore any of the Leased Property, or shall fail to maintain any insurance as required by the provisions of this Lease, or to do any other thing or make any other payment required to be done or made by any other provision of this Lease, the Authority or the Trustee, each in its own discretion, may do or cause to be done any such thing or make or cause to be made any such payment at the expense or as an advance for the account of the Institution, and the Institution shall pay to the Authority or the Trustee, as the case may be, upon demand, all costs and expenses so incurred and advances so made, with interest at the rate of eight percent (8.00%) per annum. Any such advances shall be entitled to priority of payment from any funds thereafter received from the Institution or under Section 9.02.

Section 9.06 Waiver of Appraisement, Valuation, Etc. In the event the Institution should default under any of the provisions of this Lease, the Institution agrees to waive, to the extent it may lawfully do so, the benefit of all appraisement, valuation, stay, extension or redemption laws now or hereafter in force, and all right of appraisement and redemption to which it may be entitled.

Section 9.07 Manner of Foreclosure of Security Interests. The Institution consents and agrees to all provisions of Article VII of the Indenture respecting events of default and remedies in case of default, including (without limitation) the provisions of Sections 7.07 to 7.13 thereof relating to the manner of foreclosure sale. The Institution further agrees that the Authority and the Trustee, as the case may be, shall have each of the rights of a secured party provided by Part 5, Article IX, of the Uniform Commercial Code as in effect in Minnesota (Sections 336.9-501 to 336.9-508, Minnesota Statutes) with respect to any security interest in the gross income of the Project and in the Leased Equipment and any security interest in any other personal property which the Institution may grant to the Authority or the Trustee.

Section 9.08 Attornment. If by reason of any event of default under the Indenture the trust estate shall be foreclosed and unless and until this Lease and the rights of the Institution shall be terminated by reason of an event of default hereunder on the part of the Institution, the Institution shall attorn to the purchaser at the mortgage foreclosure sale and perform all the terms, covenants and conditions hereof to and for the benefit thereof, and such purchaser shall succeed to all rights of the Authority (except its rights to make regulations under the Act) and the Trustee under this Lease and the Indenture.

Section 9.09 To Furnish Heat and Utilities. In the event of a default referred to in Section 9.01 hereof, if rights under paragraph (b) and (c) of Section 9.02 hereof are exercised, the Institution hereby covenants and agrees, and without further act by or consent of the Institution being required, to furnish to the Authority, the Trustee or receiver, foreclosure sale purchaser, or any of their successors and assigns, at a reasonable cost, heat, if heating units have not been incorporated into the Project, and also light, power, water and other necessary utility services to the Project which are not reasonably available at a reasonable cost from public utilities.

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## ARTICLE X

### OPTIONS IN FAVOR OF INSTITUTION

Section 10.01 Option to Terminate. The Institution shall have the option to cancel or terminate the term of this Lease at any time when all the Bonds and coupons appertaining thereto shall be deemed to have been paid and discharged under the provisions of Article X of the Indenture and when all Additional Rent payable to the Authority and the Trustee and any paying agents of the Bonds due or to become due have been paid. Such option shall be exercised by giving the Authority notice in writing and such cancellation or termination shall forthwith become effective. Upon such termination, any funds or investments then remaining on deposit to the credit of the Bond and Interest Sinking Fund Account, Debt Service Reserve Account, Repair and Replacement Reserve Account, and Redemption Account shall be paid over by the Trustee to the Institution.

Section 10.02 Option to Purchase Project Prior to Payment of the Bonds. The Institution shall have, and is hereby granted, the option to purchase the Project prior to the expiration of the Lease Term and prior to the full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), if any of the following shall have occurred:

(a) The Building or the Leased Equipment shall have been damaged or destroyed as set forth in Section 6.01 hereof (i) to such extent that it cannot be reasonably restored within a period of six months to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Institution is thereby prevented from carrying on its normal use and operations thereof for a period of six months, or (iii) to such extent that the cost of restoration thereof would exceed by more than \$100,000.00 the Net Proceeds of insurance carried thereon pursuant to the requirements of Section 5.09 hereof.

(b) Title to, or the temporary use of for more than six (6) months, all or substantially all of the Project shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority (including such taking or takings as results in the Institution being thereby prevented from carrying on its normal operations therein for a period of six months).

(c) 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 decree, judgment or order of any court or administrative body (whether state or

federal) entered after the contest thereof by the Institution in good faith, this Lease shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in this Lease, or if unreasonable burdens or excessive liabilities shall have been imposed upon the Authority or the Institution, with respect to the Project, or operation thereof, including without limitation federal, state or other ad valorem, property, income or other taxes not being imposed on the date of this Lease; provided, that the provisions of this Subsection shall in no way affect the Institution's obligation for the continued maintenance of the Project during the term of this Lease.

To exercise such option, the Institution shall, within ninety days following the event authorizing the exercise of such option, give written notice to the Authority, and to the Trustee if any of the Bonds shall then be unpaid, and shall specify therein the date of closing such purchase, which date shall be not less than forty-five nor more than ninety days from the date such notice is mailed, and in case of a redemption of the Bonds in accordance with the provisions of the Indenture shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption, in which arrangements the Authority shall cooperate. The purchase price payable by the Institution, in the event of its exercise of the option granted in this Section, shall be the sum of the following:

(1) An amount of money which, when added to the moneys and investments held to the credit of the Bond and Interest Sinking Fund Account, Debt Service Reserve Account, Repair and Replacement Reserve Account, and Redemption Account, will be sufficient pursuant to the provisions of Article III of the Indenture, to pay and discharge all then outstanding Bonds and coupons appertaining thereto on the first possible date for redemption, plus

(2) An amount of money equal to the Additional Rent, payable to the Authority and Trustee and any paying agent's fees and expenses under the Indenture, plus

(3) The sum of Two Hundred Fifty Dollars (\$250.00) to the Authority.

In the event of the exercise of the option granted in this Section any Net Proceeds of insurance or condemnation shall be paid to the Institution, notwithstanding any provision of Sections 6.01 and 6.02 hereof, and the Authority will deliver to the Institution the documents referred to in Section 10.05 hereof.

The mutual agreements contained in this Section 10.02 are independent of, and constitute an agreement separate and distinct from, any and all provisions of this Lease and shall be unaffected by any fact or circumstance which might impair or be alleged to impair the validity of any other provisions.

Section 10.03 Option to Purchase Project. The Institution shall have, and is hereby granted, an option to purchase the Project for Five Hundred Dollars (\$500.00) at the expiration of the Lease Term or at any prior time that full payment of the Bonds or provision for payment thereof has been made in accordance with the provisions of the Indenture and all Additional Rent payable to the Authority and Trustee hereunder shall have been paid. In the event that the Institution exercises its option to purchase, the option to purchase granted in this Section 10.03 shall be exercised in the manner as is provided for exercise of the option to purchase granted in Section 10.02, and the Authority will deliver to the Institution the documents referred to in Section 10.05 hereof; provided that the Institution shall have the right to execute and deliver at any time during the Lease Term written notice to the Authority, and to the Trustee if any of the Bonds shall then be unpaid, that the Institution has elected to exercise its option under this Section, and thereupon the Institution shall become obligated to purchase the Project at the expiration of the Lease Term and the Authority shall become obligated, whenever full payment of the Bonds has been made or provision for payment under Article X of the Indenture so that the Bonds are no longer deemed outstanding thereunder and all Additional Rent payable to the Trustee and any paying agent shall have been paid, to sell and convey the Project to the Institution. The Institution's option rights under this Section 10.03 may also be exercised at any time for a period of ninety (90) days after the expiration of the Lease Term or until thirty (30) days after written notice of expiration of the Institution's option rights under this Section given at or after expiration of the Lease Term, whichever shall first occur.

Section 10.04 Option to Purchase Unimproved Land. The Institution shall have, and is hereby granted, an option to purchase, at any time or from time to time, any unimproved part of the Leased Premises on which neither the Building nor any Leased Equipment is located except that transportation facilities or wires, lines, conduits or pipes servicing the Project, parking facilities, footings supporting the Building or Building projections may be located on or over such part. The purchase price shall be calculated (to the next highest whole dollar) on the basis of the per acre value of the Leased Premises as determined by a qualified independent appraiser designated by the Institution and approved by the Trustee, together with and the cost to the Authority of any transportation facilities or wires, lines, conduits, poles, parking facilities or Building projections located on or over such part of the Leased Premises for which the Authority does not reserve title and an easement for the use, maintenance, operation, removal and replacement thereof. Where title to any of said facilities is released by the Authority as part of the purchase, and in any case where footings supporting the Building are located on the part purchased, the conveyance to the Institution shall be subject to the reservation of an easement by the Authority for the use, maintenance, operation, removal and replacement of said

facilities and footings and any easements required to maintain ingress to and egress from the remainder of the Leased Premises and to assure access to all parts of the Building and Leased Equipment for the use, maintenance, operation, removal and replacement thereof. This option to purchase is subject to the condition that the Institution shall furnish to the Authority and the Trustee the following:

(a) A notice in writing containing (i) an adequate legal description of that portion of the Leased Premises with respect to which such option is to be exercised, (ii) a statement that the Institution intends to exercise its option to purchase such portion of the Leased Premises on a date stated, which shall not be less than forty-five nor more than ninety days from the date of such notice, (iii) the appraisal of the independent appraiser designated by the Institution and (iv) a statement that the portion of the Leased Premises as to which the option is exercised is intended to be used for purposes consistent with the educational purposes of the Institution.

(b) A certificate of an Independent Engineer who is acceptable to the Trustee, dated not more than ninety days prior to the date of the purchase and stating that, in his opinion (i) the portion of the Leased Premises with respect to which the option is exercised is not needed for the operation of the Project, or that sufficient right, title and interests have been reserved by the Authority to fulfill such needs, and (ii) the purchase will not impair the character or significance of the Project as an educational facility and will not destroy the means of ingress thereto and egress therefrom.

(c) Evidence that an amount of money equal to the purchase price computed as provided in this Section has been delivered to the Trustee.

If the part of the Leased Premises which is purchased pursuant to this option shall have a boundary coincident with an exterior wall of the Building, then the conveyance to the Institution shall include a right to the Institution to tie into and use such wall as a party wall, or break through, or eliminate such wall and to use any supporting columns and foundations thereof for support to the extent and on the condition that:

(d) Any such use shall be approved in writing by an Independent Engineer who is acceptable to the Trustee.

(e) The Institution shall maintain any portion of the Building used in this way in sound condition, and if any breach or modification of the structure thereof is required in the course of such use or the preparation therefor, the Institution will restore the Building to a finished condition as promptly as reasonably required by the Authority or the Trustee.

(f) To secure performance of the conditions of paragraph (e) above, the Institution, before exercising such right to tie into and use such walls, columns or foundation, shall deposit with the Trustee an amount in cash, or in the form of an indemnity bond issued by an insurance company satisfactory to the Trustee, certified by said Independent Engineer to be sufficient to restore the Building to the condition which existed prior to the exercise of such right. Said cash or proceeds from said indemnity bond may be used by the Authority or the Trustee for such purpose if the Institution shall default in its obligation under paragraph (e) above but shall be released to the Institution when such obligation has been fulfilled as certified by an Independent Engineer.

In the event the Institution shall exercise the option granted to it under this Section, the Institution shall not be entitled to any abatement or diminution of the rents payable under Section 4.01 or 4.03 and the Trustee on receipt of the purchase price shall deposit such moneys in the Redemption Account, and such amounts shall not be credited against subsequent rentals as provided in Sections 4.01 or 4.03 hereof but shall be used to purchase Bonds on the open market for cancellation at a price not exceeding the then or next available redemption price or to call Bonds for redemption, when practical, in the manner provided in the Indenture.

Section 10.05 Conveyance on Exercise of Option to Purchase.  
On the exercise of any option to purchase granted herein, the Authority will upon payment of the purchase price deliver or cause to be delivered to the Institution documents conveying to the Institution good and marketable title to the property being purchased, as such property then exists, subject to the following: (i) those liens and encumbrances, if any, to which title to said property was subject when conveyed to the Authority; (ii) those liens and encumbrances created by the Institution or to the creation of suffering of which the Institution consented; (iii) those liens and encumbrances resulting from the failure of the Institution to perform or observe any of the agreements on its part contained in this Lease; (iv) Permitted Encumbrances other than the Indenture and this Lease; and (v) if the option is exercised pursuant to the provisions of Section 10.02(b) hereof, the rights and title of the condemning authority. Such conveyance document or documents shall also be subject to and contain a covenant and right of re-entry in substantially the following form:

"This conveyance is made on the conditions that, and the (Institution) for itself, its successors and assigns hereby covenants and agrees that, the buildings and improvements, including equipment, now on and a part of the foregoing property shall not be used for sectarian instruction or as a place of worship or used primarily in connection with any part of the program of a school or department of divinity for any religious denomination

or used for any other religious purpose and that the (Institution), its successors and assigns shall not discriminate on account of religion, race, color, creed, or national origin in the use of such buildings and improvements now on and a part of the foregoing property. If the Institution shall violate any conditions and covenants of the preceding sentence, the (Authority) shall have the right of re-entry and to exclude the (Institution) and all persons claiming under the (Institution) and terminate all the right, title or interest of the (Institution) in the property conveyed hereby or, in the alternative, to enforce the foregoing conditions and covenants by an action or suit at law or in equity."

Section 10.06 Relative Position of this Article and Indenture. The rights and options granted to the Institution in this Article, except under Section 10.04, shall be and remain prior and superior to the Indenture and may be exercised whether or not the Institution is in default hereunder, provided that such default will not result in nonfulfillment of any condition to the exercise of any such right or option or the covenant and condition required to be set forth in the conveyance by the provisions of Section 10.05 hereof.

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## ARTICLE XI

### MISCELLANEOUS

Section 11.01 Surrender of Project. In the event the Institution should default under this Lease and the Lease Term is terminated, the Institution agrees to surrender possession of the Project peaceably and promptly to the Authority in as good condition as prevailed at the time it was put in full possession thereof, loss by fire or other casualty covered by insurance, ordinary wear and tear, obsolescence and acts of God excepted.

Section 11.02 Amounts Remaining in Bond Accounts. It is agreed by the parties hereto that any amounts remaining in the Bond and Interest Sinking Fund Account, Debt Service Reserve Account, Repair and Replacement Reserve Account, and Redemption Account upon expiration or sooner cancellation or termination of the Lease Term, as provided in this Lease, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and of Additional Rent payable to the Authority and the Trustee and fees, charges and expenses of any paying agents and all other amounts required to be paid under the Indenture, shall belong to and be paid to the Institution by the Trustee as overpayment of rents except for the amounts, if any, representing an option price under Section 10.02(3) or 10.03, which shall belong to the Authority.

Section 11.03 Rebate of Contributions to General Bond Reserve Account. The Authority further agrees to rebate to the Institution any contributions by the Institution remaining to the credit of the subaccount in the Institution's name, established on account of the Project Bonds, in the General Bond Reserve Account after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and of Additional Rent payable to the Authority and the Trustee and fees, charges and expenses of any paying agents and all other amounts required to be paid under the Indenture and after the Authorized Institution Representative shall have furnished to the Authority a certificate to that effect. The Institution shall also be entitled to receive its proportionate share of the earnings, if any, of the General Bond Reserve Account as provided in the Bond Resolution. The Authority further agrees to rebate to the Institution, when received, the Institution's proportionate share of any collections of delinquent rents thereafter received as recovery of payments from the General Bond Reserve Account, charged against the subaccounts of the Institution and other participating institutions of higher education.

Section 11.04 Notices. All notices, certificates, requests or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows:

- a. To the Authority -- Minnesota Higher Education  
Facilities Authority  
278 Metro Square Building  
7th and Robert Streets  
St. Paul, Minnesota 55101  
Attention: Executive Director
- b. To the Institution -- The College of Saint Catherine  
2004 Randolph Avenue  
St. Paul, Minnesota 55116  
Attention: Business Manager
- c. To the Trustee --

A duplicate copy of each notice, certificate, request or other communication given hereunder to the Authority, the Institution or the Trustee shall also be given to the others. The Institution, the Authority and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 11.05 References to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and all fees and charges of the Trustee and any paying agents of the Bonds, all references in this Lease to the Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested.

Section 11.06 Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Authority, the Institution and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.02, 8.01, 8.02 and 8.03 hereof, and subject to the further limitation, that any obligation of the Authority created by or arising out of this Lease shall not be a general debt of the Authority but shall be payable solely out of the proceeds derived from this Lease or the sale of the Bonds or the Net Proceeds of any insurance or condemnation awards as provided herein.

Section 11.07 Amendments, Changes and Modifications. Except as otherwise provided in this Lease or in the Indenture, subsequent to the initial issuance of Bonds and prior to payment of the Bonds in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Lease may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Trustee.

Section 11.08 Counterparts. This Lease may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same Lease.

Section 11.09 Short Form Lease. The parties hereto, upon written request of the other party, shall within thirty days from the date of such request, execute and deliver a short form lease for recording purposes, which shall carry the description of the property, the length of the term, specific reference to and summary of the College's option to purchase, and incorporate by reference only the other provisions of this Lease.

Section 11.10 Severability. In case any section or provision of the Lease, or in case any covenant, stipulation, obligation, agreement, act, or action, or part thereof, made, assumed, entered into, or taken under the Lease, or any application thereof, is for any reason held to be illegal or invalid, or is at any time inoperable by reason of any law, or actions thereunder, such illegality or invalidity or inoperability shall not affect the remainder thereof or any other section or provision of the Lease or any other covenant, stipulation, obligation, agreement, act, or action, or part thereof, made, assumed, entered into, or taken under the Lease, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein, nor shall such illegality or invalidity or inoperability or any application thereof affect any legal and valid and operable application therefor from time to time, and each such section, provision, covenant, stipulation, obligation, agreement, act, or action, or part thereof, shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent from time to time permitted by law.

Section 11.11 Captions. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease.

Section 11.12 Benefit of Bondholders. This Lease is executed in part to induce the purchase by others of the Bonds to be issued by the Authority to finance the cost of the Project, and accordingly all covenants and agreements on the part of the Institution and the Authority and all security interests granted and obtained as set forth in this Lease are hereby declared to be for the benefit of the holders from time to time of the Bonds issued by the Authority to finance the cost of the Project.

IN WITNESS WHEREOF, the Authority and the Institution have caused this Lease to be executed in their respective names and attested by duly authorized officers, all as of the date first above written.

MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY

By \_\_\_\_\_  
Vice Chairman

And

By \_\_\_\_\_  
Secretary

(Seal)

THE COLLEGE OF SAINT CATHERINE

By \_\_\_\_\_  
President

And

By \_\_\_\_\_  
Secretary

(Seal)

STATE OF MINNESOTA     )  
                              )     SS.  
COUNTY OF RAMSEY     )

On this            day of            , 1976, before me appeared Robert W. Freson and Richard C. Hawk, to me personally known, who, being by me duly sworn did say that they are the Vice Chairman and Secretary of the Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota; that the seal affixed to the foregoing instrument is the official seal of said agency and that said instrument was executed in behalf of said agency by authority of its members; and the said Vice Chairman and Secretary acknowledged said instrument to be the free act and deed of said agency.

---

STATE OF MINNESOTA     )  
                              )     SS.  
COUNTY OF RAMSEY     )

On this            day of            , 1976, before me appeared            and            , to me personally known, who, being by me duly sworn did say that they are the            President and Secretary of The College of Saint Catherine, a corporation; that the seal affixed to the foregoing instrument is the corporate seal of said corporation; and that said instrument was executed in behalf of said corporation by authority of its Board of Trustees; and the said            and            acknowledged said instrument to be the free act and deed of said corporation.

---

EXHIBIT A  
TO  
LEASE  
RELATING TO \$795,000  
MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY  
FIRST MORTGAGE REVENUE BONDS,  
SERIES R  
(THE COLLEGE OF SAINT CATHERINE)  
DATED AUGUST 1, 1976  
BETWEEN THE  
MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY  
AND  
THE COLLEGE OF SAINT CATHERINE

EXHIBIT B  
TO  
LEASE  
RELATING TO \$795,000  
MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY  
FIRST MORTGAGE REVENUE BONDS,  
SERIES R  
(THE COLLEGE OF SAINT CATHERINE)  
DATED AUGUST 1, 1976  
BETWEEN THE  
MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY  
AND  
THE COLLEGE OF SAINT CATHERINE

(Description of Leased Equipment)

1. Any fixtures installed or to be installed on the premises in Exhibit A at The College of Saint Catherine, in St. Paul, Minnesota, including without limitation heating and ventilating equipment, plumbing, lighting, conduits, and other building service equipment.

2. Any items of furnishings, equipment and related property acquired and installed in the premises described in Exhibit A at The College of Saint Catherine, in St. Paul, Minnesota, from the proceeds of sale of the \$795,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series R (The College of Saint Catherine) including the following:

EXHIBIT C  
TO  
LEASE  
RELATING TO \$795,000  
MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY  
FIRST MORTGAGE REVENUE BONDS,  
SERIES R  
(THE COLLEGE OF SAINT CATHERINE)  
DATED AUGUST 1, 1976  
BETWEEN THE  
MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY  
AND  
THE COLLEGE OF SAINT CATHERINE

The following are included under clause (v) of the  
definition of Permitted Encumbrances in Section 1.01 of the  
Lease:



\$795,000 Minnesota Higher Education  
Facilities Authority First Mortgage  
Revenue Bonds, Series R  
(The College of Saint Catherine)

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M O R T G A G E  
T R U S T  
I N D E N T U R E

THIS MORTGAGE TRUST INDENTURE, dated as of the 1st day of August, 1976, by and between the MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY, an agency of the State of Minnesota, having its principal office at 278 Metro Square Building, in the City of St. Paul, Minnesota (herein sometimes called the "Authority") and

a

organized and existing under and by virtue of the laws of \_\_\_\_\_ and having its main office and place of business in the City of \_\_\_\_\_, Minnesota (herein sometimes called the "Trustee"),

WITNESSETH:

WHEREAS, the Authority is an agency of the State of Minnesota duly created and organized under Sections 136A.25 to 136A.42, Minnesota Statutes, as amended (herein called the "Act") for the purpose of providing appropriate additional educational opportunity for the people of the State by enabling nonprofit institutions of higher education in the State to provide, preserve and utilize needed facilities and structures as provided in the Act; and

WHEREAS, the Authority is, under the Act, authorized to borrow money for the acquisition and construction of such facilities by the issuance and sale of revenue bonds and authorized to pledge revenues as herein provided and mortgage the facilities to the Trustee to secure the payment of principal and interest on the bonds and to enter into this Indenture with the Trustee for the benefit and security of the bondholders; and

WHEREAS, the Authority has deemed it advisable to acquire property at The College of Saint Catherine, a nonprofit institution of higher education duly organized and existing under the laws of the State of Minnesota and having its principal office and place of business at St. Paul, Minnesota (herein called the "College" or "Institution") for the construction of the Project hereinafter described, with appurtenant equipment, furnishings, utilities and site improvements; and

WHEREAS, said Project consists of a student apartment building to accomodate approximately 118 students; and

WHEREAS, to carry out such purposes, the Authority has deemed it advisable to issue and sell revenue bonds in an amount not exceeding \$795,000 to provide money to pay, in part, costs of the Project, reserves, and bond issuance expense and discount bidding; and

WHEREAS, to that end, the Authority has deemed it advisable to pledge revenues and to enter into this Indenture to secure the payment of said bonds, and has duly authorized and directed the issuance of bonds in the aggregate principal amount of \$795,000 to be designated "Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series R (The College of Saint Catherine)" (hereinafter sometimes called the "Bonds"), which shall be coupon bonds registrable as to principal or as to principal and interest as in this Indenture hereinafter provided; and

WHEREAS, the proceeds of the Bonds, together with any other available funds, will be used for the specific authorized purpose of providing funds for the Project, and providing reserves for the security and payment of the Bonds; and

WHEREAS, as authorized by the Act, the Authority has entered into an Agreement dated as of May 25, 1976 (herein called the "Agreement") with the College pursuant to which the College has agreed, among other things, to lease the Project from the Authority under a form of net lease dated August 1, 1976, attached as an exhibit to the Agreement, (herein called the "Lease") providing for base rentals payable in amounts and times adequate to pay the principal of and interest on the Bonds when due; and

WHEREAS, the execution and delivery of this Indenture, the Lease and Agreement and the issuance of the Bonds have been in all respects duly and validly authorized by the Authority pursuant to a General Bond Resolution adopted by the Authority on the 31st day of October, 1972, and a Series Resolution adopted by the Authority on the 27th day of July, 1976 (herein collectively called the "Resolution" or "Resolutions"); and

WHEREAS, the Bonds, the coupons to be attached thereto, the certificate of registration and the Trustee's authentication certificate to be endorsed on the Bonds are to be in substantially the following form, respectively to wit:

(Form of Bond)

UNITED STATES OF AMERICA

## STATE OF MINNESOTA

No.

**\$5,000**

MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY

First Mortgage Revenue Bond  
Series R (The College of Saint Catherine)

The Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota (hereinafter sometimes called the "Authority"), for value received, hereby promises to pay from the revenues in its Series R (The College of Saint Catherine) Bond and Interest Sinking Fund Account to the bearer, or if this Bond be registered, to the registered owner hereof, the principal sum of FIVE THOUSAND DOLLARS on the 1st day of May, 19     and to pay interest thereon from such Fund from the date hereof at the rate of  
percent (                 %) per annum, interest payable May 1, 1977 and semiannually thereafter on May 1 and November 1 in each year until payment of the principal amount. Until maturity hereof, payment of the interest on this Bond shall be made only upon presentation and surrender of the respective coupons hereto attached as they severally become due, or if this Bond shall be registered as to both principal and interest, to the registered owner. The principal of this Bond, unless registered other than to bearer, and the interest on this Bond, unless registered as to both principal and interest, are payable in lawful money of the United States at the principal office of  
  , in                         , Minnesota (herein called the "Bank of Payment"). The principal of this Bond, while registered other than to bearer, is payable in lawful money of the United States at the principal office of the  
  , in                         , Minnesota, as trustee under the Indenture hereinafter described or of its successor as such trustee (hereinafter called the "Trustee"). The interest on this Bond, while registered as to both principal and interest, is payable by check or draft mailed to the registered owner at his address as shown on the registration books.

This Bond is issued under Minnesota Statutes, Sections 136A.25 to 136A.42, and acts amendatory thereof and supplementary thereto (herein called the "Act"). This Bond does not represent a debt or pledge the faith or credit of the State of Minnesota or grant to the owner or holder of this Bond or any coupon appurtenant hereto any right to have the State of Minnesota levy any taxes or appropriate any funds for the payment of the principal hereof or interest hereon,

nor is this Bond a general obligation of the State, the Authority, nor the individual members, officers or agents of any thereof.' This Bond and interest hereon are payable solely and only out of the rental, revenues, and other income, charges and moneys to be produced and received from the ownership and operation of the Project and reserve accounts hereinafter mentioned.

This Bond is one of a duly authorized series of special obligation Bonds of an aggregate principal amount of Seven Hundred Ninety-five Thousand Dollars (\$795,000), in the denomination of Five Thousand Dollars (\$5,000) each and numbered 1 upwards in order of maturity and of like tenor and effect except as to serial number, interest rate, right of prior redemption and maturity, all of which have been authorized by law to be issued and have been issued or are to be issued for the purpose of financing the cost of constructing a new student apartment building for approximately 118 students, with appurtenant furnishings and equipment and site improvements (hereinafter called the "Project") at The College of Saint Catherine, a Minnesota nonprofit corporation and institution of higher education (hereinafter called the "College"), in the City of St. Paul, Minnesota, pursuant to an Agreement between the Authority and the College, a Lease of the Project by the Authority to the College, a General Bond Resolution and a Series Resolution of the Authority duly adopted October 31, 1972 and July 27, 1976 and a Mortgage Trust Indenture (herein called the "Indenture") dated as of August 1, 1976 duly executed and delivered by the Authority to the Trustee. The Bonds of this issue are equally and ratably secured by the Indenture and Resolutions, to which Indenture and Resolutions and supplements thereto and amendments thereof reference is hereby made for a description and limitation of the property mortgaged and of the revenues and funds pledged and appropriated to the payment of the Bonds, the nature and extent of the security thereby created, the rights of the holders or registered owners of the Bonds, the rights, duties and immunities of the Trustee, and the rights, immunities and obligations of the Authority thereunder. This Bond is also secured by the funds and investments in the General Bond Reserve Account on a parity with obligations of other series to which such Account has been pledged as more fully provided in the Resolutions and Indenture. Payment of the principal of, premium (if any) and interest on this Bond has been guaranteed by the College, as provided in a Guaranty Agreement executed to the Trustee. Certified copies of the Resolutions and executed counterparts of the Indenture, Agreement, Lease and Guaranty Agreement are on file at the office of the Trustee and at the office of the Authority in St. Paul, Minnesota.

The Bonds of this issue maturing May 1, 1990 through May 1, 1997 are subject to redemption and prepayment prior to the stated maturities thereof, at the option of the Authority, on any interest payment date on or after November 1, 1989, at par and accrued interest. Redemption and prepayment of Bonds shall be in inverse chronological order of stated maturity dates and in inverse order of serial number. All Bonds of this issue are subject to redemption at



par and accrued interest, in whole but not in part, on any interest payment date in certain events of damage to or destruction or condemnation of the Project as provided in Section 6.15 of the Indenture or in certain cases of change of law or circumstances as provided in Section 10.02 of the Lease or in certain cases of interest on the Bonds becoming subject to federal income taxation as provided in Section 7.19 of the Lease.

Notice of any such redemption shall be published in a financial journal printed in the English language in Minneapolis or St. Paul, Minnesota, or the City of New York, New York, at least once, not more than sixty days nor less than thirty days before the date fixed for such payment, and thirty days' notice in writing shall be given to the Bank of Payment before the date so fixed for such redemption. If any of the Bonds called for redemption or prepayment is registered as to principal or as to principal and interest, notice of redemption shall be given to the registered owner of each such Bond by certified or registered mail, addressed to him at his registered address, not earlier than sixty days nor later than thirty days prior to the date fixed for redemption. If no Bonds payable to bearer are to be redeemed, published notice of such redemption need not be given. Prior to the date fixed for such redemption, sufficient funds shall be deposited with the Trustee and made available to pay the Bonds called and accrued interest thereon. Upon the happening of the above conditions, Bonds thus called shall not bear interest after the call date and, except for the purpose of payment, from the funds so deposited, shall no longer be protected by the Indenture.

This Bond is a negotiable instrument for all purposes and transferable by delivery unless registered as to principal. This Bond may be registered as to principal only, or as to both principal and interest, in the owner's name upon the books of the Authority to be kept for that purpose at the office of the Trustee, such registration to be noted hereon. After such registration, no transfer of this Bond shall be valid unless made on said books at the request of the registered owner hereof, or his duly authorized agent, and similarly noted hereon; but this Bond may be discharged from registration by being in like manner transferred to bearer, whereupon transferability by delivery shall be restored; and this Bond may again from time to time be registered or made payable to bearer as before. Registration as to principal only shall not affect the negotiability of the annexed coupons, which shall always be transferable by delivery and be payable to bearer. At the request of the registered owner and upon surrender of the unmatured interest coupons attached hereto, the Trustee shall register this Bond as to both principal and interest, and interest hereon shall thereafter be payable only to the registered owner until this Bond shall be reconverted into a coupon Bond at the request and expense of the registered owner and reattachment of unmatured coupons by the

Trustee. The Authority, the Trustee and any paying agent may treat the bearer hereof or of any interest coupon of any Bond not so registered as the absolute owner of this Bond or such coupon for the purpose of payment and all other purposes, and payment to the bearer shall fully discharge the Authority in respect of the sums of principal and interest therein mentioned, without regard to any notice to the contrary and whether or not any such coupons be overdue.

In case an event of default, as defined in the Indenture, occurs, the principal of this Bond and all other Bonds of the series outstanding may be declared or may become due and payable prior to the stated maturity hereof in the manner and with the effect and subject to the conditions provided in the Indenture.

With the consent of the Authority and to the extent permitted by and as provided in the Indenture, the terms and provisions of the Indenture, or of any instrument supplemental thereto, may be modified or altered by the assent or authority of the holders of at least sixty-five per centum in aggregate principal amount of the Bonds then outstanding thereunder.

It is hereby certified and recited that the Authority has found: That the Project is an eligible Project and the College is an eligible nonprofit institution under the Act and the Constitution and laws of the United States of America and the State of Minnesota, including the Act; that the issuance of the Bonds and the construction of the Project at the College will provide appropriate additional educational opportunity for the people of the state; that all acts, conditions and things required to be done precedent to and in the issuance of this Bond and the series of which it is a part have been properly done, have happened and have been performed in regular and due time, form and manner as required by law; and that this series of Bonds does not exceed any constitutional, statutory or corporate limitation.

This Bond shall not be valid nor become obligatory for any purpose until it shall have been authenticated by the execution of the certificate hereon endorsed by the Trustee under the Indenture.

IN WITNESS WHEREOF, the MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY has caused this Bond to be signed in its behalf by the facsimile signature of its Vice Chairman, its official seal (or a facsimile thereof) to be hereunto affixed or imprinted and attested by the facsimile signature of its Secretary, and the attached interest coupons to be authenticated by the facsimile signatures of said officers, all as of the 1st day of August, 1976.

MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY

By \_\_\_\_\_  
Its Vice Chairman

(Seal)

Attest:

\_\_\_\_\_  
Secretary

(Form of Coupon)

No. \_\_\_\_\_ \$

[Unless the bond described below has been called for earlier redemption]

On the first day of May (November), 19 , the Minnesota Higher Education Facilities Authority will pay to bearer at , in , Minnesota, the sum shown hereon for interest then due on and from the Fund mentioned in its Minnesota Higher Education Facilities Authority First Mortgage Revenue Bond, Series R (The College of Saint Catherine), dated August 1, 1976, No. .

MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY

By \_\_\_\_\_  
Vice Chairman

\_\_\_\_\_  
Secretary

(Form of Trustee's Certificate)

This is one of the Bonds described in the within mentioned Indenture.

By \_\_\_\_\_  
Authorized Signature

(Certificate of Registration)

It is hereby certified that, at the request of the holder of the within Bond, the Trustee has this day registered it as to principal only, or as to principal and interest, in the name of such holder, as indicated in the registration blank below, on the books kept by the undersigned for such purpose:

<u>Name of Registered Owner</u>	<u>Date of Registration</u>	<u>Whether Registered as to Principal and Inter- est or Principal Only</u>	<u>Authorized Signature of Trustee</u>
_____	_____	_____	_____
_____	_____	_____	_____

and

WHEREAS, the execution and delivery of this Indenture have been duly authorized by the Authority, and all conditions, acts and things necessary and required by the Constitution and Laws of the State of Minnesota, or otherwise, to exist, to have happened or to have been performed precedent to and in the execution and delivery of this Indenture, and in the issuance of the Bonds, do exist, have happened or have been performed in regular form, time and manner, and the execution and delivery of this Indenture have been in all respects duly authorized; and

WHEREAS, the Trustee has accepted the trust created by this Indenture and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

That the Minnesota Higher Education Facilities Authority in order to secure the payment of the principal of and interest on all Bonds issued under this Indenture according to their tenor and effect and the performance and observance of each and all of the

covenants and conditions herein and therein contained, and for and in consideration of the premises and of the purchase and acceptance of the Bonds by the respective purchaser or purchasers and registered owner or holder or holders thereof, and for other good and valuable considerations, the receipt whereof is hereby acknowledged, has executed and delivered this Indenture and has granted, bargained, sold, assigned, transferred, conveyed, warranted, pledged and set over, and by these presents does hereby grant, bargain, sell, assign, transfer, convey, warrant, pledge and set over, unto the Trustee, and to its successor or successors in trust and to its or their assigns forever:

I.

That certain tract of land on which tract of land the Project is located, more particularly described in Exhibit A hereto, with all buildings, additions and improvements now or hereafter located therein or thereon and with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining.

II.

All right, title and interest of the Authority in the Leased Equipment as such term is defined in the Lease described in Granting Clause III, including those items of furniture, furnishings and equipment described in Exhibit B hereto and all replacements thereof excluding, however, any property of the College located at the Project pursuant to Section 7.09 of the Lease.

III.

All right, title and interest of the Authority as Lessor under that certain Lease dated August 1, 1976 between the Authority and The College of Saint Catherine, as Lessee, and all Base Rent, and all other sums except Additional Rent payable to the Authority under Section 4.03(a) of the Lease, due or to become due thereunder or any extension or renewal thereof and in the security interest granted to the Authority pursuant to the Agreement dated May 25, 1976 between the Authority and the College to secure the payment of all Base Rent.

IV.

A first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under Article V of this Indenture, (ii) the net revenues and income of the Project, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof.

V.

Any and all other property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the Institution or by anyone in behalf of them or with their written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same to the terms hereof,

SUBJECT, however, to the rights of the Institution as tenant under the Lease,

TO HAVE AND TO HOLD all and singular the said property hereby conveyed and assigned, or agreed or intended so to be, to the Trustee, its successor or successors in trust and its and their assigns, FOREVER.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit, security and protection of all holders of the Bonds and interest coupons issued or to be issued under and secured by this Indenture, without preference, priority or distinction as to lien or otherwise of any of the Bonds or coupons over any of the others;

PROVIDED, HOWEVER, that if the Authority, its successors or assigns, shall well and truly pay or cause to be paid the principal of the Bonds and the interest due or to become due thereon, at the times and in the manner mentioned in the Bonds and the interest coupons appertaining to the Bonds, respectively, according to the true intent and meaning thereof, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof; then upon such final payment this Indenture and the rights hereby granted shall cease, determine and be void; otherwise, this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property hereby mortgaged or pledged is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Authority has agreed and covenanted and does hereby agree and covenant with the Trustee and with the respective holders and registered owners, from time to time, of the said Bonds or coupons or any part thereof, as follows, that is to say:

## ARTICLE I

### Definition of Certain Terms

Unless the context otherwise requires, the terms defined in this Article I and in the recitals and succeeding Articles of this Indenture shall, for all purposes of this Indenture and of any Indenture supplemental hereto, have the meanings herein specified, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined:

Section 1.01 Indenture and Articles. The term "Indenture" shall mean this Mortgage Trust Indenture, as originally executed or as it from time to time may be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions hereof.

The term "supplemental indenture" or "indenture supplemental hereto" shall mean any indenture hereafter duly authorized and entered into between the Authority and the Trustee in accordance with the provisions of this Indenture.

All references herein to "Articles", "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.02 Outstanding, Holder, Person. The term "outstanding", when used as of any particular time with reference to Bonds, shall (subject to the provisions of Section 9.03 pertaining to Bonds held by the Authority) mean all Bonds theretofore authenticated and delivered by the Trustee under this Indenture except:

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which cash or direct obligations of the United States of America in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Article III hereof, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.08 hereof pertaining to replacement of Bonds.

The term "holder" or "owner" whenever employed herein with respect to a Bond which shall be registered shall mean the person in whose name such Bond shall be registered, and whenever employed herein with respect to a Bond which shall not be registered as to principal, or a coupon, shall mean the bearer of such Bond or coupon.

Whenever in this Indenture it is provided that a percentage of holders or owners of outstanding Bonds have authority to consent to, direct or authorize an action, proceeding or waiver, such consent, direction or authorization shall be deemed duly given only if given by the holders, or owners of outstanding Bonds at least equal in unpaid principal amount to the stated percentage of unpaid principal amount of all outstanding Bonds.

Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or funds in the necessary amount to pay or redeem any Bonds, the amount so to be deposited or held shall be the principal amount of such Bonds and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to maturity and in respect of which there shall have been furnished to the Trustee proof satisfactory to it that notice of such redemption on a specified redemption date has been duly given or provision satisfactory to the Trustee shall be made for such notice, the amount so to be deposited or held shall be the principal amount of such Bonds and interest thereon to the redemption date, together with the redemption premium, if any.

The term "person" shall mean an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

Section 1.03 Certified Resolution, Opinion of Counsel, Responsible Officer, Authorized Authority Representative, Authorized Institution Representative. The term "Certified Resolution" shall mean a copy of a resolution of the Authority, certified by the Secretary of said Authority to have been duly adopted by said Authority and to be in full force and effect on the date of such certification.

The term "Opinion of Counsel" shall mean a written opinion of counsel (who may be counsel for the Authority) appointed by the Authority and acceptable to the Trustee. If and to the extent required by the provisions of Section 1.05 hereof, each Opinion of Counsel shall include the statements provided for in said Section 1.05.

The term "Responsible Officer" of any trustee hereunder shall mean and include the chairman of the board of directors, the president, every vice president, every assistant vice president, the cashier, every assistant cashier, every corporate trust officer, and every officer and assistant officer of such trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular subject.



The term "Authorized Authority Representative" means the Chairman, Vice Chairman, Secretary, or Executive Director of the Authority, and also includes such other person at the time designated to act on behalf of the Authority by written certificate furnished to the Institution and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chairman, Vice Chairman, Secretary or Executive Director.

The term "Authorized Institution Representative" means the person at the time designated to act on behalf of the Institution by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the Institution by the Chairman, Vice Chairman or Secretary of its Board or the President of the Institution. Such certificate may designate an alternate or alternates.

Section 1.04 Default, Financial Newspaper, Redeem. The term "default" shall mean default by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Indenture, or in the Bonds outstanding hereunder, exclusive of any period of grace required to constitute a default an "event of default" as hereinafter provided.

The term "financial newspaper or journal" includes Commercial West and The Daily Bond Buyer, and any other newspaper or journal devoted to financial news published in the English language in Minneapolis or St. Paul, Minnesota, or in the City of New York, New York.

The terms "redeem" or "redemption" shall mean, with respect to a bond registered as to principal or principal and interest, "prepay" or "prepayment" as the case may be.

Section 1.05 Characteristics of Certificate. Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include: (1) a statement that the person or persons making such certificate or opinion have read such covenant or condition and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (3) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the Authority or Institution may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous, or, in the exercise

of reasonable care, should have known that the same were erroneous. Any such certificate or opinion made or given by counsel may be based, insofar as it relates to factual matters, information with respect to which is in the possession of the Authority or Institution, upon the certificate or opinion of or representations by an officer or officers of the Authority or Institution, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous, or, in the exercise of reasonable care, should have known that the same were erroneous.

Section 1.06 Authority, College, Institution. The term "Authority" shall mean the Minnesota Higher Education Facilities Authority and its successors.

The term "College" or "Institution" shall mean The College of Saint Catherine, a Minnesota nonprofit corporation and a nonprofit institution of higher learning located in the City of St. Paul, Minnesota.

Section 1.07 Resolution, Agreement, Lease, Leased Equipment, Trust Estate, Guaranty Agreement. The term "Resolution" or "Resolutions" shall mean the General Bond Resolution adopted by the Authority on October 31, 1972 and the Series Resolution adopted July 27, 1976, by the Authority and any amendments thereto.

The term "Agreement" means the Agreement between the Authority and the College dated May 25, 1976, relating to the Project and any amendments thereto.

The term "Lease" refers to the Lease of the Project by the Authority to the College dated August 1, 1976, substantially in the form attached to the Agreement, and any amendments thereto.

The term "Leased Equipment" refers to the fixtures, equipment and furnishings acquired by the Authority for use in the Project, as more fully defined in and covered by the Lease, generally described in Granting Clause II hereof and Exhibit B hereto, and any replacements thereof.

The term "Trust Estate" shall mean the land described in Granting Clause I hereof and Exhibit A hereto and the improvements thereon located and the facilities appurtenant thereto; the interest of the Authority in the Leased Equipment defined in the Lease and generally described in Granting Clause II hereof, including the furniture, furnishings and equipment described in Exhibit B hereto; the interest of the Authority as Lessor in the Lease assigned under Granting Clause III hereof; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause IV hereof; and additional property held by the Trustee pursuant to Granting Clause V hereof.

The term "Guaranty Agreement" refers to the Guaranty Agreement dated August 1, 1976, executed by the College to the Trustee, guaranteeing payment of the Bonds and substantially in the form attached to the Agreement, and any amendments thereto.

Section 1.08 Fiscal Year, Fiscal Half Year, Project, Bonds, Act, Base Rent, Additional Rent, Permitted Encumbrances.  
The term "Fiscal Year" refers to the College's fiscal year, and shall mean initially the period commencing July 1 and ending June 30, and the term "Fiscal Half Year" initially refers to the six months periods ending the last days of June and December.

The term "Project" refers to a student apartment building to accommodate approximately 118 students, together with necessary equipment, furnishings, utilities and site improvements, at the College on the site described in Granting Clause I.

The term "Bonds" refers to the First Mortgage Revenue Bonds, Series R (The College of Saint Catherine), described in Section 2.01 of Article II, and any bond or bonds issued in lieu thereof or substitution therefor under Section 2.08 of this Indenture.

The term "Act" refers to Minnesota Statutes, Sections 136A.25 to 136A.42 and acts amendatory thereof and supplementary thereto.

The terms "Base Rent" and "Additional Rent" refer to the Base Rent under Section 4.01 and the Additional Rent under Section 4.03 respectively of the Lease.

The term "Permitted Encumbrances" means, as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) the Lease and this Indenture, (iii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an Independent Engineer certifies will not interfere with or impair the use of or operations being conducted in the Building or elsewhere on the Project or site thereof, (iv) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project and as do not in the aggregate, in the opinion of Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Authority or the College and (v) those additional encumbrances identified in Exhibit C hereto.

Section 1.09 Other Defined Terms. The following terms shall have the meanings ascribed to them in the Sections opposed:

<u>Term</u>	<u>Section Number</u>
Construction Account	4.01
Project Supervisor	4.06
Revenue Fund Account	5.01
Revenues and Income	5.01
Bond and Interest	
Sinking Fund Account	5.02
Operation and Maintenance Account	5.03
Current Expenses	5.03
Debt Service Reserve Account	5.04
Repair and Replacement	
Reserve Account	5.05
Excess Revenues and Income	5.05
Redemption Account	5.06
General Bond Reserve Account	5.08
Event of Default	7.01

Section 1.10 Other Definitions in Lease. Terms not defined herein but defined in the Lease shall have the meanings specified in the Lease, unless the context otherwise requires.

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## ARTICLE II

### Form, Execution and Registration of Bonds

#### Section 2.01 Form, Maturities and Numeration of Bonds.

The Bonds to be issued and secured under this Indenture shall be dated August 1, 1976 and shall each be designated "Minnesota Higher Education Facilities Authority First Mortgage Revenue Bond, Series R (The College of Saint Catherine)". The Bonds, coupons, registration certificates and certificates of Trustee shall be substantially in the respective forms set forth in the recitals hereof. The Bonds shall be in coupon form, in the denomination of \$5,000 each, numbered from 1 upwards in order of maturity with the coupons numbered in consecutive numerical order from 1 upwards in the order of their respective due dates. The Bonds shall bear interest payable May 1, 1977 and semiannually thereafter on May 1 and November 1 in each year. Both the principal of and interest on the Bonds shall be payable at the places set forth in the form of Bond in the recitals hereof, in such coin or currency of the United States of America as may be, on the respective dates of payment thereof, legal tender for the payment of public and private debts. The Bonds shall be in the aggregate principal amount of Seven Hundred Ninety-five Thousand Dollars (\$795,000), shall mature serially on May 1 in the years and in the amounts and shall bear interest at the rates per annum, according to years of maturity, as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
1977	\$35,000		1988	\$35,000	
1978	\$20,000		1989	\$40,000	
1979	\$20,000		1990	\$40,000	
1980	\$20,000		1991	\$45,000	
1981	\$20,000		1992	\$50,000	
1982	\$25,000		1993	\$50,000	
1983	\$25,000		1994	\$55,000	
1984	\$25,000		1995	\$60,000	
1985	\$30,000		1996	\$65,000	
1986	\$30,000		1997	\$70,000	
1987	\$35,000				

#### Section 2.02 Execution of Bonds.

The Bonds shall be signed in the name of the Authority by the facsimile signature of the Chairman or Vice Chairman of the Authority and shall be sealed with the official seal or facsimile thereof of the Authority attested by the facsimile signature of the Secretary of the Authority, and the coupons to be attached to the Bonds shall be executed by the facsimile signatures of such officers. In the event that any of the officers who shall have signed and sealed any of the Bonds or coupons shall cease to be officers of the Authority before the Bonds or coupons shall have been authenticated or delivered by the Trustee, or issued by the Authority, such Bonds or coupons may, nevertheless, be authenticated, delivered, and issued and upon such authentication, delivery and issue, shall be binding upon the Authority as though those officers

who signed and sealed the same had continued to be such officers of the Authority; and, also, any Bond or coupon may be signed and sealed on behalf of the Authority by such person who, at the actual date of execution of such Bond or coupon, shall be the proper officer of the Authority, although at the date of such Bond such person shall not have been such an officer of the Authority. Upon the execution and delivery of this Indenture, the Authority shall execute and deliver the Bonds to the Trustee for authentication.

Section 2.03 Authentication of Bonds. No Bond and no coupons thereto appertaining shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder unless the Trustee shall duly endorse and execute on such Bond a certificate of authentication substantially in the form of the Certificate of Trustee hereinbefore set forth. Such Certificate of Trustee upon any Bond executed on behalf of the Authority shall be conclusive evidence that the Bond so authenticated has been duly issued under this Indenture and that the holder thereof is entitled to the benefits of this Indenture.

Before authenticating any Bonds, the Trustee shall detach and cancel all matured coupons, if any, thereto appertaining. No Bonds shall be authenticated by the Trustee except in accordance with this Section, Section 2.08, Section 2.09 and Section 2.10.

The Trustee shall not be required to authenticate any Bond or Bonds except upon the written order of the Authority signed by the Chairman or Vice Chairman and by the Secretary of the Authority, accompanied by such directions as to delivery and such Certified Resolutions, certificates, instruments or Opinions of Counsel as the Trustee may reasonably require with respect to the validity of the Bonds to be issued and the right and authority of the Trustee to authenticate the Bonds.

Section 2.04 Negotiability and Transfer of Bonds. All Bonds shall be negotiable and transferable by delivery, unless registered as to principal in the manner hereinafter provided.

All transfers, registrations and discharges from registration of Bonds pursuant to this Section 2.04 or Section 2.05 shall be made under such reasonable regulations as the Trustee may prescribe and shall be without expense to the holder of the Bonds; except that any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Bondholder requesting such transfer, registration or discharge from registration as a condition precedent to the exercise of such privilege and except that the expense of reconversion of a bond registered as to principal and interest to a coupon bond shall be paid by the registered owner.

Section 2.05 Paying Agencies, Registration of Bonds. As long as any of the Bonds issued hereunder shall remain outstanding, the Authority shall maintain and keep at the office of the Trustee an office or agency for the payment of the principal of and interest

on the Bonds, as in this Indenture provided, and for the registration and transfer of the Bonds, and shall also keep at said office of the Trustee books for such registration and transfer. The Authority does hereby appoint the Trustee, and its successors in the trust from time to time, as its agent to maintain said office and agency at the office of the Trustee. The Authority hereby irrevocably designates each bank named in the Form of Bond in the recitals hereof as a place of payment and paying agent for payment of the principal of Bonds not registered and coupons and agrees to continue arrangements through the Trustee whereby funds will be available for the payment of Bonds and coupons presented at each such bank. Any Bond may be registered on said books as to principal or as to principal and interest upon presentation thereof at said office of the Trustee, and such registration shall be noted on such Bond. After such registration, no transfer of such Bond shall be valid unless made on said books at the request of the registered owner or his duly authorized agent in writing and similarly noted on such Bond, but such Bond may be discharged from registration by being in like manner registered to bearer and thereupon transferability by delivery shall be restored, and such Bond may again, and from time to time, be registered or be transferred to bearer as before. Registration of any Bond as to principal only shall not affect the negotiability of the coupons appertaining to such Bond, but every such coupon shall continue to pass by delivery merely and shall remain payable to bearer. At the request of the registered owner and surrender of the unmatured interest coupons appurtenant thereto, the Trustee shall register the Bond as to both principal and interest, and interest thereon shall thereafter be payable only to the registered owner until such Bond shall be reconverted into a coupon Bond at the request and expense of the registered owner and reattachment of unmatured coupons by the Trustee. Unless registered as to both principal and interest, payment to the bearer of a coupon representing such interest shall fully discharge the Authority and the Trustee in respect of the interest therein mentioned, whether or not the Bond therein mentioned be at the time registered as to principal.

Section 2.06 Ownership of Bonds. As to any registered Bond, the Authority and the Trustee and their respective successors, each in its discretion, may deem and treat the person in whose name the same for the time being shall be registered as the absolute owner thereof for all purposes (except for the purpose of receiving payment of the coupons appertaining to a Bond registered as to principal only), and neither the Authority nor the Trustee nor their respective successors shall be affected by any notice to the contrary. Payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered owner thereof, but such registration may be changed as above provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The Authority, the Trustee and any paying agent may deem and treat the bearer of any Bond which shall not at the time be registered as to principal, whether or not such Bond shall be overdue, and the bearer of any coupon, if the Bond

to which such coupon shall appertain shall not at the time be registered as to principal and interest, whether or not such coupon be overdue, as the absolute owner of such Bond or coupon for the purpose of receiving payment thereof and for all other purposes whatsoever, and the Authority, the Trustee and any paying agent shall not be affected by any notice to the contrary.

Section 2.07 Valid Obligations. All Bonds executed, authenticated and delivered as in this Indenture provided shall be the valid special obligations of the Authority and shall be entitled to all of the benefits of this Indenture.

Section 2.08 Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds. In case any outstanding Bond shall become mutilated or be destroyed, stolen or lost, the Trustee shall authenticate and deliver a new Bond (with appropriate coupons attached) of like tenor, number and amount as the Bond and appurtenant coupons, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender of such mutilated Bond and appurtenant coupons or in lieu of and substitution for the Bond and appurtenant coupons, destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Authority and the Trustee that such Bond and appurtenant coupons have been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Authority and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority and the Trustee may prescribe and paying such expenses as the Authority and Trustee may incur in connection therewith. In the event any such Bond or coupon shall have matured, instead of issuing a substitute Bond or coupon, the Authority may pay such Bond or coupon.

Section 2.09 Conditions for Authentication of Initial Bonds. The Trustee shall not authenticate and deliver the initial Bonds to be issued and delivered pursuant to the Indenture unless theretofore or simultaneously therewith there shall have been delivered to the Trustee the following:

(a) Copies of the Resolutions of the Authority, certified by the Secretary of the Authority, authorizing the issuance of the Bonds and the execution and delivery of the Indenture.

(b) Executed counterparts of the Agreement, Lease, Indenture and Guaranty.

(c) An order for authentication of the Bonds, signed by the Chairman or Vice Chairman and by the Secretary of the Authority, specifying the aggregate principal amount of the coupon Bonds and of each fully registered Bond to be issued, the maturity dates thereof, the serial numbers thereof, the name of the purchaser in whose name any such fully registered Bond shall be registered by the Trustee, the amount of the purchase price of such Bonds and the amount of such price representing accrued interest, if any.



(d) The written order of the Authority, signed by the Chairman or by the Vice Chairman and by the Secretary of the Authority, directing the delivery of the Bonds described therein to or upon the order of the purchaser upon payment of the purchase price set forth therein.

(e) Title insurance or an Opinion of Counsel satisfactory to the Trustee covering the Authority's title to and absence of encumbrances on the Project and site thereof (except Permitted Encumbrances) and the status of this Indenture as a mortgage lien of record, subject only to the Lease.

(f) The manually signed approving opinion of bond counsel for the Authority, concerning the validity and legality of all the Bonds proposed to be issued and exemption of interest thereon from federal income taxation under the Internal Revenue Code, which opinion shall cover generally all of the Bonds and shall be specific, final and unqualified as to the Bonds then being delivered. If the text of the approving opinion shall be printed on the Bonds, the manually signed opinion shall substantially conform to the opinion as printed.

(g) A certificate of an Authorized Institution Representative that the Institution has deposited in the Construction Account from its general funds, or has otherwise applied to, or has funds available for payment of Project costs such amounts as are needed to meet Project costs in excess of the available proceeds of the Bonds and of any Project grant funds to be provided by any other person.

(h) A certificate of an Authorized Authority Representative and an Authorized Institution Representative that all contracts required to complete the Project construction and acquisition and installation of fixed building service equipment for the Project have been duly awarded, have been duly executed, and are valid and binding and in full force and effect except to the extent already completed.

Section 2.10 Authorization of Additional Bonds. In addition to the Bonds above described, as provided in the Agreement, the Authority may (i) in its discretion issue Additional Bonds to provide funds to complete the Project and (ii) with the consent of the holders of at least sixty-five percent of the outstanding Bonds under Section 11.04 hereof, issue Additional Bonds to provide funds for improvements to or alterations, repairs or replacement of Project facilities, provided no such Additional Bonds shall be issued under this Indenture or shall be secured by the Trust Estate on a parity with the Bonds then outstanding unless the interest on the outstanding Bonds and the Additional Bonds shall be exempt from income taxation under Section 103 of the Internal Revenue Code and the Trustee shall

have been furnished an Opinion of Counsel who is recognized bond counsel to such effect. Any such Additional Bonds shall be authorized by resolution of the Authority and described in a Supplemental Indenture executed by the Authority and the Trustee and which, when so issued, authorized and described, shall be secured by this Indenture and the Trust Estate, including the Project and the pledge of Project Net Revenues, on a parity with the Bonds above described. The Trustee shall not authenticate any such Additional Bonds until there is delivered to the Trustee a Certified Resolution of the Authority authorizing the Additional Bonds, executed counterparts of an amendment to the Lease providing for the additional base rentals and related provisions to provide for the payment of the Additional Bonds and additional Project cost, an executed amendment to any title insurance policy increasing the amount thereof by the amount of the Additional Bonds, a Certificate of an Authorized Institution Representative as to letting and execution of all construction contracts and availability of funds, and further documents described in paragraphs (c), (d), (f), (g) and (h) of Section 2.09.

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### ARTICLE III

#### Redemption of Bonds

Section 3.01 Redemption of Bonds. The Bonds shall be subject to redemption, prior to maturity and at the option of the Authority as follows:

Bonds maturing on or before May 1, 1989 are noncallable, except to the extent and in the circumstances provided in Section 7.19 or 10.02 of the Lease or as provided in Section 6.15 hereof. Bonds maturing May 1, 1990 through May 1, 1997, inclusive, may be called at the option of the Authority prior to the stated maturities thereof, in whole or in part and in inverse chronological and numerical order, on any interest payment date on or after November 1, 1989 upon at least thirty days' prior notice, at the principal amount thereof, plus accrued interest to the date of redemption. All Bonds are subject to redemption at par and accrued interest on any interest payment date, as a whole but not in part, (i) in case of damage, destruction or taking of the Project to the extent provided in Section 6.15 hereof or (ii) in case of the Institution's exercise of its option to purchase pursuant to Section 10.02 of the Lease, or (iii) in case interest on the Bonds shall be determined to be includable in the gross income of the holders of the Bonds as provided in Section 7.19 of the Lease.

Notice of any such redemption shall be published in a financial journal at least once, or shall be mailed, not more than sixty days nor less than thirty days before the date fixed for such payment in the form provided by Section 3.02 and in the manner and to the extent required by Section 3.03. Prior to the date fixed for redemption, funds shall be deposited with the Trustee sufficient to pay the Bonds called and accrued interest thereon, plus any premium required. Upon the happening of the above conditions, any Bonds thus called shall not bear interest after the call date, and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Section 3.02 Written Notice to Trustee. Written notice of the election of the Authority to redeem or prepay Bonds pursuant to this Article III shall be delivered by the Authority to the Trustee, and a copy to each other bank specified in the Bonds as a place of payment, not less than thirty days prior to the date to be fixed for redemption or prepayment. Such notice shall be signed by the Chairman or Vice Chairman of the Authority and shall be accompanied by a Certified Resolution or request of the Institution under the Lease to call for redemption the Bonds referred to in such notice. Such notice shall state the amount of redemption price to be paid on redemption or prepayment of the Bonds to be redeemed or prepaid, and, if less than all of the outstanding Bonds are to be redeemed, shall identify by serial numbers or years of maturity the Bonds to be redeemed or prepaid.

Section 3.03 Publication of Notice. Notice of intention to redeem (including, when only a portion of the Bonds is to be redeemed, the numbers of such Bonds, or the maturities thereof) shall be given by or on behalf of the Authority by publication at least once not less than thirty nor more than sixty days before the redemption date in a financial journal printed in the English language in Minneapolis or St. Paul, Minnesota, or in the City of New York, New York. A similar notice shall also be mailed by or on behalf of the Authority, not less than thirty days nor more than sixty days before the redemption date by certified or registered mail, to the registered owners of any Bonds registered as to principal or as to principal and interest which are to be redeemed, at their last addresses appearing upon the registry books of the Authority kept at the office of the Trustee; but if notice of redemption be duly published such mailing shall not be a condition precedent to such redemption, and failure so to mail such notice shall not affect the validity of the proceedings for the redemption of such Bonds. In the event that all of the Bonds being redeemed shall be registered as to principal, or as to principal and interest, such notice of intention to redeem need not be published but shall be deemed to have been sufficiently given if mailed by certified or registered mail to each registered owner of the Bonds at the address of such registered owner as the same shall appear upon the bond register maintained by the Trustee. No notice of redemption need be given if the holders of all Bonds called for redemption waive notice thereof in writing and such waiver is filed with the Trustee.

Section 3.04 Deposit for Redemption. At the time of delivery of its written notice to the Trustee of its intention to redeem Bonds, as provided in Section 3.02, the Authority shall deposit with the Trustee in cash, or shall make arrangements satisfactory to the Trustee for the deposit on or prior to the redemption date, an aggregate amount which shall be sufficient to pay the redemption price on the Bonds to be redeemed, and interest thereon to the redemption date; and shall deposit, or make arrangements with the Trustee to deposit, with the Trustee a sum sufficient to pay the proper expenses and charges of the Trustee in connection with such redemption. Upon deposit by the Authority with the Trustee of the aggregate amount of such redemption price and interest, such moneys shall be set aside by the Trustee and held by it for the account of the respective holders or owners of the Bonds being redeemed.

Section 3.05 Payment of Redeemed Bonds. After notice of redemption shall have been given as provided in Section 3.03, the Bonds specified in such notice shall become due and payable on the redemption date. Payment of the redemption price and interest shall be made to the bearer of such Bonds, unless they shall then be registered in which case such payment shall be made to or upon order of the registered owner, upon the surrender of the Bonds together with any unmatured coupons appertaining thereto. Such payment shall not include any installment of interest maturing on or prior to the redemption date represented by a coupon, but such

interest installment shall continue to be payable to the bearer of such coupon in the usual manner and the notice of redemption herein provided for may so state. If redemption moneys are available for the payment of all of the Bonds called for redemption on the redemption date, the Bonds so called shall cease to draw interest after the redemption date, and any appurtenant coupons maturing subsequent thereto shall be void, and such Bonds shall not be deemed to be outstanding hereunder for any purpose, except that the holders thereof, on presentation, as herein provided, shall be entitled to receive payment of the redemption price and interest accrued thereon to the redemption date from the moneys set aside by the Trustee as aforesaid.

Section 3.06 Cancellation of Redeemed Bonds. All Bonds so redeemed, together with all coupons, if any, appertaining thereto, shall forthwith be cancelled and destroyed by the Trustee and a certificate of destruction furnished to the Authority; and no further Bonds shall be executed or authenticated or issued hereunder in exchange or substitution therefor.

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## ARTICLE IV

### Bond Proceeds and Construction Account

Section 4.01 Establishment of Construction Account. The Authority shall establish or cause to be established an account with the Trustee and shall deposit with the Trustee to the credit of such account (herein called the "Construction Account") the proceeds of the Bonds, exclusive of accrued interest and amounts required by the Resolution to be deposited in the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account, the Repair and Replacement Reserve Account or the General Bond Reserve Account. In addition to such proceeds of the Bonds, by the Agreement and Lease, the Institution has covenanted that it will deposit in said Construction Account the additional funds, if any, which, together with such moneys, will be sufficient to finance the total development costs of the Project. This provision shall not be deemed to obligate the Authority to deposit any moneys in said Construction Account or apply moneys to Project costs except proceeds of the Bonds or funds made available therefor by the Institution.

The moneys in the Construction Account shall be held in trust by the Trustee and applied to the payment of the costs of the Project in accordance with and subject to the provisions of this Article, and pending such application shall be subject to a lien and charge in favor of the holders of the Bonds issued and outstanding under this Indenture and shall be held for the further security of such holders until paid out as herein provided.

Section 4.02 Project Costs Defined. For the purposes of this Article, the cost of the Project shall include, without intending thereby to limit or restrict any proper definition of such cost under any applicable laws or sound accounting practice, the following:

(a) Obligations incurred for labor and to contractors, builders and materialmen in connection with the construction of the Project, including all necessary construction, acquisition, demolition, alteration, enlargement, reconstruction, and remodeling and obligations for machinery, materials and equipment therefor;

(b) Payments made by the Institution to acquire land and interests in land, and to remove encumbrances and restrictions on land in connection with and specifically for the site of the Project, and site improvements required for the construction or operation of the Project;

(c) Interest accruing upon the Bonds during the construction of the Project and interest accruing upon interim financing incident to the construction of the Project before the Bonds were delivered to the purchaser or purchasers;

(d) The cost or allocable share of cost of any indemnity and surety bonds during construction, taxes or other municipal or governmental charges levied or assessed during construction upon the Project or any property acquired therefor, and the premiums for insurance, if any, in connection with the Project during construction;

(e) Costs of acquisition and installation of Leased Equipment;

(f) Fees and expenses of engineers and architects for surveys and estimates and other preliminary investigations, preparation of plans, drawings and specifications, and supervising construction, as well as for the performance of all other duties of engineers and architects in relation to the construction and financing of the Project;

(g) Expenses of administration, supervision and inspection properly chargeable to the Project, administrative fees of the Authority, legal expenses and fees, fiscal consultants charges, cost of audits and of preparing, offering and issuing the Bonds, abstracts of title, title reports or opinions, deed taxes, mortgage registry taxes, recording fees, title insurance premiums and initial fees of the Trustee, incident to the construction and financing of the Project; and

(h) Any other obligation or expense heretofore or hereafter incurred by the Authority or the Institution in connection with the construction of the Project defined as and constituting a proper Project cost under the Act and approved by the Authorized Authority Representative and, if the Lease is in effect, the Authorized Institution Representative.

Section 4.03 Payments from Construction Account. Each of the payments referred to in paragraphs (b), (c), (d), (f), (g) and (h) of Section 4.02 shall be made, if the Lease is in effect, only upon the written order of the Authorized Institution Representative; provided that interest accruing on the Bonds during construction may be paid from the Construction Account without the order of the Authorized Institution Representative.

Before any of the payments referred to in paragraph (a), (b) and (e) of Section 4.02 may be made, the Project Supervisor shall certify with respect to each such payment: (i) that none of the items for which the payment is proposed to be made has formed the basis for any payment theretofore made from the Construction Account, and (ii) that each item for which the payment is proposed to be made is or was necessary in connection with the Project. In the case of any contract providing for the retention of a portion of the contract price, there shall be paid from the Construction Account only the net amount remaining after deduction of any such portion. All payments made from the Construction Account shall be presumed by the Trustee to be made for the purposes certified in said statement, and the Trustee shall not be required to see to the application of any payments made from the Construction Account or to inquire into the purposes for which withdrawals are being made from the Construction Account.

Moneys in the Construction Account with the Trustee shall be subject to withdrawal from time to time for the purpose of paying amounts due to contractors or others for the costs of the Project, as defined in Section 4.02 hereof, or the reimbursement to the Authority or Institution for payments theretofore made by the Authority or Institution for such costs of the Project. The Authority covenants and agrees that it will not use any of the funds in the Construction Account for any other purposes than the payment or reimbursement of the costs of the Project.

Section 4.04 Obligation of the Parties to Cooperate in Furnishing Documents to Trustee. The Authority and the Institution have agreed to cooperate in furnishing to the Trustee the documents referred to in Section 4.03 hereof that are required to effect payments out of the Construction Account, and to cause such orders to be directed by the Authorized Authority Representative and the Authorized Institution Representative to the Trustee as may be necessary to effect payments out of the Construction Account in accordance with Section 4.03 hereof. Such obligation is subject to any provision of the Lease or this Indenture requiring additional documentation with respect to payments and shall not extend beyond the moneys in the Construction Account available for payment under the terms of this Indenture.

Section 4.05 Institution Required to Pay Project Costs in Event Construction Account Insufficient. In the event the moneys in the Construction Account available for payment of the costs of the Project should not be sufficient to pay the same in full, the Institution has agreed, for the benefit of the Authority, to complete the Project and to deposit into the Construction Account such amounts as are necessary and sufficient for payment of the balance of the Project. The Authority does not make any warranty, either express or implied, that the moneys, which will be paid into the Construction Account and which under the provisions of the Lease will be available



for payment of the costs of the Project, will be sufficient to pay all the costs which will be incurred in that connection or that Additional Bonds can or will be issued and sold to provide financing for such excess costs.

Section 4.06 Application of Balance in Construction Account.

When the Project shall have been completed and equipped and opened for use and occupancy and the Leased Equipment has been installed in the Project, as evidenced by a certificate signed by the Project Supervisor pursuant to Section 3.05 of the Lease, accompanied by an Opinion of Counsel that there are no unpaid claims of mechanics, laborers, contractors or materialmen which might be or become a charge or lien upon the Project, or upon or payable from the revenues or income of the Project, any balance in the Construction Account (after reserving such amount as the Authorized Authority Representative and, if the Lease is in effect, the Authorized Institution Representative shall deem necessary for the payment of any remaining amounts due or to become due for the cost of the Project, and after returning to the Institution any contingent funds which it may have deposited into the Construction Account as additional funds to finance the total Project cost and found to be unnecessary for such purpose) shall be deposited in the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account, the Repair and Replacement Reserve Account, or, to the extent not required to establish the necessary reserves in such Accounts, then in the Redemption Account. Any certificate given pursuant to this Section may state that it is given without prejudice to any rights against third parties which may exist or subsequently arise.

Section 4.07 Project Supervisor. The Authorized Institution Representative shall have the right to designate by a certificate to the Trustee and the Authority a Project Supervisor and Alternate Project Supervisor for the purpose of taking all actions and making all certificates required to be made by the Project Supervisor under the Agreement, the Lease or this Indenture. In the event such persons should become unavailable or unable to take any such action or make any such certificate, the Authority shall have the authority to designate another Project Supervisor and Alternate Project Supervisor by certificate to the Trustee and Institution signed by an Authorized Authority Representative. If the Authority fails to make such appointment within 10 days after the Trustee gives notice of need for such appointment, the Trustee may then appoint as a successor or alternate any architect or engineer licensed under the laws of Minnesota to serve as such until appointment by the Institution or Authority.

Section 4.08 Investment of Construction Account Moneys Permitted. The moneys on deposit in the Construction Account shall at the written request of the Authorized Institution Representative be invested or reinvested by the Trustee in: (i) Any bonds or other

obligations which as to principal and interest constitute direct obligations of the United States of America, and (ii) certificates of deposit or time deposit obligations of banks or trust companies, including the Trustee or any affiliate of the Trustee, secured by direct obligations of the United States of America, and (iii) securities issued by the agencies of the United States described in Section 5.07 hereof, any of which shall (A) be payable in such amounts and at such times not later than the time or times when such moneys will be needed to pay Project costs and (B) mature or may be redeemed at not less than the purchase price no later than 18 months from the date of investment. The type, amount and maturity of such investments shall be as specified by the Authorized Institution Representative. The deposit of any moneys in the Construction Account may be evidenced by certificates of deposit of the Trustee or any affiliate of the Trustee, as specified by the Authorized Institution Representative. Any such investment made by the Trustee may be purchased from the Trustee or any affiliate of the Trustee. The Institution covenants that that portion of the Construction Account representing proceeds of said Project Bonds shall be directed to be invested and deposited only for a temporary period pending the need for expenditure to pay Project costs, and it further covenants that said portion representing said proceeds shall not be directed to be invested or used in such manner that any of the Bonds would be "arbitrage bonds" for purposes of Section 103(d) of the Internal Revenue Code of 1954.

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## ARTICLE V

### Disposition of Pledged Revenues

Section 5.01 Revenue Fund Account. The Authority will establish, and will maintain with the Trustee, so long as any of the Bonds shall be outstanding, an account to be designated "Series R (The College of Saint Catherine) Revenue Fund Account" (herein called the "Revenue Fund Account") separate and apart from all other funds and accounts of the Authority and Institution. There shall be deposited to the credit of the Revenue Fund Account promptly when received all cash and cash items received as (or as proceeds of accounts, contract rights, general intangibles or instruments which are, give rise to, or evidence) rentals (including Base Rent but not Additional Rent under the Lease), charges, and other income and revenue arising from the operation or ownership of the Project (herein called "Revenues and Income"). In the event that any check or other cash item represents payment for charges in addition to Project Revenues and Income, such check or other item may be deposited in a general checking or clearing account of the Authority provided that the portion thereof representing such Revenues and Income is forthwith deposited into the Revenue Fund Account, and unless the payor otherwise designates, if any such check or other item is received as partial payment, not less than a pro rata share thereof shall be deemed the portion representing such Revenues and Income. All such Revenues and Income shall be held as trust funds in the Revenue Fund Account and shall be expended and used by the Authority and the Trustee only for the purposes and in the manner and order hereinafter provided:

- First: To the Bond and Interest Sinking Fund Account for payment of principal of and interest on the Bonds; and
- Second: To the Operation and Maintenance Account for payment of Current Expenses of the Project to the extent permitted by Section 5.03 hereof; and
- Third: To the Debt Service Reserve Account to the extent required by Section 5.04 hereof; and
- Fourth: To the Repair and Replacement Reserve Account to the extent required by Section 5.05 hereof; and
- Fifth: To the Redemption Account for the uses stated in Section 5.06 hereof.

Section 5.02 Bond and Interest Sinking Fund Account. The Authority covenants that it will establish and maintain, so long as any of the Bonds are outstanding, with the Trustee a separate account to be designated "Series R (The College of Saint Catherine) Bond

and Interest Sinking Fund Account" (herein called the "Bond and Interest Sinking Fund Account") into which the Authority and Trustee shall make the following deposits:

(a) All accrued interest received from the sale of the Bonds shall be deposited promptly when received, which sum shall be credited against the amount to be deposited into the Bond and Interest Sinking Fund Account on or before the next interest payment date.

(b) Such additional proceeds of the Bonds, if any, as is provided in the Resolution for a capitalized interest reserve shall be deposited promptly when received.

(c) After the Bonds have been delivered and at least five business days before each semiannual interest payment date, April 25 and October 26 as the case may be, before May 1 and November 1 of each year, the Authority and Trustee shall deposit in the Bond and Interest Sinking Fund Account so much of Revenues and Income from the Revenue Fund Account as may be necessary and sufficient to meet the interest on the outstanding Bonds due on the next interest payment date and one-half of the principal due on the Bonds within the succeeding twelve months, provided that the amount to be deposited on or before May 1, 1977 shall equal the principal of and interest on the Bonds due and payable on such date (after crediting the accrued interest on deposit pursuant to paragraph (a)).

Such transfers and payments shall be made at least semiannually before each semiannual interest payment date, but the Authority and Trustee may make, and by the Lease the College has covenanted to make in the name of the Authority, the necessary payments from time to time prior to the end of the then current semiannual accounting period ending on May 1 and November 1. The moneys and investments in the Bond and Interest Sinking Fund Account are irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only, subject to the provisions of Section 6.15 hereof.

Section 5.03 Operation and Maintenance Account. The Authority covenants that it will establish and maintain, so long as any of the Bonds are outstanding, an account to be designated "Series R (The College of Saint Catherine) Operation and Maintenance Account" (herein called the "Operation and Maintenance Account") with the Trustee separate and apart from all other funds and accounts of the Authority and Institution. So long as the Institution shall pay the Base Rent and perform all other covenants imposed on it by the Lease, no moneys and investments in the Revenue Fund Account shall be deposited in the Operation and Maintenance Account. If the Institution shall default in any of its obligations under the Lease and if, as a result thereof, the Authority or the Trustee

shall take possession of the Project, the Authority and Trustee shall deposit monthly into the Operation and Maintenance Account from Revenues and Income of the Project in the Revenue Fund Account not required to be deposited in the Bond and Interest Sinking Fund Account, such a sum as is necessary and sufficient (with funds previously so deposited) to pay the Current Expenses of operation and maintenance of the Project for the then current month and the next succeeding month. If the Institution shall be in default under the Lease but shall nevertheless remain in possession of the Project, the Authority shall have the right but shall not be required to deposit and direct the Trustee to deposit moneys into the Operation and Maintenance Account from the Revenue Fund Account not required to be deposited in the Bond and Interest Sinking Fund Account in an amount estimated to be sufficient to pay Current Expenses of operation and maintenance of the Project for the current month and next succeeding month. "Current Expenses" of operation and maintenance shall mean and include those and only those necessary current operating expenses, maintenance charges, expenses of reasonable upkeep and repair, the cost of insurance premiums allocable to the Project, and all other increases of cash expenditures of the Authority incident to and necessarily incurred by reason of the operation of the Project, but shall not include depreciation or general administrative expenses of the Authority or Institution; the term "general administrative expenses" as used herein includes the expenses of central utilities owned by the Institution and public utility services furnished to the Institution and not separately metered, and janitorial, supervisory and other personnel services and materials employed or obtained and budgeted by the Institution for its general operation and maintenance and not specifically for the Project. Moneys in the Operation and Maintenance Account shall not be used to pay Current Expenses incurred by the Institution so long as the Institution remains in possession of the Project.

Section 5.04 Debt Service Reserve Account. The Authority covenants that it will establish and maintain with the Trustee, so long as any of the Bonds are outstanding, an account to be designated "Series R (The College of Saint Catherine) Debt Service Reserve Account" (herein called the "Debt Service Reserve Account"), into which the Authority and Trustee shall make the following deposits:

- (a) Such amount of the proceeds of the Bonds, if any, as shall be provided in the Resolution shall be deposited promptly when received.
- (b) After the Bonds have been delivered, the Authority and Trustee shall deposit into the Debt Service Reserve Account on or prior to April 25 and October 26 each year all Revenues and Income in the Revenue Fund Account not deposited or required to be deposited in the Bond and Interest Sinking Fund Account and the Operation and Maintenance Account until the funds and investments on deposit in the Debt Service Reserve Account are at least Sixty Thousand Dollars (\$60,000).

The funds and investments in the Debt Service Reserve Account are irrevocably pledged to and shall be used by the Trustee, from time to time, as may be required, for the payment of principal

of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only, subject to the provisions of Section 6.15 hereof.

Section 5.05 Repair and Replacement Reserve Account. The Authority covenants that it will establish and maintain, so long as any of the Bonds are outstanding, with the Trustee a separate account to be designated "Series R (The College of Saint Catherine) Repair and Replacement Reserve Account" (herein called the "Repair and Replacement Reserve Account") into which the Authority and the Trustee shall make the following deposits: (a) Such amount of the proceeds of the Bonds, if any, as shall be provided in the Resolution shall be deposited promptly when received. (b) On May 1 of each year, commencing May 1, 1977, the Authority and the Trustee shall transfer from Excess Revenues and Income in the Revenue Fund Account such sums, if any, as shall be necessary and sufficient to establish and maintain funds and investments in the Repair and Replacement Reserve Account of at least Thirty Thousand Dollars (\$30,000).

For the purposes hereof, "Excess Revenues and Income" shall mean the balance of Revenues and Income in the Revenue Fund Account in excess of payments required to be made in the then current twelve months ending May 1 to the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account and the Operation and Maintenance Account. Such transfers and payments shall be made at least annually at or before May 1 of each year, but the Authority and the Trustee may, and to the extent required by law shall, make such transfers and payments from time to time prior to May 1 out of the estimated Excess Revenues and Income for such year (after reasonable reserves for the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account and the Operation and Maintenance Account), subject to adjustment at the end of the year. The Authority and the College may use and draw upon funds and investments in the Repair and Replacement Reserve Account for the purpose of paying the cost of unusual or extraordinary maintenance or repairs, renewals and replacements, and renovation or replacement of furniture and equipment of the Project not paid or to be paid for as a part of the ordinary and normal expense of Project operation and may use and draw upon such funds for the purpose and in the manner provided in Section 6.15 hereof; provided, however, if and to the extent that the moneys and investments in the Bond and Interest Sinking Fund Account and Debt Service Reserve Account shall be insufficient to meet debt service on the Bonds and to maintain a debt service reserve of Sixty Thousand Dollars (\$60,000) as provided in Sections 5.02 and 5.04, or if the Authority shall have made advances to pay the Bonds from the General Bond Reserve Account, funds and investments in the Repair and Replacement Reserve Account shall be transferred to the Bond and Interest Sinking Fund Account, the General Bond Reserve Account and the Debt Service Reserve Account to the extent required to eliminate the deficiency in those Accounts.

Section 5.06 Redemption Account. Subject to making of the foregoing maximum deposits and payments, Revenues and Income of the Project and balances in the Revenue Fund Account not required

to be deposited in the Bond and Interest Sinking Fund Account, the Operation and Maintenance Account, the Debt Service Reserve Account or the Repair and Replacement Reserve Account shall be deposited in an account which the Authority shall maintain with the Trustee, to be designated "Series R (The College of Saint Catherine) Redemption Account" (herein called the "Redemption Account"), from the Revenue Fund Account at or before the close of each Fiscal Year. In addition to such Revenues and Income, all other funds received by the Authority or the Trustee pursuant to the provisions of the Lease or as owner or mortgagee of the Project or any part thereof shall be deposited in the Redemption Account, including without limitation proceeds from the sale of the Project to the Institution, proceeds from the sale of Leased Equipment, excess proceeds of insurance on the Project or Leased Equipment, and excess proceeds of any taking or condemnation under the power of eminent domain. Moneys and investments in the Redemption Account shall be used by the Authority and the Trustee for the purposes and in the manner and order hereinafter provided:

- First: To create and maintain the required balance in the Bond and Interest Sinking Fund Account;
- Second: To create and maintain the required reserve in the Debt Service Reserve Account;
- Third: To create and maintain the required reserve in the Repair and Replacement Reserve Account;
- Fourth: To redeem or prepay outstanding Bonds on the next interest payment date, in inverse numerical or chronological order, or purchase of outstanding Bonds at purchase prices not exceeding the redemption price applicable on the next interest payment date on which the Bonds are redeemable.

Section 5.07 Investment of Funds. Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account, the Repair and Replacement Reserve Account, or the Redemption Account shall, upon request of the Authorized Institution Representative or, if the Lease is not in effect, of the Authority, be invested by the Trustee in (i) direct obligations of or obligations fully guaranteed by the United States of America, or (ii) time deposits of or certificates of deposit issued by a bank or trust company (including the Trustee or any affiliate of the Trustee) having a combined capital and surplus of at least \$10,000,000 or (iii) securities issued by the following agencies of the United States: Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks, Banks for Cooperatives and Federal National Mortgage Association. Obligations so purchased shall be deemed at all times to be a part of the respective Account, but may from time to time be sold or otherwise converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to such Account. Any interest and income accruing on and any profit

realized from such investment shall be credited against Base Rent and the amounts to be deposited by the Institution under the Lease therefor, if the Lease is in effect, otherwise to the Revenue Fund Account to be used as provided in Section 5.01. Any such interest or other investment income or profit not credited to Base Rent and deposits therefor under the Lease shall be used as promptly as possible and in integral multiples of \$5,000 for the redemption of the Bonds on the next redemption date or for the purchase of Bonds at prices not exceeding the next applicable redemption price as provided in Section 5.06; it being intended that interest, income and profit shall not be permitted to accumulate but shall be used to provide debt service on the Bonds or for the prior redemption or retirement of the Bonds. The investment of such funds shall be valued according to the current market value as of June 30 of the then current year, or December 31 of the immediately preceding calendar year, or the date of issuance of such securities, whichever is latest. Any such investment made by the Trustee may be purchased from the Trustee or any affiliate of the Trustee. The Trustee shall redeem or sell, at the best price obtainable, any obligations so purchased, whenever it shall be necessary to do so in order to provide moneys to meet any payment from the respective Account. Neither the Trustee nor the Authority shall be liable for any loss resulting from any such investment, nor from failure to preserve rights against endorsers or other prior parties to instruments evidencing any such investment. Investment of funds pursuant to this Section shall be limited as to amount and yield of investment in such manner that no part of the outstanding Bonds shall be deemed "arbitrage bonds" under Section 103(d) of the Internal Revenue Code of 1954 and regulations thereunder.

Section 5.08 General Bond Reserve Account. The Authority covenants with the Trustee and with the holders of the Bonds and coupons, if any, that it will maintain the General Bond Reserve Account and apply the moneys and investments therein in accordance with the Resolution. The Authority pledges, and grants a security interest to the Trustee and the holders of the Bonds and coupons in, the moneys and investments in the General Bond Reserve Account in accordance with and subject to the provisions of the Resolution. Neither the Trustee nor the holders of the Bonds or coupons shall have any right to possession of the funds or investments of the General Bond Reserve Account or to direct the investment or reinvestment thereof or to sell or foreclose on the security interest and pledge hereby granted except to enforce application of the moneys and investments in the General Bond Reserve Account ratably to the Bonds and coupons and other obligations and interest thereon, if any, secured or which may hereafter be secured by the General Bond Reserve Account in accordance with the Resolution. Without limiting the foregoing or the terms of the Resolution, all moneys and investments in the Revenue Fund Account, the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account, the Repair and Replacement Reserve Account, and the Redemption Account shall be applied to the payment of the Bonds and interest thereon before any



funds or investments in the General Bond Reserve Account shall be required or used to pay principal of or interest on the Bonds, and the determination of the Authority of all questions relating to the availability and application of funds and investments of the General Bond Reserve Account shall be binding on the Trustee and the holders of the Bonds and coupons, if any. All payments by the Authority to the Trustee from the General Bond Reserve Account shall be promptly applied by the Trustee to the payment of principal of and interest due on the Bonds, and to the extent not so applied shall be returned to the Authority. All collections of Base Rent and other moneys received from the Institution (except Additional Rent paid to the Trustee under Section 4.03(b) of the Lease) after any payment by the Authority to the Trustee from the General Bond Reserve Account shall be applied, first, to create or restore the required balance in the Bond and Interest Sinking Fund Account (including the payment of any principal of or interest on the Bonds then due or to become due) and, second, to reimburse the Authority and the General Bond Reserve Account for the payment so made and, third, to restore the required reserve in the Debt Service Reserve Account and, fourth, to restore the required reserve in the Repair and Replacement Reserve Account.

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## ARTICLE VI

### Particular Covenants of the Authority

The Authority covenants and agrees that:

Section 6.01 Payment of Bonds. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture and the Resolution and in each and every Bond executed, authenticated and delivered hereunder; will pay from the Revenues and Income of the Project the principal of and interest on every Bond issued hereunder on the dates, at the places and in the manner prescribed in the Bonds in any coin or currency which, on the respective dates of payment of such principal and interest, is legal tender for the payment of public and private debts; and will cause such Revenues and Income to be deposited with the Trustee prior to the due date of each installment of principal and interest and prior to the maturity of any Bond or coupon in amounts sufficient to pay such installment, Bond or coupon to the end that the Trustee may cause to be placed in any other bank of payment specified herein and in the Bonds, on time, money required for payment of principal or interest or both; provided, however, that the principal of and interest on any Bond is not and shall not be deemed to represent a debt or pledge the faith or credit of the State of Minnesota or grant to the holder of any Bond or coupon any right to have the State of Minnesota levy any taxes or appropriate any funds to the payment of principal of or interest on the Bonds, such payment to be made solely and only out of the Revenues and Income to be produced and received from the operation of the Project and the reserve accounts pledged to payment of the Bonds.

Section 6.02 Extensions of Payments of Bonds and Coupons. It shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds, or the time of payment of any of the coupons or claims for interest by the purchase or refunding of such Bonds, coupons or claims for interest or by any other arrangement; and in case the maturity of any of the Bonds, or the time for payment of any such coupons or claims for interest shall be extended, such Bonds, coupons or claims for interest shall not be entitled in case of any default hereunder to the benefit of the Indenture or to any payment out of any assets of the Authority or the funds (except funds held in trust by the Trustee for the payment of particular Bonds, coupons or claims for interest pursuant to this Indenture) held by the Trustee except subject to the prior payment of the principal of all Bonds issued and outstanding hereunder, the maturity of which Bonds or principal installments has not been extended, and of such portion of the accrued interest on the Bonds as shall not be represented by such extended coupons or claims for interest. Nothing in this section shall, however, be deemed to limit the right of the Authority to fund or refund at one time all of such Bonds, coupons and claims for interest.

Section 6.03 Authority of the Authority. It is duly authorized under the Constitution and Laws of the State of Minnesota to acquire and provide funds to finance the Project, to create and issue the Bonds, to execute this Indenture and assign and pledge to the Trustee the Trust Estate, including the Net Revenues of the Project, and to make the covenants as herein provided. All necessary action and proceedings on its part to be taken for the creation and issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken and the Bonds in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the Authority in accordance with their terms.

Section 6.04 Title and Possession. It is lawfully possessed of the Project and the site thereof and has the full management and control of the Project and the site thereof, subject only to the provisions of the Act, the Agreement and the Lease. Title to the Project and the site thereof described in Granting Clause I of this Indenture is vested in the Authority in fee simple, free from all liens, defects and encumbrances except for the Agreement and Permitted Encumbrances. There is no pledge of or lien or charge upon any revenues or income of the Project other than the pledge and lien granted or assigned to the Trustee by this Indenture.

Section 6.05 Payment of Lawful Charges. It will, from time to time and before the same become delinquent, pay or cause the Institution to pay and discharge all taxes, assessments, governmental charges and claims for rent, royalties, labor, materials or supplies which if unpaid might by law become a lien or charge upon the Project, the site thereof, or the revenues and income therefrom superior to, or which might interfere with, the pledge of and lien on the Trust Estate, including the Net Revenues of the Project, and covenants and security granted hereby; provided, however, that no such tax, assessment, charge or claim shall be required to be paid if the Authority shall not have funds legally available therefor or so long as the Authority or Institution shall in good faith contest the validity thereof and provide security satisfactory to the Trustee against enforcement and for payment thereof.

Section 6.06 To Operate and Furnish the Project. It will maintain and operate the Project at the Institution upon the tract of land described in Granting Clause I hereof and will provide or cause the Institution to provide, from funds in addition to the proceeds from the sale of the Bonds and from sources which will not jeopardize the security of the Bonds, for furnishings and equipment necessary to the full enjoyment and use and occupancy of the Project.

Section 6.07 To Maintain the Project. It will not do or suffer to be done any act or thing whereby the Project might or could be encumbered or the usefulness thereof impaired, and will at all times cause the Project and the furnishings, equipment, and site thereof to be maintained, preserved and kept in good condition, repair and working order and from time to time cause to be made, from funds legally available therefor, all necessary renewals, repairs, replacements and alterations.

Section 6.08 Concerning the Lease and Project Facilities. It will not modify or amend or consent to modification or amendment of the provisions of the Lease without the consent and approval of the Trustee which may, in its discretion, grant such approval without the consent of the holders of the outstanding Bonds and shall grant such approval upon the consent or direction in writing of the holders of sixty-five per centum (65%) in aggregate principal amount of the outstanding Bonds except as to matters which the Trustee shall determine will adversely affect its own rights and interests. The Authority shall take such action or cause and permit the Trustee to take such action as may be necessary or advisable to enforce the covenants, terms and conditions of the Lease, including the exercise of any right of reentry of the Project or termination of the Institution's rights as tenant under the Lease if such action shall, in its discretion, be deemed to be in the best interests of the Authority or the Bondholders. The Authority shall do or cause to be done all things on its part as Lessor under the Lease so that the obligations of the Institution thereunder shall not be impaired or excused. If the Lease shall terminate, the Authority shall use its best efforts to operate the Project or again to lease the Project to some nonprofit institution of higher education for the purposes and in accordance with the requirements of the Act.

Section 6.09 Not to Sell, Encumber or Pledge. Except for the Lease or pursuant to the provisions of the Agreement and Lease, or pursuant to the provisions of Section 6.08 hereof, it will not sell or encumber the Project or the site thereof, or permit the same to be sold or encumbered except for Permitted Encumbrances; will not pledge or assign the Revenues and Income of the Project or any part thereof, or permit the assignment or pledge thereof, if the pledge or assignment might be or become a charge or lien on the Revenues and Income of the Project prior or equal to the pledge and lien herein provided for the security of the Bonds (except as provided in Section 2.10 hereof) or if such pledge or assignment might interfere with the pledge and lien herein provided. Whenever the Authority deems it necessary to dispose of any of the Leased Equipment, it may sell or otherwise dispose of such Leased Equipment when it or the Institution has made arrangements to replace the same or otherwise as provided in the Lease.

Section 6.10 To Observe Regulations. It will well and truly keep, observe and perform all obligations and regulations lawfully imposed upon it by law, contract or otherwise as a condition of continued enjoyment of its rights, privileges and franchises, or title to the Project.

Section 6.11 To Establish Rental Rates and Regulations. It will establish and maintain, so long as any of the Bonds are outstanding, such regulations, rental rates and charges for the use of the Project facilities as may be necessary:

(1) To assure maximum occupancy and use of the Project; and

(2) To provide for (a) debt service on the Bonds, (b) Current Expenses of the Project, (c) the required reserve for Current Expenses, (d) the Debt Service Reserve and (e) the Repair and Replacement Reserve; and

(3) To assure that the Institution shall be nonsectarian and shall not use the Project for sectarian purposes and shall not teach the distinctive doctrines, creeds or tenets of any particular sect; and

(4) To assure that the Institution shall not discriminate on the grounds of race or religion in the admission of students or the use of the Project and shall comply with the Minnesota State Act Against Discrimination, including Section 363.03, Subd. 5 thereof, and other applicable law.

By approving the Agreement, the Authority has approved the initial rental rates and charges for the Project, and has estimated that Revenues and Income of the Project (including for this purpose the obligations of the Institution as lessee under the Lease) will be sufficient to pay all Current Expenses of the Project and provide for debt service on the Bonds and all required reserves, but the covenants herein provided shall be continuing and the Authority by modification of the Lease or otherwise shall increase the rental rates and charges of the Project from time to time as necessary to provide for debt service on the Bonds, all required reserves and Current Expenses of the Project.

Section 6.12 Insurance on Completed Project. The Authority will procure and maintain insurance coverage as follows:

(a) Fire and Extended Coverage. The Authority shall, if such insurance is not already in force, procure and maintain, or cause to be procured and maintained Fire and Extended Coverage Insurance on the Project. The foregoing Fire and Extended Coverage Insurance shall be maintained so long as any of the Bonds are outstanding and shall be in amounts sufficient to provide for not less than full recovery

whenever a loss from perils insured against does not exceed eighty per centum (80%) of the full insurable value of the damaged building. Each such insurance policy on the Project shall be acceptable to the Trustee as its interest may appear and shall be deposited with the Trustee. Alternatively, so long as the Lease is in effect, the Trustee may accept a blanket policy and a certificate of insurance as provided in the Lease.

(b) Boiler Insurance. The Authority shall, if such insurance is not already in force, procure and maintain, so long as any of the Bonds are outstanding, Boiler Insurance covering any boilers servicing the Project, in a minimum amount of \$50,000.

Section 6.13 [This Section intentionally omitted.]

Section 6.14 Concerning the Insurance Policies. In case of any default by the Authority or Institution in fulfilling the covenants with respect to maintaining any of the insurance policies required under Section 6.12 hereof or the Lease, the Trustee may, at its option, effect such insurance in the name of the Authority or Institution or in the name of the Trustee, and all money paid by the Authority, upon demand, with interest at the rate of eight per centum (8%) per annum and, if not so repaid, shall be secured by the lien of this Indenture in priority to the indebtedness evidenced by the Bonds issued hereunder.

Upon the happening of any loss or damage covered by any such policies from one or more of the causes to which reference is made in (a) of said Section 6.12 (except in the case of a loss resulting from damage to or destruction of property which amounts to less than \$100,000), the Authority shall make due proof of loss containing a power of attorney in favor of the Trustee to endorse all drafts drawn for the payment thereof to the order of the Trustee, and to sign receipts therefor, and shall do all things necessary or desirable to cause the insuring companies to make payments in full directly to the Trustee.

Section 6.15 Repairs and Reconstruction. In the event of any loss or damage to or destruction of the Project, or of any taking of less than all or substantially all the Project under the power of eminent domain, the Authority will promptly cause to be repaired, reconstructed or restored the damaged or destroyed portion thereof, and will apply net proceeds of the fire and extended coverage insurance policies covering such loss or of any condemnation award, as well as funds and investments in the Repair and Replacement Reserve Account, solely for that purpose. If net proceeds received by the Trustee by reason of any particular loss under the fire and extended coverage insurance policies or of any condemnation award shall not exceed \$100,000, such proceeds shall be paid over by the Trustee to or upon the order of the Authority upon its written request and shall

be applied, to the extent required, solely for the purpose of repairing, rebuilding or restoring the damaged or destroyed property. If the net proceeds received shall exceed \$100,000, such proceeds shall be deposited with the Trustee and shall be paid out, along with moneys and investments in the Repair and Replacement Reserve Account, from time to time, to or upon the order of the Authority, but only upon receipt by the Trustee of (1) a written requisition of an Authorized Authority Representative and Authorized Institution Representative, specifying the expenditures made or indebtedness incurred in repairing or reconstructing the damaged or destroyed property, and that the proceeds of insurance or condemnation, together with the Repair and Replacement Reserve Account and any other moneys legally available for such purpose, will be sufficient to complete such repairing or reconstructing; and (2) if the holder or holders of not less than fifty-one per centum (51%) of the outstanding Bonds shall request, the written approval of said requisition by an engineer or architect named in said request.

In the event the net proceeds of insurance or condemnation, together with the Repair and Replacement Reserve Account and all other moneys legally available for such purpose, are insufficient to complete the repair, reconstruction or restoration of the damaged or destroyed property, said proceeds shall be deposited with and held by the Trustee as security for the Bonds and for the ratable benefit of the holders thereof; provided, however, that if an Authorized Authority Representative and Authorized Institution Representative shall request and the holders of not less than fifty-one per centum (51%) of the then outstanding Bonds shall so agree in writing, the Trustee shall permit to be applied to such repair, reconstruction or restoration (in the manner hereinabove specified) all securities or moneys in the Bond and Interest Sinking Fund Account, Debt Service Reserve Account, and Redemption Account held by it hereunder.

Any amounts held by the Trustee or by the Authority and remaining at the completion of, and payment for, such repair, reconstruction or restoration shall be deposited in the Bond and Interest Sinking Fund Account, Debt Service Reserve Account, the Repair and Replacement Reserve Account or Redemption Account, as appropriate, and applied in accordance with the provisions of Article V of this Indenture.

In the event the Institution pursuant to its rights under the Lease, or the Authority, shall not elect to repair, reconstruct or restore the damaged or destroyed property as above provided, or in the event title to all or substantially all the Project shall be taken under the power of eminent domain, it shall forthwith retire all of the outstanding Bonds and apply the insurance or condemnation proceeds for that purpose. In such event all of the Bonds shall be subject to redemption, and redemption shall be effected pursuant to the provisions of, in the manner, and with the effect provided in Article III of this Indenture.

Section 6.16 Further Assurances. It will execute or cause to be executed any and all further instruments that may reasonably be requested by the Trustee and be authorized by law

to perfect the pledge of and lien on the revenues and income of the Project granted in this Indenture, or intended so to be, or to vest in the Trustee the right to receive and apply the same to the payment or protection and security of the Bonds, and will cause this Indenture and any supplemental instrument to be filed, registered or recorded in any office provided by law and execute, deliver, file and record any financing statement pursuant to the Uniform Commercial Code if such filing, registration or recording shall be necessary or convenient to effect, protect or confirm the pledge and lien granted hereby. The Authority shall pay or cause the Institution to pay all recording, filing and registration taxes and fees, together with all expenses incidental to the preparation, execution, acknowledgment, filing, registering and recording of this Indenture, of any paper pursuant to the Uniform Commercial Code and of any instrument of further assurance, and all stamp taxes and other taxes, duties, imposts, assessments and charges lawfully imposed upon the Bonds or upon this Indenture.

Section 6.17 Proper Books and Records. So long as any of the Bonds issued hereunder shall remain outstanding and unpaid, the Authority shall keep proper books of account and records, in which full, true and correct entries will be made of all dealings and transactions relating to the ownership and operation of the Project. Such books and records shall be open to inspection by the Trustee, the Bondholders, and their agents and representatives. The Authority shall:

(1) From time to time furnish to the Trustee such data regarding the income, expense and property relating to the Project and the Institution as the Trustee shall reasonably request;

(2) On or before ninety days after the end of each Fiscal Year of the Institution, commencing with the Fiscal Year during which the Project shall have been completed, furnish to the Trustee and to any Bondholder who shall request the same in writing, a detailed report of audit prepared by an independent certified public accountant, reflecting in reasonable detail the financial condition and record of operation of the Institution and the Project, including particularly the Institution's enrollment, the occupancy and degree of use of and rates charged for the use of and the insurance on the Project. Such audit report shall include, in reasonable detail, a statement of the status of each fund or account established under the terms of this Indenture showing the amount and source of deposits therein, the amount and purpose of withdrawals therefrom and the balances therein at the beginning and end of the Fiscal Year; and

(3) Include with each report of audit referred to in (2) above, a written opinion of the auditor that, in making the examination necessary to said opinion, no knowledge of



any default by the Authority in the fulfillment of any of the terms, covenants or provisions of this Indenture or the Lease, or of any default by the Institution under the Lease, was obtained, or if such auditor shall have obtained knowledge of such default, he shall disclose in such statements the default or defaults thus discovered and the nature thereof.

Section 6.18 Maintain List of Bondholders. To the extent that such information shall be made known to the Authority under the terms of this Section, it will keep on file at the office of the Authority a list of names and addresses of the last known holders of all Bonds outstanding hereunder with the principal amount of Bonds believed to be held by each. Any Bondholder may require his name and address to be added to said list by filing a written request with the Authority or the Trustee, which request shall include a statement of the principal amount of such Bonds. The Trustee shall be under no responsibility with regard to the accuracy of said list. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by a Bondholder or Bondholders owning ten per centum (10%) or more in principal amount of Bonds outstanding hereunder or by his or their authorized agent, such ownership and the authority of any such agent to be evidenced to the satisfaction of the Trustee.

Section 6.19 To Observe All Covenants and Terms. It will not issue or permit to be issued any Bonds hereunder in any manner other than in accordance with the provisions of this Indenture and the agreements in that behalf herein contained, and will not suffer or permit any default to occur under this Indenture, but will faithfully observe and perform all the conditions, covenants and requirements hereof. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds in performing any of the conditions, covenants or requirements of this Indenture, or from any funds other than Revenues and Income of the Project or Bond proceeds or (to the extent provided in the General Bond Resolution) from the General Bond Reserve Account; and the Authority shall incur no liability for failure to perform any such conditions, covenants and requirements hereof for lack of funds available therefor provided the Authority shall have furnished the Trustee a Certificate of an Authorized Authority Representative and an Opinion of Counsel to such effect, specifying the condition, covenant or requirement which the Authority is unable to perform.

Section 6.20 Against Discrimination. It will not discriminate in operating the Project, or in the use or occupancy of such Project, because of race, creed or national origin.

## ARTICLE VII

### Remedies on Default

Section 7.01 Events of Default. Each of the following events is hereby defined as, and is declared to be and to constitute, an "event of default":

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

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

(c) If the Project shall be destroyed or damaged and shall not be promptly repaired, replaced or reconstructed (whether such failure promptly to repair, replace or reconstruct the same be due to impracticability of such repair, replacement or reconstruction or to lack of funds therefor, or for any other reason); or

(d) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in this Indenture, or in any Indenture supplemental hereto on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and, if the Lease is in effect, to the Institution (giving the Institution the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the holders of not less than twenty-five (25%) in principal amount of the Bonds then outstanding; or

(e) If any event of default on the part of the Institution as that term is defined in the Lease shall occur; or

(f) If a court of competent jurisdiction shall enter an order, judgment or decree appointing a receiver of the Authority or of the Project or Project Revenues and Income, or of the whole or any substantial part of the property under

the management of the Authority or the property at the Institution, or approving a petition filed against the Authority seeking reorganization of the Authority under any applicable law or statute of the United States of America or any State thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty days from the date of the entry thereof; or

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

Section 7.02 Acceleration of Maturity. Upon the occurrence of an event of default, the Trustee may, and upon written request of the holders of twenty-five per centum (25%) in aggregate principal amount of Bonds outstanding hereunder, shall, by notice in writing delivered to the Authority, declare the principal of all Bonds hereby secured then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable subject, however, to the right of the holders of a majority in aggregate principal amount of Bonds then outstanding hereunder, by written notice to the authority and to the Trustee, to annul such declaration and destroy its effect at any time if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds outstanding hereunder and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other indebtedness secured hereby (except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last interest payment date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

Section 7.03 Enforcement of Covenants and Conditions. In the case of the breach of any of the covenants or conditions of this Indenture, the Trustee, anything herein contained to the contrary notwithstanding and without any request from any Bondholder (subject, however, to the provisions of Section 8.06 and 8.07 hereof), shall be obligated to take such action or actions for the enforcement of its rights and the rights of the Bondholders and the rights of the Authority under the Lease as due diligence, prudence and care would require and to pursue the same with like diligence, prudence and care.

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the written request of the holders of not less than twenty-five per centum (25%) in aggregate principal amount of outstanding Bonds, proceeds forthwith by suit or suits at

law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to such payment of the funds, revenues and income appropriated thereto by this Indenture and by the Bonds, to foreclose this Indenture and sell the Trust Estate or any part thereof under the judgment or decree of a court of competent jurisdiction, and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Section 7.04 Right of Trustee to Enter Project. If one or more of the events of default shall happen and be continuing, the Trustee may, with the consent of the Authority, pursuant to the request in writing by the owners of at least twenty-five percent (25%) of the aggregate principal amount of Bonds outstanding hereunder, enter into and upon and take and hold possession of the Trust Estate, including the Project, or appoint a receiver therefor to use, manage and control the Trust Estate and conduct the business of the Authority with respect thereto in such manner as in its discretion it shall deem to be to the best advantage of the holders of the Bonds.

Section 7.05 Operations by Trustee. Upon every such entry the Trustee, from time to time and at the expense of the Trust Estate, either by purchase, repair or construction may maintain and restore and insure and keep insured the Trust Estate and make all necessary repairs, renewals, replacements, alterations, additions, betterments and improvements, as it may deem judicious. The Trustee, in case of such entry, shall have the right to manage the Trust Estate and to carry on the business of the Authority with respect thereto and to exercise all the rights and powers of the Authority either in the name of the Authority or otherwise, as the Trustee shall deem best, and shall be entitled to collect, take and receive all fees, earnings, income, rents, issues and profits of the Trust Estate.

After deducting the expenses of operating the Trust Estate and of conducting the business thereof, and of all repairs, maintenance, renewals, replacements, alterations, additions, betterments and improvements, and all payments or reserves that may be made or set up in the Trustee's discretion, for taxes, assessments, insurance and prior to other proper charges upon or in connection with the operation of the Trust Estate or any part thereof, as well as just and reasonable compensation for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and after making reimbursement to itself for advances made pursuant

to the provisions of this Indenture with interest at the rate of eight per centum (8%) per annum on all such advances, the Trustee shall apply moneys received by it pursuant to this section, as follows:

- First: In case the principal of none of the Bonds shall have become due and remain unpaid, to the payment of interest in default in the order of the maturity thereof; such payments to be made ratably and proportionately to the persons entitled thereto without discrimination or preference.
- Second: In case the principal of any of the Bonds shall have become due by declaration or otherwise and remain unpaid, first to the payment of interest in default in the order of maturity thereof; and then to the payment of the principal of all Bonds then due and unpaid and the premium thereon, if any; in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference, except as provided in Section 6.02 hereof.

Upon the payment in full of whatever may be due for such principal or interest, or payable for other purposes, the Trust Estate (except any money and/or investments required to be held by the Trustee under any other section of this Indenture) shall be returned to the possession of the Authority, its successors or assigns, or to whosoever may be lawfully entitled thereto.

While in possession of such property, the Trustee shall render annually to the Bondholders, at their addresses as set forth on the list required by this Indenture, a summarized statement of income and expenditures in connection therewith.

Section 7.06 Appointment of a Receiver by Trustee. In case the Trustee shall enforce its rights and the rights of the Bondholders by a suit or suits in equity or at law, the Trustee shall be entitled, pending the outcome of such suit, subject to the approval of the court, to the appointment of a receiver of the Trust Estate, including the Project and the income therefrom, to the end that the security provided by this Indenture shall not be reduced and for the purpose of preventing waste. The Trustee or such receiver may receive the rents, issues and profits of the Trust Estate, including the Project, and apply the proceeds to the payment of taxes, assessments, charges and encumbrances on the Trust Estate, due or to become due; to the payment of premiums and charges of any kind or nature upon insurance maintained or covenanted to be maintained on the Trust Estate, due or to become due; to the making of necessary

repairs on the Trust Estate or the payment of the expenses or charges necessary to the preservation of the security of this Indenture or to the maintenance of the Trust Estate; and to the payment of interest, or principal and interest, due upon the Bonds as provided in Section 7.05.

Section 7.07 Public Auction of Properties. If one or more of the events of default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the holders of twenty-five per centum (25%) or more in principal amount of the Bonds then outstanding and upon being indemnified to its satisfaction therefor shall, apply to a court of competent jurisdiction for a judgment or judgments of foreclosure and, pursuant thereto, sell or cause to be sold to the highest and best bidder all and singular the Trust Estate (except any money then held by the Trustee under any provision of this Indenture) and all rights, title, interest, claim and demand therein and thereto of the Authority. Such sale shall be made at public auction and at such place or places and at such time or times and upon such notice as the Trustee may be advised by counsel to be consistent with the laws applicable thereto, and upon such terms as the Trustee or the public officer conducting such sale may fix.

Section 7.08 Bonds Due and Payable Upon Sale. Upon any sale being made under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of this Indenture, the principal of all Bonds then secured hereby, if not previously due, shall become due and be immediately due and payable.

Section 7.09 Manner of Sale. Any such sale made pursuant to judicial proceedings shall be made wither as an entirety or in such parcels as may be directed by the court, or if the court shall not direct, such sale shall be made either as an entirety or in such parcels as the Trustee in its sole discretion may determine.

The Authority, for itself and all persons and corporations hereafter claiming through or under it, hereby (1) expressly waives and releases all right to have the properties and rights comprised in the Trust Estate marshaled upon any foreclosure or other enforcement hereof, and (2) agrees that the Trustee or public officer or any court in which the foreclosure of this Indenture or administration of the trusts hereby created is sought shall have the right as aforesaid to sell the entire property of every description comprised in or subject to the trusts created by this Indenture as a whole in a single parcel.

Section 7.10 Adjournment of Sale. The Trustee or public officer conducting such sale from time to time may adjourn any such sale to be made by it by announcement at the time and place appointed for such sale or for such adjourned sale or sales, and without further notice or publication it may make such sale at the time to which the same shall be so adjourned, but in the event of such adjournment or

adjournments, sale shall be made within any limitation of time or number of adjournments prescribed by law and, in any event, within six months from the date of sale fixed in the advertisement or Court order, unless notice of sale on some later date shall be given again in the manner provided by law.

Section 7.11 Bidding by Trustee or Bondholders. Upon any sale made under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of this Indenture, the holder or holders of any Bond or Bonds outstanding hereunder, or the Trustee, may bid for and purchase the Trust Estate or any part thereof and upon compliance with the terms of sale may hold, retain and possess and dispose of such property in his, their or its own absolute right without further accountability, and any purchasers at any such sale may, in paying the purchase money, turn in any of such Bonds and coupons or claims for interest outstanding hereunder in lieu of cash to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon. Said Bonds and coupons, in case the amount so payable thereon shall be less than the amount due thereon, shall be returned to the holders thereof after being appropriately stamed to show partial payments.

Section 7.12 Delivery of Deed to Purchaser on Sale. Upon the completion of any sale or sales made under or by virtue of this Indenture, the Trustee shall execute and deliver, or cause to be executed and delivered, to the accepted purchaser or purchasers the property sold with good and sufficient transfers, assigning and transferring all its right, title and interest in and to the properties sold. The Trustee and its successor or successors are hereby appointed the true and lawful attorney or attorneys irrevocable of the Authority in its name and stead or in the name of the Trustee to make all necessary assignments, transfers and deliveries of the property thus sold, and for that purpose the Trustee and its successors may execute all necessary instruments of assignment and transfer, and may substitute one or more persons with like power, the Authority hereby ratifying and confirming all that said attorney or attorneys or such substitute or substitutes shall lawfully do by virtue hereof. Nevertheless, the Authority, if so requested in writing by the Trustee, shall ratify and confirm any such sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be advisable, in the judgment of the Trustee, for the purpose and as may be designated in such request.

Section 7.13 Trustee Receipt--Sufficient Discharge for Purchase Money. Upon any sale made under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of this Indenture, the receipt of the Trustee or of the officer making such sale shall be a sufficient discharge to the purchaser or purchasers at any sale for his or their purchase money, and such purchaser or purchasers, his or their assigns or personal representatives shall not, after paying such purchase money and receiving

such receipt of the Trustee or of such officer therefor, be obliged to see to the application of such purchase money, or be in anywise answerable for any loss, misapplication, or nonapplication thereof.

Section 7.14 No Further Right of Authority in Property.

Any sale made under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of this Indenture shall, if and to the extent then permitted by law, operate to divest all right, title, interest, claims and demand whatsoever, either at law or in equity, of the Authority of, in and to the property so sold, and be a perpetual bar both at law and in equity against the Authority and against any and all persons, firms or corporations claiming or who may claim the property sold, or any part thereof, from, through or under the Authority except for the rights of the Institution under the Lease so long as the Lease shall remain in effect in accordance with its terms and the Institution complies with the provisions thereof.

Section 7.15 Application of Funds. The proceeds of any sale made under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of this Indenture, together with any other amounts of cash which may then be held by the Trustee as part of the Trust Estate, shall be applied as follows:

- First: To the payment of all taxes, assessments, governmental charges and liens prior to the lien of this Indenture, if any, and any arrears thereof, except those subject to which such sale shall have been made, and all of the costs and expenses of such sale, including reasonable compensation to the Trustee, its agents and attorneys, and of all other sums payable to the Trustee hereunder by reason of any expenses or liabilities incurred or advances made in connection with the management or administration of the trust hereby created.
- Second: To the payment in full of the amounts then due, owing and unpaid for principal and interest upon the Bonds then secured hereby, and in case such proceeds shall be insufficient to pay in full the amounts so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest except as provided in Section 6.02 hereof.



Third: Any surplus thereof remaining to the Authority, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

Section 7.16 Waivers by Authority of Appraisalment, Valuation.

In case of any event of default on its part, as aforesaid, to the extent that such rights may then lawfully be waived, neither the Authority nor anyone claiming through or under it shall or will set up, claim, or seek to take advantage of any appraisalment, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Trust Estate may be situated, in order to prevent or hinder the enforcement or foreclosure of this Indenture, or the absolute sale of the Trust Estate, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser or purchasers thereat, but the Authority, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all right of appraisalment and redemption to which it may be entitled under the laws of the State in which it is situated.

Section 7.17 Right of Trustee to Act Without Possession of Bonds. All rights of action (including the right to file proof of claim) under this Indenture or under any of the Bonds or coupons may be enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any holders of the Bonds hereby secured, and any recovery of judgment shall be for the equal benefit of the holders of the outstanding Bonds and coupons, subject to the provisions of Section 6.02 hereof with respect to extended Bonds, coupons and claims for interest.

Section 7.18 Power of Majority of Bondholders. Anything in this Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds outstanding hereunder shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 7.19 Limitation on Suits by Bondholder. No holder of any Bond or coupon shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof or for any other remedy hereunder, unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an event of default and the holders of twenty-five per centum (25%) in aggregate principal amount

of Bonds outstanding hereunder shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided hereinafter; and such notification, request and offer of indemnity are hereby declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for enforcement or for any other remedy hereunder; it being understood and intended that no one or more holders of the Bonds or coupons shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of this Indenture by his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds outstanding hereunder. Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder, which is absolute and unconditional, to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof or the obligation of the Authority to pay the principal of and interest on each of the Bonds issued hereunder to the respective holders thereof at the time and place in said Bonds and the appurtenant coupons expressed, in accordance with the terms of the Bonds.

Section 7.20 Waiver by Bondholders. The Trustee, upon the written request of the holders of not less than fifty-one per centum (51%) in principal amount of the Bonds at the time outstanding hereunder, shall waive any default hereunder and its consequences, except a default in the payment of the principal of the Bonds at the date of maturity specified therein; provided, however, that a default in the payment of interest on the Bonds shall not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same. In case of any such waiver, the Authority, the Trustee and the holders of the Bonds shall be restored to their former positions and rights hereunder respectively. No waiver of any default or event of default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Section 7.21 Remedies Cumulative, Delay Not To Constitute Waiver. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 7.22 Restoration of Rights Upon Discontinuance of Proceedings. In case the Trustee or Bondholders shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or Bondholders, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee or Bondholders shall continue as if no such proceedings had been taken.

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## ARTICLE VIII

### Concerning the Trustee

Section 8.01 Acceptance of Trust and Prudent Performance Thereof. The Trustee shall, prior to an event of default as defined in Section 7.01, and after the curing of all such events of default as may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall during the existence of any such event of default (which has not been cured) exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(a) prior to such an event of default hereunder, and after the curing of all such events of default which may have occurred:

(1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee, and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and to the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Indenture; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture;

(b) at all times, regardless of whether or not any such event of default shall exist:

(1) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and

(2) the 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 holders of not less than a majority in aggregate principal amount of all the Bonds at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 8.02 Trustee May Rely Upon Certain Documents, Opinions. Except as otherwise provided in Section 8.01,

(a) the Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, coupon 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) any request, direction, election, order or demand of the Authority or the Institution shall be sufficiently evidenced by an instrument signed by an Authorized Authority Representative or an Authorized Institution Representative, as the case may be (unless otherwise in this Indenture specifically prescribed), and any resolution of the Authority may be evidenced to the Trustee by a Certified Resolution;

(c) the Trustee may consult with counsel (who may be counsel for the Authority) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel; and

(d) whenever, in the administration of the trusts of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority and such Certificate of the Authority shall, in the absence of bad faith on the part of the Trustee, be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof.

Section 8.03 Trustee Not Responsible for Indenture Statements, Validity. The Trustee shall not be responsible for any recital or statement herein, or in said Bonds and coupons (except in respect of the certificate of the Trustee endorsed on such Bonds), or for the recording or re-recording, filing, or re-filing of this Indenture, or for insuring the Project, or collecting any insurance moneys, or for the validity of the execution by the Authority of this Indenture or the Lease or the Agreement, or of any supplemental instrument, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value or title of any of the Trust Estate, or otherwise as to the maintenance of the security hereof; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenant, condition or agreement on the part of the Authority, except as hereinafter set forth, but the Trustee may require of the Authority full information and advice as to the performance of the covenants, conditions and agreements aforesaid and of the condition of the physical property included in the Trust Estate. The Trustee shall not be accountable for the use of any bonds authenticated or delivered hereunder or of any of the proceeds of such Bonds.

Section 8.04 Limits on Duties and Liabilities of Trustee. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty of the Trustee, and the Trustee shall be answerable only for its own negligence or willful default. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises. The Trustee shall not be liable for any debts contracted, or for damages to persons or to personal property injured or damaged, or for salaries or nonfulfillment of contracts during any period in which it may be in the possession of or managing the real and tangible personal property of the Trust Estate as in this Indenture provided, if such debts, damages, salaries, or contracts have been incurred, suffered, earned, or made in connection with the possession or management of such property.

Section 8.05 Giving Notice to Authority. Except as herein otherwise provided, any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee on the Authority shall be deemed to have been sufficiently given and served for all purposes by being delivered or mailed by registered mail, addressed to the Authority at its address set forth in the Lease or such other address as may from time to time be given by the Authority to the Trustee in writing.

Section 8.06 Obligation of Trustee. The Trustee shall be under no obligation to institute any suit, or to take any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement

of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Authority shall reimburse the Trustee for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Authority shall fail to make such reimbursement, the Trustee may reimburse itself from any moneys in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any of the Bonds or coupons outstanding hereunder.

Section 8.07 Responsibilities of Trustee in Event of Default. The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder, except default in the deposits or payments specified herein, or failure by the Authority to file with it any of the documents required, or to deposit with it evidence of the insurance policies required hereunder, unless the Trustee shall be specifically notified in writing of such default by the Authority or by the holders of at least twenty-five per centum (25%) in aggregate principal amount of Bonds outstanding hereunder, and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume that there is no default, except as aforesaid.

Section 8.08 Notice to Bondholders. Within thirty (30) days after the occurrence of any event of default set forth in clause (a) or in clause (b) of Section 7.01 hereof or of any default of which the Trustee is by Section 8.07 hereof required to take notice or if notice of default be given it as in said section provided, the Trustee shall give written notice thereof by mail to the last known owners of all Bonds outstanding hereunder as shown by the bond register and the list of Bondholders required to be kept at the office of the Trustee. If in any Fiscal Year the total amount of aggregate deposits to the credit of the Bond and Interest Sinking Fund Account and the Debt Service Reserve Account shall be less than the amounts required so to be deposited under the provisions of this Indenture, the Trustee, on or before the first day of the second month of the next succeeding Fiscal Year, shall mail to the last known owners of all Bonds outstanding hereunder, as shown by the bond register and the list of Bondholders required to be kept at the office of the Trustee, a written notice of the failure to make such deposits. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required by this section.

Section 8.09 Intervention in Judicial Proceedings Involving Authority. In any judicial proceeding to which the Authority is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interest of owners of Bonds issued hereunder, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the owners of at least twenty-five percent (25%) in the aggregate principal amount of Bonds outstanding hereunder. The rights and obligations of the Trustee under this section are subject to the approval of the court having jurisdiction in the premises.

Section 8.10 Further Investigations by Trustee. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be in full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder; but the Trustee may, in its unrestricted discretion, and shall, if requested in writing so to do by the holders of not less than twenty-five per centum (25%) in aggregate principal amount of Bonds outstanding hereunder, cause to be made such independent investigation as it may see fit, and in that event may decline to release such property or pay over such cash unless satisfied by such investigation of the truth and accuracy of the matters so investigated. The expense of such investigation shall be paid by the Authority or, if paid by the Trustee, shall be repaid by the Authority upon demand with interest at the rate of eight per centum (8.00%) per annum.

Section 8.11 Right to Inspect Project and Records of Authority. At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect the Project, including all books, papers, and contracts of the Authority appertaining thereto and to take such memoranda from and in regard thereto as may be desired.

Section 8.12 Right of Trustee to Perform Certain Acts on Failure of Authority. In case the Authority shall fail reasonably to pay or to cause to be paid any tax, assessments, or governmental or other charge upon any part of the Trust Estate, to the extent, if any, that the Authority may be liable for same, the Trustee may pay such tax, assessment or governmental charge, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this section, with interest thereon from the date of payment at the rate of eight per centum (8.00%) per annum, shall be repaid by the Authority upon demand, and shall become so much additional indebtedness secured by this Indenture, and the same shall be given a preference in payment over any of said Bonds, and shall be paid out of the Revenues and Income of the Project, if not otherwise paid by the Authority,



but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the holders of at least twenty-five per centum (25%) of the aggregate principal amount of Bonds outstanding hereunder, and shall have been provided with adequate funds for the purpose of such payment.

Section 8.13 Trustee to Retain Financial Records of Authority. The Trustee shall retain all financial statements furnished by the Authority or the Institution in accordance with this Indenture so long as any of the Bonds shall be outstanding.

Section 8.14 Compensation of Trustee. The Trustee shall have a first lien, with right of payment prior to payment on account of interest or principal of any Bond issued hereunder, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts hereby created and exercise and performance of the powers and duties of the Trustee hereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee). The Authority hereby covenants and agrees to pay or cause to be paid all advances, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trust hereby created and to reimburse the Trustee therefor if such expenses are paid by it. The Authority agrees to pay or cause the Institution to pay the Trustee reasonable compensation for its services in the premises. The compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of Trustees of an express trust.

Section 8.15 Trustee May Hold Bonds. The Trustee and its officers and directors may acquire and hold, or become the pledgee of Bonds and coupons and otherwise deal with the Authority or the Institution in the same manner and to the same extent and with like effect as though it were not Trustee hereunder.

Section 8.16 Appointment of Trustee. There shall at all times be a trustee hereunder which shall be a corporation organized and doing business under the laws of the United States or the State of Minnesota, authorized under such laws to exercise corporate trust powers, having an office and place of business in the State of Minnesota, having a combined capital and surplus of at least One Million Dollars (\$1,000,000), and subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 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. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, and another institution or corporation is eligible, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.18 hereof.

Section 8.17 Merger of Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 8.18 Resignation or Removal of Trustee. The Trustee may resign and be discharged from the trusts created by this Indenture by giving to the Authority thirty days' notice in writing, and to the Bondholders notice by publication, of such resignation specifying a date when such resignation shall take effect, which notice shall be published at least once a week for two successive weeks in a Financial Journal. Such resignation shall take effect on the day specified in such notice unless previously a successor trustee shall have been appointed by the Bondholders as hereinafter provided, in which event such resignation shall take effect immediately on the appointment of such successor trustee.

Any Trustee hereunder may be removed at any time by an instrument or instruments in writing, appointing a successor to the Trustee so removed, filed with the Trustee and executed by the holders of a majority in principal amount of the Bonds hereby secured and then outstanding.

Section 8.19 Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or otherwise shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory officer shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee hereunder, and a successor may be appointed by the holders of a majority in principal amount of the said Bonds hereby secured and then outstanding, by an instrument or instruments in writing filed with the Trustee and executed by such Bondholders, notification thereof being given to the Authority, but until a new Trustee shall be appointed by the Bondholders as herein authorized, the Authority shall, subject to the provisions hereof, appoint a Trustee to fill such vacancy. After any such appointment by the Authority, it shall cause notice of such appointment to be published at least once within 30 days of such appointment in a Financial Journal, but any new Trustee so appointed by the Authority shall immediately and without further act be superseded by a Trustee appointed in the manner above provided by the holders of a majority in principal amount of said Bonds whenever such appointment by said Bondholders shall be made.

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

Section 8.20 Transfer of Rights and Property to Successor Trustee. Every successor trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Authority or of its successor execute and deliver an instrument transferring to such successor all the estate, properties, rights, powers and trusts of such predecessor hereunder, and every predecessor trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any assignment, conveyance or instrument in writing from the Authority be required by any successor trustee for more fully and certainly vesting in such successor trustee the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor trustee, any and all such assignments, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all assignments, conveyances and other instruments provided for in this Article shall, at the expense of the Authority, be forthwith filed and/or recorded by the successor trustee in each recording office where the Indenture shall have been filed and/or recorded.

Section 8.21 Trustee Reports to Authority. The Trustee shall furnish to the Authority an annual report, as soon as possible and in any case within 60 days after the end of the Authority's fiscal year, for the Authority's fiscal year ending June 30 showing receipts and disbursements by the Trustee hereunder and changes in balances of Accounts maintained with the Trustee hereunder. The Trustee shall also furnish to the Authority, from time to time, such additional information as the Authority may request respecting receipts and disbursements, Account balances, investments, and other activities of the Trustee or concerning the Trust Estate hereunder.

## ARTICLE IX

### Concerning the Bondholders

#### Section 9.01 Execution of Instruments by Bondholders.

Any request, direction, consent or other instrument in writing required by this Indenture to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by agent duly appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments of deeds to be recorded within such jurisdiction, to the effect that the person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution.

(b) The fact of the holding of Bonds hereunder by any Bondholder and the amount and the numbers of such Bonds and the date of his holding the same (unless such Bonds be registered) may be proved by the affidavit of the person claiming to be such holder, if such affidavit shall be deemed by the Trustee to be satisfactory, or by a certificate issued by any trust company, bank, banker, or any other depository wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker or other depository the Bonds described in such certificate. The Authority and the Trustee may nevertheless, in their separate discretion, require further proof in cases where they or either of them shall deem further proof desirable.

(c) The ownership of Bonds registered as to principal or as to principal and interest shall be proved by the registration books kept under the provisions of this Indenture.

Nothing contained in this Article shall be construed as limiting the Trustee to the proof above specified, it being intended that the Trustee may accept any other evidence of the matters herein stated which to it may seem sufficient. Any request or consent of the holder of any Bond shall bind every future holder of the same Bond in respect of anything done by the Trustee in pursuance of such request or consent.

Section 9.02 Waiver of Notice. Any notice or other communication required by this Indenture to be given by delivery, publication or otherwise to the Bondholders or any one or more thereof may be waived, at any time before such notice or communication is so required to be given, by a writing mailed or delivered to the Trustee by the holder or holders of all of the Bonds entitled to such notice or communication.

Section 9.03 Determination of Bondholder Concurrence. In determining whether the holders of the requisite aggregate principal amount of Bonds have occurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the Authority or Institution shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control with the Authority or Institution. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 9.04 Bondholders' Meeting. A meeting of the Bondholders may be called at any time and from time to time pursuant to the provisions of this Article IX for any of the following purposes:

(1) to give any notice to the Authority or to the Trustee, or to give any direction to the Trustee, or to make any request of the Trustee, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Bondholders pursuant to any of the provisions of Article VII hereof;

(2) to remove the Trustee or appoint a successor Trustee pursuant to the provisions of Article VIII hereof;

(3) to consent to the execution of an indenture or indentures supplemental hereto;

(4) to consent to any amendment of the Lease or to any instrument supplemental to the Lease; or

(5) to take any other action authorized to be taken by or on behalf of the holders of any percentage of the outstanding Bonds under any other provision of this Indenture or under applicable law.

## ARTICLE X

### Payment, Defeasance and Release

Section 10.01 Payment and Discharge of Indenture. If the Authority, its successors or assigns shall

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

(b) provide for the payment of principal and premium, if any, of the Bonds and interest thereon by depositing in cash with the Trustee at or at any time before maturity the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds outstanding, or

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

(d) surrender to the Trustee for cancellation all bonds and coupons, if any, thereto appertaining for which payment is not so provided, and shall also pay all other sums due and payable hereunder by the Authority,

then and in that case, at the request of the Authority, all the Trust Estate shall revert to the Authority, and the entire estate, right, title and interest of the Trustee, and of the bearers and registered owners of the Bonds and coupons in respect thereof, shall thereupon

cease, determine and become void; and the Trustee in such case, upon the cancellation of all Bonds and coupons for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of this Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of this Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds and coupons), which shall then be held hereunder as a part of the Trust Estate. Bonds purchased by the Trustee from funds deposited in the Redemption Account shall, on request of the Authority or Institution, be cancelled and treated as Bonds surrendered to the Trustee by the Authority for cancellation.

Section 10.02 Bonds and Coupons Deemed Not Outstanding After Deposits. When the Authority shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided, or left with it if previously so deposited, cash or direct obligations of the United States of America sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the holders thereof, then upon such deposit all such Bonds and appurtenant coupons shall cease to be entitled to any lien, benefit or security of this Indenture except the right to receive the funds so deposited, and such Bonds and coupons shall be deemed not to be outstanding hereunder; and it shall be the duty of the Trustee to hold the funds so deposited for the benefit of the holders of such Bonds or coupons, as the case may be, and from and after such redemption date or maturity, interest on such Bonds thereof called for redemption shall cease to accrue.

Section 10.03 Unclaimed Money Returned to Authority. Any moneys deposited with the Trustee by the Authority, pursuant to the terms of this Indenture, for the payment or redemption of Bonds and coupons and remaining unclaimed by the holders of the Bonds or coupons for five years after the date of maturity of such Bonds or coupons or the date fixed for redemption of the same, as the case may be, shall, upon the written request of the Authority or of such person as may then be entitled by law to receive the same, and if the Authority or any successor to the obligations of the Authority under the Indenture and the Bonds and coupons shall not at the time, to the knowledge of the Trustee, be in default with respect to any of the terms and conditions contained in the Indenture or in the Bonds and coupons, be paid to the Authority or to such person as the case may be, and such holders of the Bonds and coupons shall thereafter look only to the Authority or to such person, as the case may be,

for payment and then only to the extent of the amounts so received without interest thereon; PROVIDED, HOWEVER, that within thirty days prior to the expiration of the five year period mentioned above, the Trustee, before being required to make any such repayment, may, at the expense of the Authority, cause to be published in a Financial Journal, a notice that after a date named therein said moneys will be retransferred to the Authority or such person.

Section 10.04 Release of Property. In the event the Institution shall exercise its option to purchase unimproved real property forming part of the Trust Estate or to remove any Leased Equipment from the Project without substitution therefor, in either case in accordance with its rights under the Lease, and shall deliver to the Trustee (1) a certificate of value of an independent appraiser or independent engineer, as the case may be, (2) payment to the Authority and Trustee for deposit in the Redemption Account or other proper Account hereunder of the amount set forth in such certificate, and (3) a certificate of an Authorized Institution Representative, the Trustee is authorized to and shall, on request, release such property from the lien of this Indenture. If the Institution and the Authority shall request the Trustee to release property for, or subject the Trust Estate to, easements, rights-of-way (including the dedication of a public highway) or other rights or privileges in the nature of easements with respect to the Trust Estate, or to release the rights of the Trustee in any existing easements, licenses, rights-of-way and other rights and privileges, and shall deliver to the Trustee (i) a copy of the instrument of grant or release and (ii) a written application signed by the Authorized Institution Representative certifying that such grant or release is not detrimental to the proper use or operation of the Project and will not impair the character or significance of the Project as an educational facility, the Trustee is authorized to and shall release such property from the lien of this Indenture or subject the Trust Estate to such easement, license or other right or privilege, as the case may be.

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## ARTICLE XI

### Supplemental Indentures

#### Amendments to General Bond Resolution

Section 11.01 Purposes for Which Supplemental Indentures May Be Executed. The Authority, upon resolution, and the Trustee from time to time and at any time, subject to the conditions and restrictions in this Indenture contained, may enter into such indentures supplemental hereto as may or shall by them be deemed necessary or desirable for any one or more of the following purposes, among others:

(a) To correct the description of any property hereby conveyed or pledged or intended so to be, or to assign, convey, pledge or transfer and set over unto the Trustee, subject to such liens or other encumbrances as shall be therein specifically described, additional property or properties of the Authority or the Institution for the equal and proportional benefit and security of the holders and owners of all Bonds and coupons at any time issued and outstanding under this Indenture, subject, however, to the provisions hereinabove set forth with respect to extended Bonds and coupons.

(b) To add to the covenants and agreements of the Authority in this Indenture contained other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Authority or to or upon any successor;

(c) To evidence the succession or successive successions of any other department, agency, body or corporation to the Authority and the assumption by such successor of the covenants, agreements and obligations of the Authority in the Bonds hereby secured and in this Indenture and in any and every supplemental indenture contained;

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

(e) To provide for additional Bonds pursuant to the Agreement and Section 2.10 hereof or modify this Indenture as authorized by the Bondholders pursuant to Section 11.04 hereof.

Section 11.02 Execution of Supplemental Indenture. The Trustee is authorized to join with the Authority in the execution of any such supplemental indenture, to make the further agreements and stipulations which may be therein contained, and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its rights, duties or immunities under this Indenture.

Section 11.03 Discretion of Trustee. In each and every case provided for in this Article (other than a supplemental indenture approved by the holders of sixty-five per centum (65%) in aggregate principal amount of the Bonds pursuant to Section 11.04 hereof), the Trustee shall be entitled to exercise its unrestricted discretion in determining whether or not any proposed supplemental indenture or any term or provision therein contained is necessary or desirable, having in view the needs of the Authority and the respective rights and interests of the holders of Bonds theretofore issued hereunder; and the Trustee shall be under no responsibility or liability to the Authority or to the Institution or to any holder of any Bond, or to anyone whatever, for any act or thing which it may do or decline to do in good faith, subject to the provisions of this Article, in the exercise of such discretion.

Section 11.04 Modification of Indenture with Consent of Bondholders. Subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than sixty-five per centum (65%) in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; PROVIDED, HOWEVER, that nothing herein contained shall permit or be construed as permitting (a) an extension of the maturity of any Bond issued hereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by this Indenture (except as provided in Section 2.10 hereof), or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required to consent to such supplemental indenture.

Whenever the Authority shall deliver to the Trustee an instrument or instruments purporting to be executed by the holders of not less than sixty-five per centum (65%) in aggregate principal amount of the Bonds then outstanding, which instrument or instruments shall refer to the proposed supplemental indenture and shall specifically consent to and approve the execution thereof, thereupon, the Trustee may execute such supplemental indenture without liability or responsibility to any holder of any Bond, whether or not such holder shall have consented thereto.

If the holders of not less than sixty-five per centum (65%) in aggregate principal amount of the Bonds outstanding at the time of the execution of such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no holder of any Bond shall have any right to object to the execution of such supplemental indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Section 11.05 Supplemental Indentures to be Part of Indenture. Any supplemental indenture executed in accordance with any of the provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such supplemental indenture as to any provision authorized to be contained therein shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all holders of Bonds then outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments. If deemed necessary or desirable by the Trustee, reference to any such supplemental indenture or any of such terms or conditions thereof may be set forth in reasonable and customary manner in the text of the Bonds or in a legend stamped on the Bonds.

Section 11.06 Amendments to General Bond Resolution. The Authority reserves the right to amend the General Bond Resolution from time to time as provided in paragraph 4 thereof. It is agreed between the Authority and the Trustee, acting on behalf of the Bondholders, that any amendment to paragraph 2(f) of the General Bond Resolution, entitled "Withdrawal of Excess Reserves", or any other provision of the General Bond Resolution, which is found by the Authority to be necessary or desirable to comply with limitations on the amounts of reasonable reserves under Regulations or Proposed Regulations under Section 103(d) of the Internal Revenue Code, relating to arbitrage bonds, or any other provision of such Regulations or Proposed Regulations, is an ambiguity or formal defect in the General Bond Resolution within the meaning of clause (iii) of paragraph 4(a) thereof; and that the Authority shall have the right and authority to adopt any amendment is necessary or desirable for such purpose, without the written consent of the holders of sixty-five percent (65%) of the outstanding Bonds.

## ARTICLE XII

### Miscellaneous

Section 12.01 Covenants of Authority Bind Successors and Assigns. All the covenants, stipulations, promises and agreements in this Indenture contained, by or in behalf of the Authority, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

Section 12.02 Immunity of Officers. No recourse for the payment of any part of the principal of or interest on any Bond or for the satisfaction of any liability arising from, founded upon or existing by reason of the issue, purchase or ownership of the Bonds or coupons shall be had against any officer, member or agent of the Authority, the Institution or the State of Minnesota, as such, all such liability being hereby expressly released and waived as a condition of and as a part of the consideration for the execution of this Indenture and the issuance of the Bonds and coupons.

Section 12.03 No Benefits to Outside Parties. Nothing in this Indenture, express or implied, is intended or shall be construed to confer upon or to give to any person or corporation, other than the parties hereto and the holders of the Bonds or coupons issued hereunder, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation thereof; and the covenants, stipulations and agreements in this Indenture contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and the holders of the Bonds or coupons.

Section 12.04 Separability of Indenture provisions. In case any one or more of the provisions contained in this Indenture or in the Bonds or coupons shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Indenture, but this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 12.05 Execution of Indenture in Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which, when so executed, shall be deemed to be an original, and such counterparts shall together constitute one and the same instrument.

Section 12.06 Headings Not Controlling. The headings of the several Articles and Sections hereof are inserted for the

convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the Minnesota Higher Education Facilities Authority has caused this Indenture to be signed in its name by its Vice Chairman and its official seal to be hereunto affixed and the same to be attested by its Secretary, and \_\_\_\_\_, to evidence its acceptance of the trust hereby created, has caused this Indenture to be signed in its name by its Vice President and attested by its Assistant Secretary and its corporate seal to be hereunto affixed, all as of the day and year first above written, but actually on the day of \_\_\_\_\_, 1976.

MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY

By \_\_\_\_\_  
Vice Chairman

Attest:

\_\_\_\_\_  
Secretary

(Seal)

By \_\_\_\_\_  
Vice President

Attest:

\_\_\_\_\_  
Assistant Secretary

(Seal)

[illegible]

On this                    day of                    , 1976, before me appeared Robert W. Freson and Richard C. Hawk, to me personally known, who, being by me duly sworn did say that they are the Vice Chairman and Secretary of the Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota; that the seal affixed to the foregoing instrument is the official seal of said agency and that said instrument was executed in behalf of said agency by authority of its members; and the said Vice Chairman and Secretary acknowledged said instrument to be the free act and deed of said agency.

[illegible]

On this            day of            , 1976, before me appeared            and            to me personally known, who, being by me duly sworn did say that they are the Vice President and Assistant Secretary of the            , a corporation with trust powers; that the seal affixed to the foregoing instrument is the corporate seal of said corporation; and that said instrument was executed in behalf of said corporation by authority of its Board of Directors; and the said            and            acknowledged said instrument to be the free act and deed of said corporation.

EXHIBIT A  
TO  
MORTGAGE TRUST INDENTURE  
SECURING \$795,000  
MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY  
FIRST MORTGAGE REVENUE BONDS,  
SERIES R  
(THE COLLEGE OF SAINT CATHERINE)  
DATED AUGUST 1, 1976  
BETWEEN THE  
MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY  
AND

EXHIBIT B  
TO  
MORTGAGE TRUST INDENTURE  
SECURING \$795,000  
MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY  
FIRST MORTGAGE REVENUE BONDS,  
SERIES R  
(THE COLLEGE OF SAINT CATHERINE)  
DATED AUGUST 1, 1976  
BETWEEN THE  
MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY  
AND

(Description of Leased Equipment)

1. Any fixtures installed or to be installed on the premises in Exhibit A at The College of Saint Catherine, in St. Paul, Minnesota, including without limitation heating and ventilating equipment, plumbing, lighting, conduits, and other building service equipment.

2. Any items of furnishings, equipment and related property acquired and installed in the premises described in Exhibit A at The College of Saint Catherine, in St. Paul, Minnesota, from the proceeds of sale of the \$795,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series R (The College of Saint Catherine) including the following:



EXHIBIT C  
TO  
MORTGAGE TRUST INDENTURE  
SECURING \$795,000  
MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY  
FIRST MORTGAGE REVENUE BONDS,  
SERIES R  
(THE COLLEGE OF SAINT CATHERINE)  
DATED AUGUST 1, 1976  
BETWEEN THE  
MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY  
AND

The following are included under clause (v) of the  
definition of Permitted Encumbrances in Section 1.08 of the  
Indenture:

## GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT made and entered into as of August 1, 1976, by and between THE COLLEGE OF SAINT CATHERINE, a Minnesota nonprofit corporation, located in the City of St. Paul, Ramsey County, Minnesota (the "College"), and \_\_\_\_\_, duly organized, existing and authorized to accept and execute agreements of the character herein set out under and by virtue of the laws of \_\_\_\_\_, and having its main office and place of business in \_\_\_\_\_, Minnesota (the "Trustee"), together with any successor trustee, at the time serving as such under the Mortgage Trust Indenture dated as of the date hereof, and as the same may be amended or supplemented from time to time, between the Minnesota Higher Education Facilities Authority and Trustee (the "Indenture");

## WITNESSETH:

WHEREAS, the Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota having its principal office at 278 Metro Square Building, in St. Paul, Minnesota (the "Authority"), intends to issue its Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series R (The College of Saint Catherine) in the aggregate principal amount of \$795,000 (the "Bonds"); and

WHEREAS, the Bonds are to be issued under and pursuant to the Indenture; and

WHEREAS, the Bonds are being issued to finance the acquisition, construction and improvement of a student residence on the campus of The College of Saint Catherine, St. Paul, Minnesota (the "Project"), to the benefit of the College; and

WHEREAS, the Project is to be leased to the College by the Authority pursuant to the terms of a Lease Agreement dated as of the date hereof and as the same may be amended and supplemented from time to time (the "Lease"); and

WHEREAS, the College (hereinafter sometimes called the "Guarantor") is desirous that the Authority issue the Bonds and apply the proceeds as aforesaid and is willing to enter into this Guaranty Agreement in order to enhance the marketability of the Bonds and thereby achieve cost and other savings to itself and as an inducement to the purchase of the Bonds by all who shall at any time become holders of the Bonds;

NOW THEREFORE, in consideration of the premises and in order to enhance the marketability of the Bonds and thereby achieve cost and other savings to Guarantor and as an inducement to the purchase of the Bonds by all who shall at any time become holders of the Bonds, Guarantor hereby, subject to the terms hereof, covenants and agrees with Trustee as follows:

1. Guarantor hereby unconditionally guarantees to Trustee for the benefit of the holders from time to time of the Bonds and of the interest coupons appertaining thereto (a) the full and prompt payment of the principal of and premium, if any, on any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, and (b) the full and prompt payment of any interest on any Bond when and as the same shall become due.

2. The obligations of the Guarantor under this Guaranty Agreement shall be absolute and unconditional and shall remain in full force and effect until the entire principal of, premium, if any, and interest on the Bonds shall have been paid or funds sufficient for such payment shall have been deposited with the Trustee in trust for such purpose and such obligations shall not be affected, modified or impaired by any act, event or circumstance, including (without limitation) the following:

(a) Failure of notice of the acceptance hereof or of any action taken or omitted in reliance hereon or of any presentment, demand, protest or notice of any kind;

(b) Any default of the College, the Authority or the Trustee in the performance of any obligations under the Lease or Indenture;

(c) Amendment or modification or supplementation of the respective obligations of the College, the Authority and the Trustee under the Lease and Indenture, including without limitation the extension of the time for payment of the principal of and interest on the Bonds;

(d) The release of or failure of the Trustee or the Authority to realize upon or resort to any security given for the Bonds or by reason of the failure to pursue or enforce any right or remedy; or

(e) The invalidity or unenforceability of the Bonds, the Lease or the Indenture, including without limitation, any invalidity or unenforceability of the Bonds due to any law limiting the amount of interest payable on obligations of the Authority.

3. No set-offs, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature which the Guarantor has or may have against the Authority or Trustee shall be available hereunder to the Guarantor against the Trustee.

4. In the event of a default in the payment of principal of or premium, if any, on any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, or in the event of a default in the payment of any interest on any Bond when and as the same shall become due, the Trustee may, and if requested so to do by the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding, and upon indemnification as hereinafter provided, shall be obligated to proceed hereunder, and the Trustee, in its sole discretion, shall have the right to proceed first and directly against the Guarantor under this Guaranty Agreement without proceeding against or exhausting any of the remedies which it may have and without resorting to any other security held by the Authority or the Trustee. The Trustee shall not be obligated to expend or risk its own funds or otherwise incur any financial liability in the taking of any action hereunder 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 except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken. The Guarantor agrees to pay all the costs, expenses and fees, including all reasonable attorney's fees, which may be incurred by the Trustee in enforcing or attempting to enforce this Guaranty Agreement following any default on the part of the Guarantor hereunder, whether the same shall be enforced by suit or otherwise.

5. The Guarantor hereby expressly waives notice from the Trustee or the holders from time to time of any of the Bonds or of the interest coupons appertaining thereto of their acceptance of and reliance on this Guaranty Agreement.

6. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Guarantor (if the Guarantor is in default hereunder), the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid (whether at stated maturity or by acceleration, call for redemption or otherwise) in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents, and counsel) and of the Bondholders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under paragraph 4 hereof. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

7. All rights of action and claims under this Guaranty Agreement may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the holders of the Bonds and coupons in respect of which such judgment has been recovered.

8. The Trustee undertakes to perform for the benefit of the holders of the Bonds such duties and only such duties as are specifically set forth in this Guaranty Agreement, and no implied covenants or obligations shall be read into this Guaranty Agreement against the Trustee. In case of a default under this Guaranty Agreement, the Trustee shall exercise such of the rights and powers vested in it by this Guaranty Agreement and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision in this Guaranty Agreement shall be construed to relieve the Trustee from liability for its own willful misconduct.

9. No waiver, amendment, release or modification of this Guaranty Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the Trustee. The Trustee shall not consent to any amendment or modification of this Guaranty Agreement without the written approval or consent of the holders of not less than fifty-one per centum (51%) in aggregate principal amount of Bonds at the time outstanding. Nothing contained herein shall permit or be construed as permitting any amendment, change or modification of this Guaranty Agreement

which would (a) reduce the amount payable by the Guarantor hereunder, (b) change the time for payment of the amounts payable by the Guarantor hereunder, or (c) change the unconditional nature of the Guaranty Agreement herein contained. Except as otherwise expressly provided in this Guaranty Agreement, the provisions of Article IX "Concerning the Bondholders" and Article XI "Supplemental Indentures, Amendments to General Bond Resolution" of the Indenture shall apply to amendments and modifications of this Guaranty Agreement to the extent reasonably possible.

10. Except as other definitions are provided in this Guaranty Agreement, definitions in the Lease and the Indenture shall apply to terms used in this Guaranty Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Guaranty Agreement to be executed in their respective corporate names by their respective officers, thereunto duly authorized, and their respective corporate seals to be hereto affixed as of the date first above written.

THE COLLEGE OF SAINT CATHERINE

By \_\_\_\_\_  
President

And

By \_\_\_\_\_  
Secretary

(Seal)

By \_\_\_\_\_  
Vice President

Attest:

\_\_\_\_\_  
Assistant Secretary

(Seal)



GENERAL BOND RESOLUTION OF THE  
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY  
ADOPTED OCTOBER 31, 1972

BE IT RESOLVED by the MINNESOTA HIGHER EDUCATION FACILITIES  
AUTHORITY, as follows:

1. Purposes and Definitions. The Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota created and existing under Chapter 868 of the regular session Laws of Minnesota of 1971 (the "Act"), will issue and sell from time to time revenue bonds pursuant to the Act to finance the construction, reconstruction, acquisition, improvement, alteration, equipping and furnishing Projects (as such term is defined in the Act) and sites therefor at participating nonprofit institutions of higher education covered by the Act (an "Institution") and refinancing obligations incurred for such purposes and refunding such revenue bonds (the "Bonds"). The Authority will issue such Bonds in several series, and each series of such revenue Bonds will be issued pursuant to a series resolution (the "Series Resolution") and will be secured by a mortgage trust indenture (the "Indenture") between the Authority and a bank or other qualified corporate Trustee (the "Trustee") on the Project and site thereof and movable equipment (if any) acquired from the proceeds of the Bonds and will be payable primarily from rentals payable under a lease (the "Lease") by the Institution to the Authority for the use of the Project facilities. With respect to each series of bonds and Project, the Authority will enter into a preliminary Agreement with the Institution (the "Agreement") providing, among other things, for the conveyance of the Project site and/or facilities to the Authority, the sale of the Bonds of the series, construction or acquisition of the Project, and the form and terms of the Series Resolution, Indenture and Lease. The purpose of this General Bond Resolution is to provide the terms and conditions (unless amended as herein set forth) on which the Authority may pledge to the Bonds of a series, ratably and on a parity with Bonds of other series then outstanding or thereafter issued, the funds and investments in the General Bond Reserve Account and to provide the terms and conditions of such pledge to and covenants with the Trustee for the benefit of the holders of the Bonds and coupons. Revenue Bonds of the Authority secured by the General Bond Reserve Account, as provided in this General Bond Resolution, are herein called "common fund Bonds" and those not so secured are called "special series Bonds". The Authority has established and hereby confirms the policy to issue revenue Bonds as common fund Bonds to the extent possible in order to improve the marketability and security of the Authority's revenue Bonds but reserves the right to issue special series Bonds, from time to time, when it seems desirable or equitable to the Authority to do so.



2. General Bond Reserve Account. The Authority hereby determines and, so long as any of the common fund Bonds are outstanding, covenants and agrees with each Trustee under an Indenture securing common fund Bonds, as follows:

a. Establishment. The Authority shall establish and maintain a special and separate account and fund to be known as the "General Bond Reserve Account" in a bank or banks having a minimum capital and surplus of at least \$5,000,000, qualified to act as a depository of state funds, qualified to act as a corporate trustee under the laws of the United States or State of Minnesota, and having an office or place of business in the State of Minnesota (herein sometimes called the "Bank"). The officers and representatives of the Authority authorized to deposit and withdraw funds from the General Bond Reserve Account and to purchase, sell or transfer securities for the General Bond Reserve Account shall be bonded by fidelity bonds or insurance in such amounts and under such terms as the Authority shall determine with due regard to the amount of funds and investments in the General Bond Reserve Account and the several responsibilities of such officers and representatives and the Bank. The Authority may enter into such agreements with the Bank with respect to the investment and safe-keeping of the funds and investments in the General Bond Reserve Account as the Authority shall deem appropriate.

b. Deposits. There shall be deposited in the General Bond Reserve Account, promptly when received, the following revenues of the Authority: (i) Proceeds from the sale of the common fund Bonds as provided in the applicable Series Resolution. (ii) All moneys received by the Authority from an Institution as consideration for the exercise of an option to purchase a Project or part thereof after the principal of common fund Bonds or special series Bonds, premium thereon (if any), interest thereon, advances and expenses of the Trustee and Authority (if any), and the fees of the Trustee with respect to such series of common fund Bonds or special series Bonds have been paid or provided for. (iii) The net revenues and income, as determined by the Authority, and after allowance for repairs, replacements and improvements in such amounts as the Authority shall from time to time deem necessary, realized from the operation of a Project by the Authority after expiration of the lease term with respect thereto and after payment of the Bonds issued on account of such Project, premium thereon (if any), interest thereon, advances and expenses of the Trustee and Authority (if any), and the fees of the Trustee with respect to such Project common fund Bonds or special series Bonds has been made or provided for. (iv) The net proceeds realized from the sale of a Project or part thereof, as determined by the Authority, after expiration of the lease term with respect thereto and after payment of the Bonds issued on account of such Project, premium thereon (if any), interest thereon, advances and expenses of the Trustee and Authority (if any) and fees of the Trustee with respect to such Project common fund

Bonds or special series Bonds has been made or provided for, (v) All other funds received by the Authority except (A) application fees, the initial fee (1/3 of 1% of the original amount of Bonds sold, or such other percentage or amount as the Authority shall determine) and the annual administrative fee (1/8 of 1% of the original amount of Bonds sold, or such other percentage or amount as the Authority shall determine, to be collected as Additional Rent under a Lease) charged Institutions to provide operating funds for the Authority as authorized by Section 5(u) of the Act, (B) any taxes paid or appropriations of state funds made to the Authority, (C) revenues or income or other funds pledged to the payment of outstanding common fund Bonds or special series Bonds or for the payment of expenses or advances in respect of the Project or establishment or maintenance of reserves under the Indenture relating thereto and (D) any other revenues, income, funds or property restricted or dedicated to some other purpose.

c. Investments. Moneys in the General Bond Reserve Account may be invested and reinvested in direct obligations of the United States of America or in certificates of deposit or time deposits secured by direct obligations of the United States of America or in such other securities, if any, as the Authority may lawfully purchase and hold for investment purposes and which are then eligible for investment of public funds of the State of Minnesota or of municipalities of the State. The Authority covenants that investment of funds shall be limited as to amount and yield of investment in such manner that no part of any common fund Bonds shall be deemed "arbitrage bonds" under Section 103(d)(1) of the Internal Revenue Code of 1954 and regulations thereunder.

d. Advances. Whenever the principal of or interest on any common fund Bonds shall become due and there is not enough money (or investments from which money in the necessary amount can be realized) on deposit with the Trustee for payment of such principal or interest, the Authority pledges that it will advance to the Trustee from the General Bond Reserve Account amounts sufficient to pay such principal and interest. The Authority shall have the right, but not the obligation, to advance to the Trustee from the General Bond Reserve Account amounts not then due for principal or interest on any common fund Bonds but which is about to become due if, in the opinion of the Authority, it is necessary or desirable to make such advance to prevent a default of payment on the due date. For the purposes of this General Bond Resolution and any pledge of the General Bond Reserve Account to common fund Bonds (except as herein otherwise expressly provided) principal of any common fund Bond which has not reached its stated maturity date is not due regardless of any acceleration of the maturity date by reason of exercise of an option of prior payment by giving notice of redemption, or of an event of default, or for any other reason; the Authority may nevertheless, in its discretion, advance funds from the General Bond Reserve Account to pay the principal of any such Bonds which have been declared (and otherwise become) due and payable by reason of the giving of a notice of redemption, or event of default, or other reason, together with any premium due and accrued and unpaid

interest. All advances by the Authority to the Trustee from the General Bond Reserve Account shall be promptly applied by the Trustee to the principal of and interest due on the Bonds and to the extent not so applied shall be returned to the Authority. All advances by the Authority under this paragraph shall bear interest at the rate of eight percent (8%) per annum until repaid by the Institution, or by the Trustee from funds received from the Institution or otherwise as part of the trust estate under the Indenture. All such moneys received by the Trustee from the Institution (except moneys paid to the Trustee for its expenses, advances and reasonable fees) and all revenues and income of the Project or proceeds from the sale or foreclosure of the Project received by the Trustee shall be applied, first, to the payment of any principal of or interest on the Bonds due or to become due within 30 days thereafter (including, if the trust estate has been foreclosed, principal which has been declared and has become due prior to stated maturity by reason of an event of default) and, second, to reimburse the Authority and the General Bond Reserve Account to the extent of the advance so made. Neither the Trustee nor the holders of any Bonds or coupons of common fund Bonds shall have any right to possession of the funds or investments of the General Bond Reserve Account or to direct the investment or reinvestment thereof or to sell or foreclose on the security interest and pledge granted to the common fund except to enforce advances in accordance with this General Bond Resolution and application of the moneys and investments in the General Bond Reserve Account ratably to the common fund Bonds and coupons from time to time issued and outstanding and observance of the covenants of the Authority contained in this General Bond Resolution in respect thereto.

e. Rebates to Institutions. Contributions from Bond proceeds (or other sources) to the General Bond Reserve Account by an Institution in accordance with the requirements of a Series Resolution applicable to a series of common fund Bonds remaining to the credit of a subaccount in the Institution's name, to be established on account of such series of common fund Bonds, shall be rebated to the Institution after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and after any advances, expenses, charges and fees of the Trustee and the Authority and all other amounts required to be paid under the Lease and the Indenture have been paid. At such time, the Institution shall also be entitled to receive its proportionate share of the earnings, if any, of the General Bond Reserve Account, as determined by the Authority. At such time or thereafter, the Authority shall further rebate to each Institution, when received, the Institution's proportionate share of any collections of advances made by the Authority from the General Bond Reserve Account and charged against the subaccounts of the Institution and other participating Institutions. No Institution shall be entitled to

receive a rebate on account of any funds or investments derived from sources other than its contribution from Bond proceeds (or other sources) at the time of delivery of the Bonds, less charges against such contributions, plus a share of the earnings of the General Bond Reserve Account proportionate to its contribution, as provided in this General Bond Resolution.

f. Withdrawal of Excess Reserves. In the event the amounts of cash and investments in the General Bond Reserve Account exceed the amount of principal and interest to become due on common fund Bonds in any calendar year, the Authority may by resolution withdraw and expand for its general purposes moneys from the General Bond Reserve Account or rebate, prior to the end of the lease terms, proportionately to the several Institutions all or part of their contributions to the General Bond Reserve Account, provided that (i) the Authority shall not make withdrawals for its general purposes if, as a result thereof, the moneys and investments remaining in the General Bond Reserve Account shall not at least equal the aggregate of the contributions of the several Institutions and their respective shares of the earnings of such Account and (ii) after such withdrawal or rebate the amount of cash and investments remaining in the General Bond Reserve Account shall at least equal the maximum amount of principal and interest to come due in any calendar year on common fund Bonds.

g. Accounting and Other Binding Determinations by the Authority. The Authority shall have authority to determine all questions of (i) the availability and application of funds of the General Bond Reserve Account, (ii) the availability and sufficiency of the funds for the payment of principal and interest due on outstanding common fund Bonds, (iii) the investment and reinvestment of moneys in the General Bond Reserve Account, (iv) the collectibility and procedures to enforce the collection of advances made from the General Bond Reserve Account, (v) whether particular funds received by the Authority are required to be deposited in the General Bond Reserve Account, (vi) the amount of charges for advances and credits for earnings from investments to be made to the several subaccounts of the participating Institutions, (vii) the rates and fees to be charged by the Institution as agent for the Authority, the expenses to be incurred, insurance to be provided, equipment to be furnished and repairs and replacements to be made in connection with the operation of a Project by the Authority or an Institution, (viii) the option price, or prices, if any, to be charged by the Authority to an Institution for the sale or release of a Project or part thereof, (ix) the amount of any reserves or capitalized interest required (over and above the reserves required by paragraph 3(b) hereof) with respect to any Project or Bonds, (x) the cost and feasibility of any Project to be financed by common fund Bonds, (xi) adequacy of design, plans and specifications, performance and payment bonds, and procedures for construction of any Project and (xii) all other accounting questions and questions of interpretation

and application of the requirements of the Act and this General Bond Resolution which determinations shall be binding upon each Institution, Trustee and holder of any Bonds or coupons unless made unreasonably or in bad faith or as a result of a mistake of fact or mathematical error. No member, officer, agent or counsel of the Authority shall be personally liable to the Authority or to any Institution, Trustee or holder of any Bonds or coupons by reason of any determination, recommendation or opinion relating to the operation of the General Bond Reserve Account made in good faith.

3. Issuance of Common Fund Bonds. Bonds, bond anticipation notes and other obligations of the Authority shall not be deemed common fund Bonds and shall not be secured by a pledge of the General Bond Reserve Account, unless:

a. The Authority shall specifically pledge to the Bonds of the series the General Bond Reserve Account by appropriate provision in the Series Resolution or the Indenture, and covenant to make advances in respect of the Bonds of such series in accordance with the terms of this General Bond Resolution; and

b. The Institution shall contribute from the proceeds of the Bonds of such series (or a series refunded by such series or other sources) in accordance with this General Bond Resolution and the Series Resolution (i) to the General Bond Reserve Account not less than twenty percent (20%) of the probable average annual principal and interest debt service requirements of the Bonds of such series after deducting the estimated annual interest subsidy, if any, to be provided by HUD, HEW or other federal department or agency, as determined or estimated by the Authority and (ii) to a debt service reserve fund to be held and used by the Trustee for payment of principal of and interest on the Bonds of such series not less than eighty percent (80%) of such probable average annual principal and interest requirements of the Bonds of such series as determined or estimated by the Authority; and

c. The Authority and the Institution enter into an Agreement and Lease whereby the Institution agrees to provide all funds (in addition to the Bond proceeds) needed for completion and operation of the Project and to pay base rent and additional rent sufficient to pay the principal of and interest on the Bonds of such series when due and all expenses of operation and maintenance of the Project and expenses of the Authority, Trustee and paying agent, in such form and with such additional provisions as the Authority may approve; and

d. The Authority executes and delivers to the Trustee an Indenture providing a first mortgage lien of record on the Project, subject to the Lease and such permitted encumbrances and in such form and with such terms and conditions and additional provisions and covenants as the Authority may approve; and

e. The Authority shall prescribe in the Series Resolution or Indenture: (i) The authorized principal amount of such series of Bonds, (ii) the name of the Institution and description of the Project for which such series of Bonds is being issued, (iii) the date, maturity dates and amounts of each maturity and the first and subsequent interest payment dates of the Bonds of such series, (iv) the interest rate or rates of the Bonds of such series, or the manner of determining such rate or rates, (v) the denomination or denominations of and the manner of numbering and lettering the Bonds of such series, (vi) the Trustee or the manner of appointing such Trustee for the Bonds of such series, (vii) the paying agent, if any, other than the Trustee, or the manner of appointing such paying agent, (viii) the redemption price or prices, if any, and the redemption terms, if any, for the Bonds of such series, (ix) provisions relating to the sale and delivery of such series, (x) directions for the application of the proceeds of the Bonds of the series, and (xi) any other provision deemed advisable by the Authority, which may include variations of this Resolution with respect to the Bonds to be issued under the Series Resolution and the Project financed thereunder; and

f. The Authority shall determine by the Series Resolution that the requirements of this General Bond Resolution have been met, which determination shall be binding on each Institution, Trustee and holder of the common fund Bonds then outstanding or thereafter issued as provided in paragraph 2(g).

#### 4. Amendments and Consents.

a. The Authority reserves the right to amend this General Bond Resolution (i) at any time, in any respect, if no common fund Bonds are outstanding or if the holders of all the common fund Bonds consent thereto, (ii) at any time if the holders of at least sixty-five percent (65%) of the common fund Bonds of each series outstanding consent thereto in any respect except to extend the maturity or reduce the principal amount or redemption premium or rate of interest of any common fund Bonds, or to create a lien or pledge on the General Bond Reserve Account or any funds or investments therein ranking prior to any outstanding common fund Bonds or to give a preference or priority of any common fund Bond or Bonds outstanding with respect to the General Bond Reserve Account or funds or investments therein, and (iii) at any time, to cure any ambiguity or formal defect in this General Bond Resolution or amendment hereof or to grant any additional rights, remedies, powers, authority or security to the Trustee or Trustees for the benefit of the holders of the common fund Bonds.

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

SERIES RESOLUTION

[Minnesota Higher Education Facilities  
 Authority First Mortgage Revenue Bonds,  
 Series R (The College of Saint Catherine)]

BE IT RESOLVED by the Minnesota Higher Education Facilities Authority, as follows:

1. This Authority has received and considered bids for the sale of \$795,000 First Mortgage Revenue Bonds, Series R (The College of Saint Catherine), dated as of August 1, 1976 (herein called the "Bonds" or "Series R Bonds"), and it is hereby found and determined that the best bid providing the lowest net interest cost of       % per annum, is the bid of       to purchase the Bonds at a price of \$       , plus accrued interest on the principal amount of \$795,000 from the date of the Bonds to the date of bond delivery, bearing interest according to years of maturity as follows:

<u>Years of</u> <u>Maturity</u>	<u>Interest</u> <u>Rates</u>
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2. This Authority does hereby approve, and The College of Saint Catherine has heretofore approved and executed, an Agreement dated as of May 25, 1976 (hereinafter called the "Agreement"). As provided in paragraph 3 of the Agreement, the representatives of The College of Saint Catherine have requested the Authority to award the sale of the Bonds to the lowest and best bidder as found in paragraph 1. The Authority does hereby award the sale of the



Series R Bonds to the said bidder in accordance with the said bid, and the Chairman or the Vice Chairman and Secretary of the Authority are authorized to execute the said Agreement and also to execute a contract of sale of the Series R Bonds with the said bidder. The good faith checks of all unsuccessful bidders shall be returned forthwith.

3. The Authority does hereby approve, and The College of Saint Catherine (hereinafter sometimes called the "College") has heretofore approved, the forms of the following Exhibits to the Agreement:

- Exhibit 1 -- Deed of the Project site from the College to the Authority (the "Deed").
- Exhibit 2 -- Lease of the Project from the Authority to the College, to be dated as of August 1, 1976 including as exhibits a description of the leased premises, a description of the leased equipment and permitted encumbrances (the "Lease").
- Exhibit 3 -- Mortgage Trust Indenture to be dated as of August 1, 1976, including as exhibits a description of the mortgaged real estate and a description of the mortgaged leased equipment (the "Indenture"), with
- Exhibit 8 -- Financing Statement from the College to secure the payment of the base rent under the Lease (the "Financing Statement").

The Chairman or the Vice Chairman and the Secretary of this Authority are authorized to accept the said Deed, to execute and accept the Financing Statement, and to execute, seal and deliver counterparts of the said Lease and Indenture for and in the name of the Authority, with all such changes and insertions therein as the officers executing the same shall approve.

4. The Series R Bonds shall be in substantially the form set forth in the Indenture, and when printed shall be executed, sealed and delivered by the facsimile signatures of the Vice Chairman and Secretary of the Authority and submitted to the Trustee for authentication, all as more fully provided in the said Indenture.

5. The proceeds of the Series R Bonds shall be deposited in the following accounts:

Into the General Bond Reserve Account to be kept and maintained by the Authority, as provided in the General Bond Resolution adopted October 31, 1972 --	\$ 15,000
Into the Series R (The College of Saint Catherine) Bond and Interest Sinking Fund Account, to be kept and used by the Trustee under the Indenture, all accrued interest received upon the sale of the Bonds --	(accrued interest)
Into the Series R (The College of Saint Catherine) Debt Service Reserve Account to be kept and maintained by the Trustee under the Indenture --	\$ 60,000
Into the Series R (The College of Saint Catherine) Repair and Replacement Reserve Account to be kept and disbursed by the Trustee under the Indenture --	\$ 30,000

All other proceeds of the Bonds shall be deposited into the Construction Account with the Trustee under the Indenture to be used and paid out by the Trustee for payment of the Project costs in accordance with the Indenture and Lease.

6. As required by the provisions of Chapter 868 of the Laws of 1971, as amended, (the "Act"), the officers of the Authority authorized to sign checks or otherwise handle funds of the Authority, including funds in the General Bond Reserve Account, shall furnish a surety bond, executed by a surety company authorized to transact business in the State of Minnesota as surety and file the same in the office of the Secretary of State of Minnesota, subject to approval of the Attorney General, prior to delivery of the Series R Bonds, which officers and the amounts of the surety bonds shall be as set forth in the separate resolution adopted by the Authority on November 28, 1972.

7. The Authority hereby finds and determines that the opinion of Messrs. Briggs and Morgan, Professional Association, of St. Paul, Minnesota, as counsel for the College, may be accepted

to evidence title to the Project site, and title insurance shall not be required but may be furnished in lieu of said title opinion.

8. As required in paragraph 3 of the General Bond Resolution adopted by the Authority on October 31, 1972:

a) The Authority hereby pledges to the Series R Bonds (including the interest thereon) the funds and investments in the General Bond Reserve Account and hereby covenants to make advances in respect of the Series R Bonds in accordance with the terms of the General Bond Resolution and the Indenture.

b) By the provisions of this Series Resolution and the Indenture, and by the execution and performance of the Agreement, the Lease and the Indenture, all requirements of the General Bond Resolution, required to authorize the pledge and covenant of subparagraph (a), have been met.

9. The terms and provisions of the said Agreement, Lease and Indenture and each resolution of the Authority heretofore adopted by the Authority relating to the Series R Bonds or the Project described therein and the application relating thereto are all hereby incorporated by reference and adopted, ratified and confirmed; and the officers of this Authority, Springsted Incorporated as fiscal consultants, and Messrs. Faegre & Benson as bond counsel are hereby authorized and directed to execute and deliver all closing documents and do every other thing necessary or convenient to carry out the terms and provisions of the said Agreement and each exhibit thereto (including this Series Resolution) to the end that the Project shall be acquired, constructed and operated and that the Series R Bonds shall be delivered, secured and serviced and to carry out the purposes and provisions of the Act with respect thereto without further resolution or other action by this Authority.

Adopted: July 27, 1976.

Attest:

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Secretary

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Vice Chairman