

HIGHER EDUCATION
FACILITIES AUTHORITY
380 JACKSON ST., STE. 450
ST. PAUL, MN 55101-3899

NEW ISSUE

Rating: An application will be
made to Standard & Poor's.

In the opinion of Bond Counsel, all Bonds are exempt from taxation by the State of Minnesota and its subdivisions and municipalities and the interest to be paid on said Bonds is not includible in the gross income of the recipient for United States or State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by income) according to present federal and Minnesota laws, regulations, rulings and decisions.

\$1,300,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Mortgage Revenue Bonds, Refunding Series 1976-2

(St. Marys College)

Dated: April 1, 1977

To Mature: April 1, 1979-2002

Coupon Bonds in the denomination of \$5,000

Interest will be payable October 1 and April 1, commencing October 1, 1977, at the office of the Paying Agent to be named by the Purchaser. All Bonds maturing on or after April 1, 1992 are subject to prior payment at par in inverse order of serial numbers on any interest payment date commencing April 1, 1991 and as otherwise provided by the terms of the Mortgage Trust Indenture.

Bids must be for not less than par. No rate for any maturity may be more than the rate for any subsequent maturity. Bids must be accompanied by a cashier's or certified check in the amount of \$13,000.

The Bonds will be special obligations of the Authority payable solely, and only, out of Project revenues and the Reserve Accounts established thereto. The Bonds will be guaranteed by the College and will not represent a debt or pledge of the faith or credit of the State of Minnesota.

MATURITIES AND AMOUNTS

<u>Due</u> <u>April 1</u>	<u>Amount</u>	<u>Due</u> <u>April 1</u>	<u>Amount</u>
1979	\$20,000	1995	\$ 65,000
1980-82	\$25,000	1996	\$ 70,000
1983-84	\$30,000	1997	\$ 75,000
1985-86	\$35,000	1998	\$ 80,000
1987-88	\$40,000	1999	\$ 85,000
1989-90	\$45,000	2000	\$ 95,000
1991	\$50,000	2001	\$100,000
1992	\$55,000	2002	\$110,000
1993-94	\$60,000		

(Accrued interest from April 1, 1977 will be added to all Bonds)

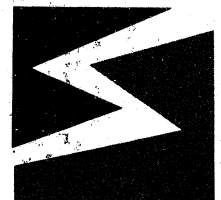
**SEALED BIDS FOR THE BONDS WILL BE RECEIVED AT 11:00 A.M. (C.T.) ON TUESDAY, MARCH 22, 1977
FOR AWARD AT 3:00 P.M. (C.T.) OF THE SAME DAY**

These Bonds are offered for delivery when, as and if issued, subject to an approving opinion of Messrs. Faegre & Benson of Minneapolis, Minnesota. It is anticipated that the Bonds will be available for delivery at a place mutually satisfactory to the Issuer and Purchaser on or about April 29, 1977.

The date of this Official Statement is March 11, 1977 and has been prepared on behalf of the Authority by:

SPRINGSTED INCORPORATED

MUNICIPAL CONSULTANTS ■ 800 OSBORN
BUILDING, SAINT PAUL, MINNESOTA 55102



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

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

DISCLAIMER

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 Obligations 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.

This Official Statement has been prepared for the information of firms and persons regularly engaged in the business of underwriting tax exempt bonds, who may offer to purchaser the entire Issue. No representation is made herein of the adequacy of disclosure of the Official Statement for the purpose of informing purchasers of the Bonds from the firm(s) or person(s) who may be awarded the Issue by the Authority and no authorization is given for the use of this Official Statement for such purpose.

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DEFINITIONS 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 St. Marys College, Winona, Minnesota. Although the College is commonly referred to as "Saint Mary's College" its correct corporate name is "St. Marys College". In the HUD Indenture defined below and in the College Student Union Bond of 1969 the College is referred to as "Saint Marys College".
Issue Bonds Project Bonds	Whenever these words are capitalized, they shall refer to the \$1,300,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Refunding Series 1976-2 (St. Marys College).
Project	Whenever this word is capitalized, it shall refer to a multi-purpose College Center on the campus of St. Marys College, Winona, Minnesota.
HUD Indenture	This is an indenture, dated January 1, 1969, of the College to Winona National and Savings Bank as Trustee, as amended, securing the \$500,000 Saint Marys College Student Union Bond of 1969 held by the United States of America, Department of Housing and Urban Development, establishing a first mortgage lien on the Project facilities and site thereof.

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
612/222-4241

The College

Brother Peter Clifford, President
St. Marys College
Winona, Minnesota 55981
507/452-4430

Legal

For the Authority

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

For the College

Leo F. Murphy, Jr.
Streater, Murphy, Brosnahan & Langford
64-68 East Fourth Street
Winona, Minnesota 55987
507/454-2925

Unless otherwise indicated, information contained within this Official Statement pertinent to St. Marys College is based upon material provided by the College and available at the date of publication of the Official Statement. The "Audit Report at May 31, 1976" prepared by Bansley and Kiener, Certified Public Accountants, 300 Washington Street, Chicago, Illinois, which is Appendix I (salmon) has been reproduced as submitted to the College, except for reduction of page size in some instances. Bansley and Kiener did not participate in the preparation of this Official Statement. Mr. George J. Kiener, Jr. who was a principal in the firm of Bansley and Kiener is also a member of the Board of Trustees of St. Marys College.

THE BONDS

OFFICIAL NOTICE OF BOND SALE
\$1,300,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
MORTGAGE REVENUE BONDS, REFUNDING SERIES 1976-2
(ST. MARYS COLLEGE)

Bids will be received Tuesday, March 22, 1977, at 11:00 A.M., at the Authority's Offices, Metro Square Building, St. Paul, Minnesota, for award at 3:00 P.M. of the same day on the following terms:

DATE AND INTEREST PAYMENTS OF THE OBLIGATIONS

The Bonds will be dated April 1, 1977. Interest will be payable October 1, 1977, and each April 1, and October 1, thereafter.

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 moneys 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 issued in denominations of \$5,000 each 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 refinance outstanding debt of the College originally incurred to construct a College Center at the campus of the College.

MATURITIES AND REDEMPTION

<u>April 1</u>	<u>Amount</u>	<u>April 1</u>	<u>Amount</u>
1979	\$ 20,000	1991	\$ 50,000
1980	\$ 25,000	1992	\$ 55,000
1981	\$ 25,000	1993	\$ 60,000
1982	\$ 25,000	1994	\$ 60,000
1983	\$ 30,000	1995	\$ 65,000
1984	\$ 30,000	1996	\$ 70,000
1985	\$ 35,000	1997	\$ 75,000
1986	\$ 35,000	1998	\$ 80,000
1987	\$ 40,000	1999	\$ 85,000
1988	\$ 40,000	2000	\$ 95,000
1989	\$ 45,000	2001	\$100,000
1990	\$ 45,000	2002	\$110,000

At the option of the Issuer all Bonds maturing April 1, 1992 through April 1, 2002 shall be subject to prior payment in inverse order of serial numbers on April 1, 1991 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.

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.

PAYING AGENT AND TRUSTEE

The Paying Agent may be named by the Successful Bidder, 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. The College will pay the charges of the paying agent customarily made by it to similar users of its services. An alternate paying agent may be named subject to the consent of the Authority and provided that there shall be no additional expense 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 or before March 18, 1977.

DELIVERY

The Bonds shall be delivered without cost to the Purchaser at a place mutually satisfactory to the Issuer and the Purchaser within 40 days after award, subject to an approving legal opinion of Messrs. Faegre & Benson of Minneapolis, Minnesota and customary closing papers, including a statement of non-litigation. Bond printing and legal opinion will be paid for by the Issuer. Payment must be made in Federal Funds, or equivalent immediately available funds, on day of delivery. The legal opinion will be printed on the Bonds.

TYPE OF BID

Sealed bids for not less than par plus accrued interest from the date of the Bonds to date of delivery must be filed with the undersigned prior to time of sale together with a certified or cashier's check in the amount of \$13,000 payable to the order of the Minnesota Higher Education Facilities Authority, 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 1/8th of 1%. All Bonds of the same maturity must bear a single rate from date of issue to maturity. No rate of any maturity may be lower than the highest rate carried by any of the preceding maturities. Additional coupons may not be used. There is no rate limit.

AWARD

Award will be made on the basis of lowest dollar interest cost, determined by the deduction of any premium from the total interest on all Bonds from their date to their stated maturities. The Issuer reserves the right to reject any and all bids, to waive informalities and to adjourn the sale.

Dated: January 11, 1977

BY ORDER OF THE MINNESOTA HIGHER
EDUCATION FACILITIES AUTHORITY

/s/ Richard C. Hawk
Secretary

BOND YEARS

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>BOND YEARS</u>	<u>CUMULATIVE BOND YEARS</u>
1979	\$ 20,000	40	40
1980	\$ 25,000	75	115
1981	\$ 25,000	100	215
1982	\$ 25,000	125	340
1983	\$ 30,000	180	520
1984	\$ 30,000	210	730
1985	\$ 35,000	280	1010
1986	\$ 35,000	315	1325
1987	\$ 40,000	400	1725
1988	\$ 40,000	440	2165
1989	\$ 45,000	540	2705
1990	\$ 45,000	585	3290
1991	\$ 50,000	700	3990
1992	\$ 55,000	825	4815
1993	\$ 60,000	960	5775
1994	\$ 60,000	1020	6795
1995	\$ 65,000	1170	7965
1996	\$ 70,000	1330	9295
1997	\$ 75,000	1500	10795
1998	\$ 80,000	1680	12475
1999	\$ 85,000	1870	14345
2000	\$ 95,000	2185	16530
2001	\$100,000	2400	18930
2002	\$110,000	2750	21680

Callible

AVERAGE MATURITY: 16.68 Years

DATED: April 1, 1977

INTEREST: Each April 1, and October 1, to maturity
commencing October 1, 1977

PRINCIPAL DUE: April 1, 1979-2002, inclusive.

REDEMPTION: At the option of the Issuer all Bonds maturing April 1, 1992 through April 1, 2002 shall be subject to prior payment in inverse order of serial numbers on April 1, 1991 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: April 1, 1977

Interest: Each April 1, and October 1, to maturity commencing October 1, 1977

Due: April 1, 1979-2002, inclusive

Bond Years: 21,680

Average Maturity: 16.68 Years

Redemption: At the option of the Issuer all Bonds maturing April 1, 1992 through April 1, 2002 shall be subject to prior payment in inverse order of serial numbers on April 1, 1991 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.

Type of Bid: Bids must be for par. 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 date of issue to maturity. No rate of any maturity may be lower than the highest rate carried by any of the preceding maturities.

Rate Limit: There is no rate limit.

BONDHOLDERS' RISKS

No representation, guarantees or assurances are made that the College will in fact be able to generate revenues sufficient to meet the payment of principal or interest of the Bonds or that other assets pledged for payment of the Bonds will be sufficient to meet the amounts when due or subsequently.

Bondholders should be aware that the tax exempt status of non-profit institutions of higher education, including the College, may be changed by federal or state laws and regulations.

At the 1975 First Regular Session of the Minnesota Legislature, Chapter 201 was enacted which, among other things, provides that all private, non-profit, post-secondary education institutions must register annually with the Minnesota Higher Education Coordinating Board and that no school subject to registration shall grant a degree unless such degree is approved by the Board. The 1976 Session of the Minnesota Legislature delayed implementation of Chapter 201 until March, 1977. The Board has conducted public hearings relative to proposed implementation of this legislation.

Bondholders should also be aware of predicted declining college enrollments after 1980 for institutions of higher education generally and of the competition of publicly supported higher education facilities with private schools whose tuition charges are generally higher.

The HUD Indenture constitutes a first mortgage upon the Project facilities and the site thereof. If the College should fail to pay any installments of principal or interest on the Saint Marys College Student Union Bond of 1969 or should otherwise default under the HUD Indenture the Winona National and Savings Bank, as Trustee on behalf of HUD, may enforce the remedies provided by the HUD Indenture and by law, including foreclosure and obtaining possession of the Project facilities. The Authority has not assumed any obligation to pay the Student Union Bond of 1969 and does not have funds available for that purpose if the College should default.

LITIGATION

The College has no litigation threatened or pending against it of which the College is aware.

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 site thereof, 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 second mortgage lien on the Project and site thereof subject only to the Lease and encumbrances permitted by the Indenture, (v) the Guaranty is the valid and binding obligation of the College, (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, and (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.

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.

SECURITY OF THE BONDS

The Bonds will be secured by:

1. The guarantee of St. Marys College of Winona, Minnesota.
2. A second mortgage upon the College's Campus Center. Although title to the Campus Center building and land will be held by the Authority its ownership will be subject to the first mortgage lien of the HUD Indenture securing the 3% Saint Marys College Student Union Bond of 1969 held by HUD which has a principal balance of \$452,000 and a final maturity of January 1, 2009. HUD has agreed to the transfer of title to the Project to the Authority by the College.
3. A Series Reserve of \$22,800.
4. The General Bond Reserve of the Authority, the principal contributions to which, including this Issue, total \$893,974.53 (except as explained in the footnote at p. 10) 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 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 (pink))

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 8 hereof.
2. Bond and Interest Sinking Fund Account (pp. 31-32, 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 (pp. 32-33, 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 \$91,200 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. Redemption Account (pp. 33-34, Section 5.05, 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.
6. General Bond Reserve Account (pp. 35-36, Section 5.07 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 \$22,800 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.

GENERAL BOND RESERVE ACCOUNT

The sum of \$91,200 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 \$22,800 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:*

Original Amount	Issue	Contributions To General Bond Reserve	Final Maturity
\$ 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. Marys College)	9,000.00	1998
\$ 520,000	First Mortgage Revenue Bonds, Series D (College of Saint 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)	17,000.00	1994
\$ 795,000	First Mortgage Revenue Bonds, Series R (College of Saint Catherine)	15,000.00	1997
\$ 2,070,000	First Mortgage Revenue Bonds Series S (Golden Valley Lutheran College)	39,000.00*	1997
	Sub-Total	\$871,174.53	
\$ 1,300,000	This Issue	22,800.00	2002
\$43,340,000	Total	\$893,974.53	

*The contribution of Golden Valley Lutheran College has not been made but is expected to be on or about April 1, 1977 when the bonds of that issue will be delivered.

Funds in the General Bond Reserve are invested in authorized securities. (See "General Bond Resolution," Appendix V (ivory).) 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 (ivory).)

The following is the current status of the General Bond Reserve Account as of March 8, 1977.

	<u>Par Value</u> ^{1/}	<u>Security</u> ^{2/}	<u>Due</u>
1.	\$ 9,572.87	Savings Certificate #OV6704, First National Bank of St. Paul 7.25%	1/08/78
2.	\$170,000.00	Certificate of Deposit #43601.3, First National Bank of St. Paul 5.10%	8/29/77
✓ 3.	\$235,000.00	Federal National Mortgage Association Debentures 7.00% 9.80%	6/11/79
✓ 4.	\$ 70,000.00	Federal National Mortgage Association Debentures 6.80%	9/10/82
✓ 5.	\$ 50,000.00	Federal National Mortgage Association Debentures 7.00%	3/10/92
✓ 6.	\$ 15,000.00	Federal Land Bank Debentures 7.60%	4/20/78
✓ 7.	\$150,000.00	Federal Land Bank Debentures 6.60%	10/20/77
✓ 8.	\$ 80,000.00	Federal Land Bank Debentures Series B-1981 7.45%	10/20/81
9.	\$ 20,000.00	Federal National Mortgage Association Debenture Series SM-1978-H 7.45%	9/11/78
✓ 10.	\$ 26,000.00	United States Treasury Notes 6.875%	9/30/80 3/31/77
✓ 11.	\$ 35,000.00	Federal Land Bank Debentures 7.10%	1/20/81 7/20/77
✓ 12.	<u>\$105,000.00</u>	Federal Intermediate Credit Bank 5.35%	9/01/77
	\$965,572.87		
	<u>1,715.66</u>	Cash on Hand March 8, 1977	
	<u>\$967,288.53</u>		

1/ Current value has not been determined.

2/ Interest rates shown are coupon rates.

NOTE: In addition the sum of \$39,000 is expected to be placed in this account about April 1, 1977 for the Authority's issue on behalf of Golden Valley Lutheran College sold February 23, 1977.

Estimated General Bond Reserve Comparison
With Total Debt Service Requirements of all Authority Bonds
and Remaining Principal

Calendar Year	Authority Estimated General Bond Reserve1/	Total Debt Service2/	Coverage By General Bond Reserve (Times)	Remaining Principal3/ (000 Omitted)	Percentage That General Bond Reserve is to Remaining Principal
1977	\$ 931,193.53	\$ 4,149,626.57	0.224	\$38,680	2.41%
1978	1,048,865.14	4,321,843.76	0.242	40,560	2.59%
1979	1,111,797.07	4,346,968.76	0.255	38,940	2.86%
1980	1,178,504.88	4,305,436.26	0.273	37,190	3.17%
1981	1,249,215.17	4,293,726.26	0.290	35,370	3.53%
1982	1,324,168.07	4,314,378.76	0.306	33,445	3.96%
1983	1,403,618.15	5,341,005.01	0.262	31,375	4.47%
1984	1,093,848.78	3,126,783.76	0.349	28,145	3.89%
1985	1,159,479.70	3,129,793.76	0.370	26,920	4.31%
1986	1,229,048.47	3,135,966.26	0.391	25,910	4.74%
1987	1,302,791.37	3,143,808.76	0.414	24,205	5.38%
1988	1,380,958.89	3,158,107.51	0.437	22,695	6.08%
1989	1,463,816.41	3,488,392.51	0.420	21,065	6.95%
1990	1,430,854.72	2,911,063.76	0.492	18,990	7.53%
1991	1,516,706.00	3,082,128.76	0.492	17,350	8.74%
1992	1,511,846.01	2,716,041.26	0.557	15,415	9.81%
1993	1,602,556.79	2,723,319.39	0.588	13,720	11.68%
1994	1,636,786.82	3,583,440.64	0.456	11,895	13.76%
1995	995,099.59	1,489,113.76	0.668	9,070	10.97%
1996	952,818.69	1,332,095.63	0.715	8,145	11.70%
1997	969,193.02	1,412,963.75	0.686	7,325	13.23%
1998	670,000.77	719,560.00	0.931	6,365	10.53%
1999	580,139.96	599,670.00	0.967	6,060	9.57%
2000	589,197.13	4,578,082.504/	0.129	5,860	10.05%
2001	281,199.31	296,370.00	0.949	1,670	16.84%
2002	298,071.27	328,970.00	0.906	1,470	20.28%
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	1.420	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	1.680	320	90.81%
2012	308,024.26	174,240.00	1.768	165	186.68%
		\$77,671,977.39			

The foregoing schedule is a general indication of the ratio of reasonably anticipated General Bond Reserve balances to anticipated approximate annual debt service requirements, assuming no additional issues of the Authority, 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 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.
- c. The \$39,000 contribution for the Golden Valley Lutheran College issue sold February 23, 1977 expected to be deposited on or about April 1, 1977 and the \$22,800 for this Issue have been included and are first reflected as of January 1, 1978.

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 6.50%.

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 was paid 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.

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:

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.

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 non-profit 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 the Institution shall apply to the Authority for the issuance of additional bonds to provide improvements to or alterations, repairs or replacements of the Project facilities and if the holders of at least 65% of the Bonds (and additional bonds if any) shall consent thereto; 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 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 site thereof, except permitted encumbrances, 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, subject only to the Lease and First Mortgage 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 (green) and III (pink) 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 (white). 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 (yellow).

HUD INDENTURE

The HUD Indenture grants a first mortgage lien on the College Center and pledges the net revenues derived by the College from the operation of the College Center to the Winona National and Savings Bank, as Trustee, for the security of the Saint Marys College Student Union Bond of 1969, held by the United States of America Department of Housing and Urban Development. The College is required to establish and maintain with the Trustee under the HUD Indenture the following Accounts: (1) A Revenue Fund Account into which all rentals, charges, revenue and income derived by the College from the operation of the Project shall be deposited and from which all current expenses for the operation and maintenance of the Project must be paid as a first charge; (2) A Bond and Interest Sinking Fund Account in an amount equal to interest due on the next interest payment date and one-half of the principal due on the next principal payment date plus a debt service reserve of \$25,000; and, (3) A Repair and Replacement Account into which the College must deposit: (a) the sum of \$3,000 or such portion thereof as is available for transfer annually for an equipment reserve until the equipment portion equals \$60,000, and, (b) the sum of \$2,500 annually or such portion thereof as is available for transfer annually for a repairs reserve.

After providing for the foregoing Accounts and a reserve for accrued and/or unbilled expenses, the College may use the balance of funds in the Revenue Fund Account to prepay installments of the Student Union Bond of 1969 or for any other lawful purpose, which would include payments to the Authority for debt service of the Bonds.

The HUD Indenture contains covenants by the College to maintain insurance (including use and occupancy insurance), to repair and maintain the Project, to furnish heat to the Project, to levy student union fees to be deposited with the Trustee for the HUD Indenture and other covenants and terms.

Foreclosure and other remedies are provided to the Trustee to enforce the HUD Indenture.

The Student Union Bond of 1969 is payable in installments in amounts ranging from \$8,000 to \$22,000, plus interest, through January 1, 2009 (see p. 34, par. 4 and p. 35) and is subject to redemption at any time at par plus accrued interest so long as it is held by HUD.

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 a percentage 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 a percentage 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) (ivory).)

The fees of the Authority applicable to this Issue are:

Initial fee payable at the time of settlement (1/3 of 1%)	\$4,334
Annual fee payable in advance and commencing as of time of settlement (1/8 of 1%)	<u>1,625*</u>
	\$5,959

To date, exclusive of this Issue, the Authority has awarded twenty-one series of Bonds in the aggregate amount of \$42,040,000. (See page 10 re Golden Valley Lutheran College issue.)

**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.*

THE PROJECT

PURPOSE OF THE ISSUE

The proceeds of the Issue will be used to refinance part of the outstanding long-term debt of the College originally incurred to construct a 63,000 square foot College Center in 1968 at a cost of \$1,631,000. Construction proceeds were provided by a \$500,000 40-year, 3% HUD Loan (see HUD Indenture, p. 16) and the issuance of \$1,250,000 unsecured Coupon Notes, dated June 1, 1968 and bearing interest at the rate of 6.50% for the maturities 1973-1975; 6.75%, 1976 and 1977, and 7%, 1978. The Coupon Notes have a balloon payment of \$1,010,000 due June 1, 1978. The remaining principal is payable: \$58,000 June 1, 1977 and \$1,010,000 June 1, 1978 for a total of \$1,068,000 which is callable at par on any June 1 or December 1. The proceeds of this Issue will be used to refund the outstanding principal of \$1,068,000, plus principal and interest of approximately \$91,000 due June 1, 1976 which latter amount was provided by a short-term loan by the College that will also be refunded with Bond proceeds. At the time of settlement of the Issue sufficient proceeds from the Issue, and if necessary, from other funds of the College will be deposited with the Trustee for the Issue to pay the remaining principal and interest due as of June 1, 1977.

The College Center is a three-story structure with an exterior of Mankato stone. It houses the following activities:

- Lower Level: Bookstore, post office, game room and several meeting rooms;
- Main Floor: Snack bar, general lounge, Presidential Reception Room, music room and offices;
- Top Floor: All food service, including student dining hall, kitchen, and faculty dining room.

The facility is the only one in the City of Winona area capable of handling large convention-type gatherings and is frequently used for this purpose.

The College's debt service for the period June 2, 1976 through June 1, 1977 for the issue to be refunded without refunding would be: \$74,615 interest and \$58,000 principal for a total of \$132,615. The average annual debt service for this Issue for the fiscal years ending May 31, 1979 through 2000 is anticipated to be \$109,023. (See p. 36). It has been regularly necessary to borrow short-term money with which to meet the payments of the Coupon Notes when due because the due dates have occurred at the low point of the College's annual cash flow. These short-term notes have always been repaid before the end of the fiscal year in which made.

The College Center is connected with the College's gymnasium which is not security for either the Bonds or the Student Union Bond of 1969. The College has agreed that in case of default of the Student Union Bond of 1969 the gymnasium shall be closed off from the College Center and that utility services will continue to be provided for the gymnasium and the College Center.

BOND PROCEEDS USE

Bond proceeds are expected to be expended as follows:

Refunding		\$1,159,063
Reserve:		
Series (80%)	\$91,200	
General (20%)	<u>22,800</u>	114,000
Issuance Costs:		
Authority	\$ 5,958.33	
Bond Counsel*	12,000.00	
Fiscal Advisor*	6,800.00	
Rating*	1,100.00	
Contingency*	<u>1,078.67</u>	<u>26,937</u>
Issue		\$1,300,000

**Estimated. Bond Counsel's fee is in part for services rendered in connection with the test case of Minnesota Higher Education Facilities Authority v. Hawk (232 N.W. 2nd 106) taken to the Minnesota Supreme Court to determine the Authority's right to refund outstanding obligations.*

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 COLLEGE

GENERAL INFORMATION

St. Marys College is a non-profit, non-sectarian, residential, four-year, co-education, liberal arts college. It was founded in 1913 by the second Bishop of Winona. Conducted at first by diocesan clergy, the College came under the administration of the Brothers of the Christian Schools in 1933. It now is operated as a separate corporation for which the Christian Brothers have no fiscal responsibility.

Originally a men's school the College became co-educational in 1969.

The College is accredited by the North Central Association of Colleges and Secondary Schools. It is on the approved list of colleges and universities from which medical students will be accepted, published by the American Medical Association.

Student Body

Enrollments as of the beginning of the 1976-77 academic year were: 1,112 (head count); 1,220 (full-time equivalent).

The student body is drawn from varied social, economic, cultural, racial and religious backgrounds. As of the fall of 1976, 37% of the students were Minnesota residents.

Governance

The Articles of Incorporation of the College provide that the management of the Corporation shall be vested in a Board of Trustees and the sole members of this Corporation shall be the Trustees who are elected and qualified. At least one-third of the members of the Board of Trustees shall be Christian Brothers.

For the purpose of carrying out the objectives of the College, the Corporation shall have the authority and power to take, hold and enjoy all property, both real and personal, that heretofore or hereafter may be owned or acquired or transferred to it, and shall have the right to hold, use and enjoy the income therefrom; to encumber, use and dispose of, in any manner whatsoever, real and personal property, corporeal and incorporeal, including the right to invest and reinvest and to sell or dispose of the whole or any portion of the property of the Corporation at any time; and to have all powers and authority permitted by law to non-profit organizations.

There is no pledge, directly or indirectly, of the credit or support by the Christian Brothers of Minnesota for the Bonds of this offering.

Campus

The College is situated on 350 acres of land on a river terrace at the western edge of the City of Winona overlooking the scenic Hiawatha Valley of the Mississippi River and bordered on three sides by wooded hills. Buildings and the campus park occupy thirty acres; the remainder of the property is allocated for research and recreational facilities.

Four buildings served the needs of the College in its early days: Saint Mary's Hall, Heffron Hall, Skemp Hall and the Dining Hall. Since 1953, more than twenty buildings have been added. The special purpose buildings are Saint Thomas More Chapel and the College Center. Buildings used for instructional purposes are Saint Mary's Hall, Hoffman Science Hall, St. Joseph Hall, St. Yon's Hall, Fitzgerald Library and the gymnasium. Students are housed in nine residence halls and the two campus Villages. The gymnasium, completed in 1965, forms the first-built part of a complex consisting of the College Center and gymnasium. The College Center, completed in 1969, provides a dining hall, offices for student government and student organizations, lounges, snack bar, campus store and post office.

Admissions Criteria

Admission prerequisites include graduation from an accredited high school or the equivalent and satisfactory performance on a college entrance examination. The director of admissions evaluates an applicant's ability to do successful work at St. Marys College. The pattern of high school courses is not the sole criterion for acceptance. Rank in class, test scores, activities and interests, and recommendations from teachers and counselors all provide data for admission. St. Marys welcomes all qualified applicants without regard to race, color, creed, sex or national origin.

College Entrance Examination Scores

Among freshmen entering in the fall of 1976, the average Composite Score on the American College Test was 20.8, compared with the national average of 18.5. A perfect score would be 36.

Rank In Class

Among freshmen entering in the fall of 1976, 39% were in the top quarter of high school graduating classes, 68% in the top half, and 93% in the top three-fourths.

Calendar

The College operates on a conventional semester system. A full-time student is defined as one enrolled for a minimum of 12 semester credit hours.

Fees

Tuition and fees for the academic year 1976-77 are as follows:

Tuition	- \$77 per credit hour (average of 30 hours) -	\$2,310
Board and room	- from \$1,350 to \$1,510 per year - Average	\$1,430
Activity fee		30
Total		\$3,770

In addition, special fees are assessed in some courses which require special materials, etc.

Residence halls are divided into two rate classifications, with the two Village apartment complexes carrying an additional rental of \$160 per year over the basic charge of \$675 per academic year for all other facilities.

Library

The Fitzgerald Library of the College has 126,000 volumes. Professional reference assistance is available during all library hours. In addition, Fitzgerald Library has inter-library loan capabilities with all United States colleges and universities for material unavailable at St. Marys. Fitzgerald Library is also a member of MINITEX (Minnesota Inter-library Teletype Experiment) which permits rapid inter-library loans. The service permits students to receive help with reference questions via teletype facilities with the University of Minnesota. DATRIX is another service available to St. Marys students and faculty. DATRIX is a computerized subject searching of master's and doctoral dissertations published in the United States since 1938. In addition, students may obtain library privileges at both the other Winona college libraries (College of Saint Teresa and Winona State University) by presenting the St. Marys College identification card.

Degree Offerings

St. Marys College offers the Bachelor of Arts degree with majors from eighteen departments and six divisions. The graduate program at St. Marys offers courses leading to the following degrees: Master of Arts in Counseling and Psychological Services; Master of Arts in Education and Human Development; Master of Arts for Teachers with specialization in the areas of English and Communication Arts, Interdisciplinary Social Studies, Modern Language and Religious Studies; and Master of Science in Biology.

Graduation Requirements

Undergraduate degree candidates must fulfill all of the following requirements: (i) earn at least 122 credits and 244 honor points; (ii) complete at least 45 credits in courses numbered 300 or above; (iii) complete either the general education areas program or the advisor-advisee general education program; (iv) complete at least one department, division or individualized major studies program; (v) maintain at least a 2-to-1 ratio of grade points to credits in all courses taken in the major field or in an approved individualized major; (vi) and earn at least 60 credits in academic residence at the College (at least 30 of which must be upper division credits). Graduate degree candidates must maintain an honor point ratio of not less than 3.0 (B average) for the courses presented toward fulfillment of the degree.

Programs

- A. **Cooperative Professional and Paraprofessional Degree Programs:** Students intending to follow professional careers in law, medicine, dentistry, engineering and like fields are encouraged to complete their baccalaureate work before undertaking such specialized training. It is possible, however, under certain circumstances for superior students to enter a cooperative professional program in which the liberal and general content of a complete education is taken within a three-year period at St. Marys. Upon completion of the first year of the approved professional sequence, a Bachelor of Arts degree will be granted by the College. Subsequently, the professional degree is granted by the professional school upon completion of the full program. A similar program is available to students intending to complete their studies at a school for paraprofessionals. In this program, two years of passing work in an approved paraprofessional sequence is necessary to complete the bachelor's degree.
- B. **Inter-College Cooperation:** Students at any of the three Winona institutions of higher education -- Winona State University, College of Saint Teresa and St. Marys College -- may take many on-campus undergraduate courses at either of the other institutions, without formal admission, as a visiting student. This agreement allows a student to supplement the strengths of his home campus with those of the other two.

- C. Off-Campus Learning Program: This Internship for Human Development is usually undertaken during the third or fourth year and provides educational experiences and professional supervision unavailable at the College but essential for the development of professional skills. Students have the opportunity to work in such areas as mental health, drug treatment, child care, retreat work, and penal institutions, in supervised professional settings. New centers are constantly added in order to best fulfill each student's goals. Off-Campus Learning Centers exist throughout the United States as well as in foreign countries and are chosen based on the student's needs, desires and skills in consultation with the Director of Off-Campus Learning.

Advanced Education

22% of June 1976 graduates entered graduate or professional study.

Honor Societies

Honor societies represented at the College include: Alpha Kappa Psi (business), Alpha Phi Omega (service), Beta Beta Beta (biology), Delta Epsilon Sigma (Catholic scholarship honor society), Eta Sigma Phi (classics), Iota Beta Sigma (broadcasting), Phi Alpha Theta (history), Phi Mu Alpha (music), Pi Delta Epsilon (journalism), Pi Gamma Mu (social sciences), Pi Kappa Delta (forensics), Psi Chi (psychology), Sigma Pi (physics), and Phi Gamma Nu (professional business sorority).

Faculty and Staff

The full-time faculty-student ratio for 1976-77 is 16.3:1. 21% of the faculty are Christian Brothers. There is no religious or denominational prerequisite nor any participatory religious requirements 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, 1976-77

<u>Academic Rank</u>	<u>Number of Faculty^{1/}</u>	<u>Average Salary^{2/}</u>
Professor	12 (3)	\$16,506
Associate Professor	22 (4)	\$13,000
Assistant Professor	24 (2)	\$13,990
Instructor	7 (0)	\$11,350

^{1/} Figures in parentheses represent Brother faculty included in the total figures for each category.

^{2/} Salaries for 9-month contracts exclusive of fringe benefits.

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 Christian Brothers.

For the fiscal year ending May 31, 1976, the value of the "Contributed Services" of the Brothers was \$197,986 net of expenses. This represents the difference between what was actually paid the Brothers and what would be paid lay faculty performing their services. In addition to the fixed sum paid for each Brother to his religious community, the College makes a contribution to the Social Security program and the Brothers' retirement program as a fringe benefit. The College also includes the Brothers in its employee group hospitalization program.

Number of Employees and Payroll Totals

Full-time faculty	65
Part-time faculty	31
All other staff and employees	<u>132</u> (115 full-time - 17 part-time)
Total	228

Contributed Services:	\$ 339,983
Salaried payroll	<u>1,696,550</u>
Total payroll and Contributed Services	<u>\$2,036,533</u> ^{1/}

Highest Earned Degrees of Full-Time Faculty, 1976-77

	Ph.D.		M.A.		B.A.		Total	
	Number	%	Number	%	Number	%	Number	%
Professor	12	100.0%	-	-	-	-	12	18.5%
Associate Professor	17	77.3%	5	22.7%	-	-	22	33.8%
Assistant Professor	5	20.8%	18	75.0%	1	4.2%	24	36.9%
Instructor	-	-	5	71.4%	2	28.6%	7	10.8%
Total	34	52.3%	28	43.1%	3	4.6%	65	100.0%

^{1/} Does not include wages paid to students, totaling \$326,790.

Pension Liabilities

All full-time employees of the College except those who are members of the Order of the Brothers of the Christian Schools are required to participate in the retirement program operated for the benefit of all employees of schools and other organizations operated throughout the nation by the Christian Brothers. Each employee contributes 3.5% of his earnings, which is matched by an equal contribution from the employer.

Brothers who are members of the College faculty and staff are covered by a separate retirement program operated exclusively for members of the Order. The College makes a contribution of \$50 per month for each eligible Brother.

As of this date, the College has no remaining obligation for the funding of past services.

Unions

All those employed on an hourly basis in the areas of maintenance and food service are members of Local 263, Hotel, Hospital, Restaurant and Tavern Workers with the exception of six skilled tradesmen.

A one-year contract was negotiated for each of the above groups effective July 1, 1976.

Residential Campus

Students at St. Marys College are expected to live on campus during their entire attendance at the College. A variety of accommodations are available. Up to 200 students have accommodations at home or are permitted to arrange accommodations in Winona or in the immediate region.

Extracurricular and Social Activities

In keeping with its goal of assisting the student in his personal and social development, St. Marys College provides an extensive program of social and cultural activities. The College Center Board, composed of students and faculty members, regulates all social events sponsored by student organizations, both on- and off-campus. Because St. Marys is essentially a residential college, activities are geared to meet the needs of the student body on weekends as well as during the week. Social activities and the social calendar are coordinated with the College of Saint Teresa. The Tri-College Concerts and Lectures Series and the College Center Board's film, lecture and concert series provide extensive programming for the campus community. Student publications include a campus newspaper (The Cardinal), a campus daily (The Troll) and the yearbook. St. Marys also operates a campus radio station (KSMW) which is staffed by student announcers and engineers.

Sports

The College competes with other member colleges of the Minnesota Inter-collegiate Athletic Conference in baseball, basketball, hockey, wrestling, soccer and tennis. In addition, St. Marys College fields women's teams in basketball, volleyball, softball and tennis.

The intramural program at the College offers every student the opportunity to participate in individual, dual and team sports.

Financial Aid

<u>Year</u>	<u>Full-time Fall Enrollment</u>	<u>Total Direct Financial Aid</u>	<u>% of Full-time Students Assisted</u>		
1971-72	1,032	\$ 555,143	63%		
1972-73	1,135	837,110	67		
1973-74	1,119	943,461	68		
1974-75	1,049	1,295,547	74		
1975-76	1,090	1,807,121	87		
1976-77	1,112	2,008,998	68		
<i>Breakdown of Aid</i>	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
<i>Federal Program^{1/}</i>	\$326,104	\$465,480	\$ 587,490	\$ 942,721	\$ 903,401
<i>Minnesota State Programs</i>	30,700	35,375	85,350	144,654	332,415
<i>Institutional Programs</i>	390,897	379,103	440,960	573,860	678,586
<i>Other Programs</i>	89,409	63,503	181,747	145,886	94,596
<i>TOTAL</i>	<u>\$837,110</u>	<u>\$943,461</u>	<u>\$1,295,547</u>	<u>\$1,807,121</u>	<u>\$2,008,998</u>

^{1/} The funds from Federal programs, with the exception of Basic Opportunity Grants, which are included above, are allocated by the College to individual students on the basis of need. The Federal programs included above are as follows:

- Basic Opportunity Grants
- Supplementary Opportunity Grants
- National Direct Student Loans
- College Work/Study
- Law Enforcement Education Programs

Each of the above programs is fully funded by the Federal government with the exception of the National Direct Student Loan Program and the Work/Study Program to which the College must make 10% and 20% contributions, respectively.

ADVANCED INSTITUTIONAL DEVELOPMENT PROGRAM

As a recipient in 1975 of \$1.5 million from the U.S. Office of Education, under terms of the Advanced Institutional Development Program, St. Marys College has undertaken 24 academic, student service and administrative improvement projects. All of these projects are regular programs supported also in the ongoing operations budget of the College. In fact, most are departments and services previously supported by the College, but now being further developed. The AIDP requires the College to implement a "fund replacement strategy" to ensure that St. Marys will be able to continue the improved programs when the AIDP grant period ends in June, 1980.

The additional operating funds needed to continue AIDP projects will be met through increased tuition and fees from 69 additional full-time students over and above the 1975-76 enrollment level. (Income from room and board is not allocated for this purpose.) The enrollment projections indicate an increase of 137 full-time students (from 1,083 in 1975-76 to 1,220 in 1980-81).

COMPARATIVE ENROLLMENT STATISTICS

FRESHMEN CLASS

	As of February 28	
	<u>1977</u>	<u>1976</u>
<u>APPLICATIONS</u>		
Men	273	262
Woman	<u>315</u>	<u>285</u>
Total	588	547
<u>CONFIRMATIONS</u>		
Men	72	48
Women	<u>89</u>	<u>64</u>
Total	161	112

ENROLLMENTS

	Actual Fall Full-Time Undergraduate Enrollment			Projections using 1975 to 1976 Net Attrition Rates ^{1/}			
	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Freshmen							
Men	204	196	189	188	193	193	193
Women	111	154	182	187	192	192	192
Total	315	350	371	375	385	385	385
Sophomores							
Men	177	178	164	148	152	157	157
Women	87	87	132	157	160	165	165
Total	264	265	296	305	312	322	322
Juniors							
Men	175	149	152	131	122	126	130
Women	69	67	72	106	126	129	133
Total	244	216	224	237	248	255	263
Seniors							
Men	170	182	152	141	126	117	121
Women	54	70	69	70	106	126	129
Total	224	252	251	211	232	243	250
All Classes							
Men	726	705	657	608	593	593	601
Women	321	378	455	520	584	612	619
Total	1047	1083	1112	1128	1177	1205	1220

Percentages of Men and Women:

	MEN		WOMEN		TOTAL
	N	%	N	%	
1974-75 (actual)	726	69.3%	321	30.7%	1047
1975-76 (actual)	705	65.1	378	34.9	1083
1976-77 (actual)	657	59.1	455	40.9	1112
1977-78 (projected)	608	53.9	520	46.1	1128
1978-79 (projected)	593	50.4	584	49.6	1177
1979-80 (projected)	593	49.2	612	50.8	1205
1980-81 (projected)	601	49.3	619	50.7	1220

^{1/} Projections for the four years (1977 through 1980) are based on net attrition rates for each class and sex, derived by calculating the number of freshman, sophomore and junior students in 1975-76 who returned to the College in fall, 1976 and by adding in the number of transfer and readmit students who enrolled in fall, 1976.

Saint Marys College Net Attrition Rates for Full-Time Undergraduates

(First semester of one year to first semester of the following year -- includes transfer and readmit students)

	1972 to 1973	1973 to 1974	1974 to 1975	1975 to 1976
Freshman Year to Sophomore Year	13.1%	16.7%	15.9%	16.9%
Total of Freshmen, Sophomores and Juniors from One Year to the Next	16.1%	18.0%	10.9%	13.6%

OFFICERS, EXECUTIVE COMMITTEE
BOARD OF TRUSTEES

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Br. J. William Clarey	Vice-Chairman
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Sr. M. Eunice Silkey	Treasurer

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University of Minnesota
Minneapolis, MN

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Chicago, IL

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Dentist
Chicago, IL

Br. J. William Clarey, FSC
Counseling Psychologist
St. Paul, MN

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Winona, MN

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LaMoille, MN

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Cretin High School
St. Paul, MN

Most Rev. Loras J. Watters
Bishop, Diocese of Winona
Winona, MN

Loras H. Sieve
Manager of Operations Planning
General Mills, Inc.
Edina, MN

**Executive Committee.*

PRESIDENT

The College commenced its 1976/77 school year with a new President,
Brother Peter Clifford, age 52. Brother Peter holds these degrees:

Manhattan College	New York City	A.B.	1951
Fordham University	New York City	M.A.	1957
Harvard University	Cambridge, Mass.	CAS	1968
Harvard University	Cambridge, Mass.	Ed.D.	1970

He came to the College from St. John's University, Jamaica, New York
where he was Associate Dean of the School of Education from 1974-75 and
Acting Chairman, Department of Curriculum and Teaching during 1975.

Brother Peter's professional memberships include:

Member, Board of Trustees, De LaSalle College, Washington	1968-70
Member, Board of Trustees, La Salle Military Academy, Oakdale, New York	1969- present
Member, Advisory Council, National Merit Scholarship Corp.	1970-74
Member, National Catholic Educational Association, Secondary School Department	
Member, Executive Committee, National Educational Council of the Christian Brothers	1970-73
Member, National Association of Secondary School Principals, Curriculum Committee	
Member, Phi Delta Kappa	1972-75
Member, Association for Supervision and Curriculum Development	
Member, Center for the Study of Democratic Institutions	
Member, National Society for the Study of Education	
Member, American Association of University Administrators	
Member, National Commission on the Reform of Secondary Education	1972-73
Member, American Association of Higher Education	

LONG-TERM DEBT

The College has the following long-term obligations:

1. \$760,000 serial bonds, issued 1957 at 2-3/4%; remaining balance of principal is \$447,000, due January 1, 1978 through 1997 in amounts ranging progressively from \$18,000 to \$32,000; purchased by U.S. Department of Housing and Urban Development; Continental Illinois National Bank (Chicago), Trustee; interest payments due January 1 and July 1 to maturity; proceeds of loan were used to construct St. Edwards Hall (student dormitory) and La Salle Hall (faculty residence). Bonds are secured by a first mortgage on the facilities. The full faith and the credit of the College plus the revenues derived from the facilities are also pledged to payment of this obligation.
2. \$350,000 serial bonds, issued 1960 at 3-1/8%; remaining balance of principal is \$243,000, due January 1, 1978 through 2000 in amounts ranging progressively from \$8,000 to \$15,000; purchased by U.S. Department of Housing and Urban Development; Winona National and Savings Bank (Winona, Minnesota), Trustee; interest payments due January 1 and July 1 to maturity; proceeds were used to construct Benilde Hall (student dormitory). Bonds are secured by a first mortgage on the facility and the full faith and credit of the College plus a pledge of specific revenues of the facility.
3. \$360,000 serial bonds, issued 1965, at 3%; remaining balance of principal is \$301,000, due January 1, 1978 through 2005 in amounts ranging progressively from \$7,000 to \$16,000; purchased by U.S. Department of Housing and Urban Development; Winona National and Savings Bank (Winona, Minnesota), Trustee; interest payments due January 1 and July 1 to maturity; proceeds were used to convert a gymnasium building to a student dormitory (Skemp Hall). Bonds are secured by a first mortgage on the facility. The full faith and credit of the College and specific revenues of the facility are also pledged to payment of this obligation.
4. \$500,000 3% Saint Marys College Student Union Bond of 1969; remaining balance of principal is \$452,000, due January 1, 1978 through 2009 in amounts ranging progressively from \$8,000 to \$22,000; purchased by U.S. Department of Housing and Urban Development; Winona National and Savings Bank (Winona, Minnesota), Trustee; interest payments due January 1 and July 1 to maturity; proceeds used as partial financing of construction of the College Center. The bonds are secured by the HUD Indenture, which is a first mortgage on the facility. The full faith and credit of the College and specific revenues of the facility are also pledged to payment of this obligation. Additional financing of this facility was obtained through a private issue of \$1,250,000 in Coupon Notes. (See p. 35, par. 8).

5. \$350,000 first mortgage on a student apartment complex at 8½%, dated June, 1972; current outstanding balance is \$326,237.28 as of February 1, 1977; mortgage held by First Northwestern National Bank of Winona; payments of \$2,819 monthly to May 1, 1997. Proceeds used to construct student apartment complex. (See Note A following.)
6. \$595,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds of 1973, Series C, bearing coupons ranging progressively from 4.2% to 5.6%; remaining balance on principal is \$575,000 due January 1, 1978 through 1998 in amounts progressing from \$10,000 to \$30,000 with interest payable January 1 and July 1 to maturity; Northwestern National Bank of Minneapolis is Trustee; proceeds used to construct a second student apartment complex. Secured by a first mortgage on the facility and full faith and credit of the College and the Series Reserve established for the issue and the General Bond Reserve of the Authority. Gross revenues of the facility are pledged to meet payments on this obligation. (See Note A following)
7. \$195,000, 6.50%, first mortgage on Damian Hall, dated January 1, 1977, in favor of the Congregation of the Sacred Hearts of Jesus and Mary and payable in equal quarterly installments of principal and interest over a term of ten years from January 1, 1977. (This mortgage replaces a previous contract for deed between the parties.)
8. \$1,250,000 unsecured Coupon Notes; a public issue of the College in 1968, at rates of 6.5% to 7.0%. Present balance outstanding is \$1,068,000. On June 1, 1978 a balloon payment of the then remaining \$1,010,000 will be due. (It is this issue plus a bank loan incurred to refinance the payment of principal and interest due June 1, 1976 that the College now proposes to refinance from the proceeds of this Issue.) Proceeds of the Notes were used as partial financing of construction of the College Center. (See p. 34, par. 4.) National City Bank of Minneapolis is the Trustee.

NOTE A: Interest payments on Items 5 and 6 are reduced by an annual interest subsidy from the U.S. Department of Housing and Urban Development in amounts necessary to reduce overall interest expense to 3% on those portions of the projects eligible for such subsidy under HUD regulations.

LONG-TERM DEBT AMORTIZATION SCHEDULE
FOR FISCAL YEARS ENDING MAY 31, 1977
THROUGH MAY 31, 2002

Fiscal Year Ending May 31	Total Annual Principal and Interest	\$760,000 1957 HUD Bonds St. Edwards & LaSalle Halls	\$350,000 1960 HUD Bonds Benilde Hall	\$360,000 1965 HUD Bonds Skemp Hall	\$500,000 1969 HUD Bonds College Center	\$195,000 1977 Mortgage Damian Hall	\$350,000 1972 Mortgage Village I	\$595,000 1973 MHEFA Bonds ^{2/} Village II	This Issue ^{3/}
1977	\$ 164,277.72	\$ 30,788	\$ 15,844	\$ 16,240	\$ 21,800	\$ 27,114.72	\$ 20,200	\$ 32,291	\$
1978	252,709.92	31,293	15,594	16,030	21,560	26,671.92	20,200	36,861	84,500
1979	270,826.92	30,770	15,344	15,820	21,320	26,671.92	20,200	36,201	104,500
1980	265,629.92	21,248	15,094	15,610	23,080	26,671.92	20,200	35,526	108,200
1981	274,004.92	30,698	15,844	16,400	22,780	26,671.92	20,200	34,836	106,575
1982	276,303.92	31,158	15,563	16,160	22,480	26,671.92	20,200	39,131	104,950
1983	278,318.92	31,570	15,281	15,920	22,180	26,671.92	20,200	38,171	108,325
1984	273,962.92	30,965	15,000	15,680	21,880	26,671.92	20,200	37,191	106,375
1985	277,586.92	31,360	15,719	16,440	21,580	26,671.92	20,200	36,191	109,425
1986	277,776.92	30,728	15,406	16,170	21,280	26,671.92	20,200	40,171	107,150
1987	267,350.96	31,095	15,094	15,900	22,980	13,335.96	20,200	38,871	109,875
1988	250,512.00	31,435	15,781	15,630	22,620		20,200	37,571	107,275
1989	255,940.00	30,748	15,438	16,360	22,260		20,200	41,259	109,675
1990	249,748.00	30,060	15,094	16,060	21,900		20,200	39,684	106,750
1991	251,514.00	31,345	15,750	15,760	21,540		20,200	38,094	108,825
1992	258,897.00	31,603	15,375	16,460	23,180		20,200	41,504	110,575
1993	256,537.00	30,833	15,000	16,130	22,760		20,200	39,614	112,000
1994	255,852.00	31,063	15,625	15,800	22,340		20,200	42,724	108,100
1995	254,798.00	31,2656/	15,219	16,470	21,920		20,200	40,524	109,200
1996	247,322.00	20,4006/	15,813	16,110	21,500		20,200	43,324	109,975
1997	225,674.00		15,375	15,790	23,080		20,200	40,8044/	110,425
1998	205,143.00		14,9387/	16,390	22,600		20,200	23,2844/	110,550
1999	163,970.00		15,5007/	16,000	22,120		17,381		110,350
2000	153,106.00		1,0317/	15,610	21,640				114,825
2001	151,030.00			16,220	21,160				113,650
2002	155,630.00			15,8008/	22,6809/				117,1505/
	\$6,214,422.96	\$600,415	\$355,722	\$416,960	\$576,220	\$280,497.96	\$441,581	\$833,827	\$2,709,200

1/ Does not include any payment on existing College Center Coupon Notes being refunded by this Issue.

2/ Computed at the effective rate of 3%.

3/ Assumes a coupon rate of 6.5%.

4/ A contribution of \$9,000 for this Issue was made to the Authority's General Reserve and \$36,000 to the Series Reserve for the Issue. Assuming no decrease of these amounts by reason of any defaults and investment of the General Reserve contribution at 6.00% compounded interest, a total of \$74,627 will be available from these reserves for these payments.

5/ A contribution of \$22,800 for this Issue will be made to the Authority's General Reserve and \$91,200 to the Series Reserve for the Issue. Assuming no decrease of these amounts by reason of any defaults and investment of the General Reserve contribution at 6.00% compounded interest, a total of \$189,055 will be available from these reserves for these payments.

6/ A debt service reserve of \$66,000 is to be maintained and, if so, will be available for these payments.

7/ A debt service reserve of \$33,000 is to be maintained and, if so, will be available for these payments.

8/ A debt service reserve of \$16,000 is to be maintained and, if so, will be available for these payments.

9/ A debt service reserve of \$25,000 is to be maintained and, if so, will be available for these payments.

1975-1976
ACTUAL AND BUDGETED
REVENUES & EXPENSES
(000 omitted)

Fiscal years ended May 31	1975-1976	
	<u>Actual</u>	<u>Budgeted</u>
<u>Revenues</u>		
Student tuition and fees	\$2,529	\$2,574
Grants and Gifts	730	722
Contributed Services	198	186
Endowment Income	4	3
Other income	<u>163</u>	<u>155</u>
Subtotal	\$3,624	\$3,640
Student Financial Aid	537	684
Auxiliary Enterprises	<u>1,511</u>	<u>1,431</u>
Total Revenue	\$5,672	\$5,755
<u>Expenditures & Transfers</u>		
Instructional	\$1,106	\$1,105
Sponsored Programs	271	271
Academic Support	151	156
Student Services	495	497
Plant Maintenance	726	747
General Institutional Support	968	971
Student Financial Aid	756	821
Auxiliary Enterprises	715	738
Mandatory Transfer of Debt Service	268	299
Contribution to NDSL fund	<u>-</u>	<u>-</u>
Total Expenditures & Transfers	\$5,456	\$5,605
Excess of Revenues	\$ 216	\$ 150

ACTUAL REVENUES AND EXPENSES
FOR NINE MONTHS ENDED FEBRUARY 28, 1977
(000 Omitted)

	1976-77 <u>Budget</u>	Actual to <u>2-28-77</u>	<u>% Realized</u>
Revenue:			
Student Tuition and Fees	\$2,883	\$2,877	99.8%
Grants and Gifts	1,135	779	68.6%
Contributed Services	200	149	74.5%
Endowment Income	4	-	0
Other Income	136	105	77.2%
Subtotal	\$4,358	\$3,910	89.7%
Student Financial Aid ^{1/}	682	552	80.9%
Auxiliary Enterprises	<u>1,727</u>	<u>1,622</u>	<u>93.9%</u>
Total Revenue	\$6,767	\$6,084	89.9%
Expenses:			
Instructional	\$1,204	\$ 807	67.0%
Sponsored Programs	600	500	83.3%
Academic Support	228	141	61.8%
Student Services	540	372	68.9%
Plant Maintenance ^{2/}	840	662	78.8%
General Institutional Support	1,125	806	71.6%
Student Financial Aid ^{1/}	946	936	98.9%
Auxiliary Enterprises	867	603	70.0%
Mandatory Transfer of			
Debt Service	303	170	56.1%
Contribution to NDSL Fund	<u>13</u>	<u>8</u>	<u>61.5%</u>
Total Expenditures	\$6,666	\$5,005	75.1%
Excess of Revenue	\$ 101	\$1,079	

^{1/} Financial aid (Revenue and Expenses for 1976-77) includes Basic Educational Opportunity Grants. These are not included in the 1975-76 Audit in conformance with the National Association of College and University Business Officers accounting manual.

^{2/} Includes maintenance of housing units which have not been allocated on this statement to auxiliary enterprises.

COMPARATIVE SUMMARY OF OPERATIONS
1971-1976
(Taken from Annual Audits)

The following is a combined summary of operations, including both unrestricted and restricted income and expenses, of St. Marys College for the five years ended May 31, 1976.

Fiscal years ended May 31:	1976	1975	1974	1973	1972
Revenues*					
Contributed Services of Brothers	\$5,474,188	\$4,894,363	\$4,278,072	\$3,977,091	\$3,366,498
Total Services	339,983	297,208	308,982	354,578	260,014
Less Expenses	<u>141,997</u>	<u>134,488</u>	<u>110,833</u>	<u>139,310</u>	<u>107,187</u>
Net Contributed Services	\$ 197,986	\$ 162,720	\$ 198,149	\$ 215,268	\$ 152,827
Total Revenues	\$5,672,174	\$5,057,083	\$4,476,221	\$4,192,359	\$3,519,325
Net Expenses and Transfers to Other Funds*	\$5,455,972	\$5,363,119	\$4,584,566	\$4,185,616	\$3,533,928
Excess (deficiency) of Revenues over Expenditures & Transfers	<u>\$ 216,202</u>	<u>\$ (306,036)^{1/}</u>	<u>\$ (108,345)^{1/}</u>	<u>\$ 6,743</u>	<u>\$ (14,603)^{1/}</u>

*For items included, refer to Exhibit C of "Audit Report at May 31, 1976", Appendix I (salmon).

^{1/} Deficits generally have been met by the use of short-term borrowing. The 1975 deficit occurred principally because of unrealized enrollment projections and overestimated annual gift income. This was rectified the next year by increased charges, a more stringent monitoring of enrollment and gift income projections, and controlled operating expenses including a wage and salary freeze. For the fiscal year 1976-77 an excess of \$101,000 of income over expenses, including debt service, has been budgeted. Based upon past patterns of expenses, operating revenues and gift income, the present status indicates that this goal will be achieved. It is expected that the 1977-78 budget will provide for an excess of revenues over expenses of \$75,000.

SHORT-TERM BORROWING

As of March 1, 1977, the College had \$91,000 short-term notes due to banks outstanding.

The history of the College's short-term borrowings and repayments during the last fourteen months is as follows:

		<u>Short-term Borrowed</u>	<u>Short-term Debt Repaid</u>	<u>Balance Outstanding</u>
1976	12/18/75	\$	\$	\$339,062.50
	1/7		100,000.00	239,062.50
	1/21		200,000.00	39,062.50
	2/26		39,062.50	-0-
	4/6	75,000.00		75,000.00
	4/20	50,000.00		125,000.00
	4/30	100,000.00		225,000.00
	6/1	91,000.00		316,000.00
	6/9	75,000.00		391,000.00
	7/15	50,000.00		441,000.00
	9/2		300,000.00	141,000.00
	9/16		50,000.00	91,000.00
	11/22	100,000.00		191,000.00
1977	1/1	38,000.00		229,000.00
	1/27		100,000.00	129,000.00
	3/1		38,000.00	91,000.00

SCHEDULE OF BUILDING VALUES

<u>Facility</u>	<u>Year of Construction</u>	<u>Construction Cost</u>	<u>Replacement Value</u>	<u>Residence Capacity</u> ^{1/}	<u>Use</u>
Saint Mary's Hall	1912	\$ 613,296	\$2,291,760	42	Dormitory, offices, classrooms
Heffron Hall	1921	256,003	816,970	103	Dormitory, offices
Hoffman Hall	1956	436,750	1,002,645		Classrooms, laboratories, offices
Fitzgerald Library	1961	378,818	859,410		Library
St. Thomas More Chapel	1958	190,778	411,862		Chapel
College Center	1969	1,631,000	2,462,636		Student union and food service
Gymnasium	1965	666,000	1,317,745		Gymnasium
Heating Plant	1921	82,577	471,614		Boiler Room
Cotter Hall	1914	32,236	96,030	15	Brothers' residence
Aquinas Hall	1953	151,557	354,244	58	Dormitory
St. Edward Hall	1957	330,158	648,736	120	Dormitory
LaSalle Hall	1957	390,247	835,461	20	Brothers' residence
Benilde Hall	1960	356,155	648,736	120	Dormitory
Skemp Hall ^{2/}	1921	367,812	964,568	108	Dormitory
Griffin Hall	1912	325,520	374,517	23	Dormitory
White House	1920	2,576	13,923	7	Dormitory
Village I	1971	362,732	484,092	102	Dormitory
Village II	1972	451,232	538,713	106	Dormitory
St. Joseph Hall ^{3/}	1906	580,000	1,200,591	51	Dormitory, classrooms, offices
St. Yon Hall ^{5/}	1962	620,000	954,261	86	Dormitory, classrooms, offices
Damian Hall	1960	<u>4/</u>	508,725	51	Dormitory

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1/ Figures listed are dormitory capacity only.

2/ Originally constructed in 1921 and remodeled into a dormitory in 1965.

3/ Originally constructed in 1906, remodeled and/or additions in 1940, 1949, and 1950.

4/ Construction cost not available. Purchased from Fathers of Sacred Hearts.

5/ This building is not owned by the College, but is leased from the Brothers of the Christian Schools, Winona Province.

NOTE: The replacement values were prepared by the Winona Agency Inc., as agent for the College's insurance program. Values are as of January 1, 1977 after updating by means of the Marshall-Stevens Index. Values quoted above for Cotter Hall and the White House are actual cash values rather than replacement costs.

ENDOWMENTS, GIFTS AND GRANTS

The College's income from private sources include The Annual Fund, estates, The Minnesota Private College Fund, contributed salaries from Brothers, Sisters and Priests, state awards (based on the number of students from Minnesota) and sponsored programs (primarily federally funded programs).

Following is a report of the College's receipts from these sources for the years' 1973-1976:

	1973-1974			1974-1975			1975-1976		
	Goal	Total FY Receipts	%/Goal Reached	Goal	Total FY Receipts	%/Goal Reached	Goal	Total FY Receipts	%/Goal Reached
ANNUAL FUND	\$340,000	\$184,149	54.16%	\$500,000	\$343,698	68.73%	\$364,000	\$369,917	101.62%
ESTATES	25,000	28,527	114.10%	75,000	54,150	77.35%	10,000	8,214	82.13%
YMCA/SMC	5,000	11,662	233.24%	--	992	--	--	14	--
MINNESOTA PRIVATE COLLEGE FUND	60,000	69,275	115.45%	60,000	71,510	119.18%	75,000	74,875	99.83%
STATE GRANTS	45,000	15,081	33.51%	25,000	21,510	86.04%	65,000	63,880	98.27%
CONT. SERVICES	195,000	191,985	98.45%	160,000	162,733	101.70%	186,000	196,686	105.74%
Totals	\$670,000	\$500,679	74.72%	\$820,000	\$654,593	79.82%	\$700,000	\$713,586	101.94%

CERTIFICATE

As of the date of the delivery of these Bonds, the purchaser will be furnished with a certificate in substantially the following form, signed by the Executive Director of the Authority and the President of the College:

As of March 11, 1977 the Official Statement prepared for the offering of \$1,300,000 Mortgage Revenue Bonds, Refunding Series 1976-2 (St. Marys College) by the Minnesota Higher Education Facilities Authority did not contain any untrue statement of a material fact nor did the Authority or the College omit the statement of a material fact therein, which is necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Since said date of the Official Statement, there has not been any material adverse change in the operation or financial affairs of the College.

FOR THE AUTHORITY

By: _____
Joseph E. LaBelle
Executive Director

FOR THE COLLEGE

By: _____
Brother Peter Clifford
President

APPENDIX I

ST. MARY'S COLLEGE

Winona, Minnesota

AUDIT REPORT

AT

MAY 31, 1976

HANSLEY AND KIENER
CERTIFIED PUBLIC ACCOUNTANTS
300 WEST WASHINGTON STREET
CHICAGO, ILLINOIS 60606
AREA CODE 312 263-2700

ST. MARY'S COLLEGE

AUDIT REPORT
AT MAY 31, 1976

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BANSLEY AND KIENER
CERTIFIED PUBLIC ACCOUNTANTS
300 WEST WASHINGTON STREET
CHICAGO, ILLINOIS 60606
AREA CODE 312 263-2700

JOLIET OFFICE:
168 NORTH OTTAWA STREET
JOLIET, ILLINOIS 60431
AREA CODE 815 726-7361

AUDITORS' OPINION

The Board of Trustees
St. Mary's College
Winona, Minnesota 55987

We have made an examination of the accounts and records
of -

"St. Mary's College"
Winona, Minnesota

for the years ended May 31, 1976 and 1975. We have examined the balance sheets as of those dates and the related statements of current funds revenues and expenditures and changes in fund balances 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 aforementioned financial statements present fairly the financial position of St. Mary's College, Winona, Minnesota at May 31, 1976 and 1975, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination has been made primarily for the purpose of expressing an opinion on the financial statements, taken as a whole. The accompanying supplementary information is presented for analysis purposes and is not necessary for a fair presentation of the financial information referred to in the preceding paragraph. It has been subjected to the tests and other auditing procedures applied in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all respects material in relation to the financial statements taken as a whole.

Bansley and Kiener
Certified Public Accountants

July 16, 1976
Chicago, Illinois

ST. MARY'S COLLEGE

BALANCE SHEET

AT
MAY 31, 1976 AND 1975EXHIBIT A
-2-

A S S E T S

May 31,
1976 1975

CURRENT FUNDS:

Unrestricted:

Cash
Accounts and notes receivable, less allowance of \$15,000 in 1975-76 and \$12,439 in 1974-75
Investments
Mortgage receivable (Note 2)
Inventories - bookstore and kitchen - at lower of cost (First-in, First-out basis) or market
Deferred expense - computer equipment
Due from Government - Federal programs

Total unrestricted

Restricted:

Cash
Due from other funds

Total restricted

Total current funds

LOAN FUNDS:

Cash
Investments
Loans to students

Total loan funds

ENDOWMENT FUNDS:

Investments

Total endowment funds

ANNUITY FUNDS:

Due from other funds

Total annuity funds

LIABILITIES AND FUND BALANCES

May 31,
1976 1975

CURRENT FUNDS:

Unrestricted:

Notes payable - bank - (Note 5)
Accounts payable
Due to Government - Federal programs
Student credit balances and deferred income
Accrued expenses
Due to other funds
Fund balance (deficit)

Total unrestricted

Restricted:

Fund balances

Total restricted

Total current funds

LOAN FUNDS:

Fund balances:
U.S. Government
College - restricted

Total loan funds

ENDOWMENT FUNDS:

Due to other funds
Fund balances

Total endowment funds

ANNUITY FUNDS (Note 3):

Annuity payable
Fund balances

Total annuity funds

ST. MARY'S COLLEGE

BALANCE SHEET

AT

MAY 31, 1976 AND 1975

ASSETS (Continued)

PLANT FUNDS (Note 1):

Unexpended:

Cash

	1976	May 31, 1975
Cash	\$ -	\$ 12,605
Total unexpended	\$ -	\$ 12,605
Renewal and replacement:		
Cash	\$ 68,349	\$ 54,085
Assets held by Trustees	21,007	19,922
Total renewal and replacement	\$ 89,356	\$ 74,007
Retirement of indebtedness:		
Cash	\$ 100,271	\$ 96,730
Assets held by Trustees	126,364	139,837
Total retirement of indebtedness	\$ 226,635	\$ 236,567
Investment in plant:		
Land	\$ 61,267	\$ 61,267
Land improvements	255,780	255,780
Buildings	7,987,505	7,987,505
Equipment	2,915,031	2,846,097
Total investment in plant	\$11,219,583	\$11,150,649
Total plant funds	\$11,535,574	\$11,473,828
AGENCY FUNDS:		
Due from other funds	\$ 27,672	\$ 23,363
Total agency funds	\$ 27,672	\$ 23,363

See accompanying notes to financial statements.

EXHIBIT A
(Continued)
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LIABILITIES AND FUND BALANCES (Continued)

	1976	May 31, 1975
PLANT FUNDS:		
Unexpended:		
Fund balances:		
Restricted	\$ -	\$ 9,000
Unrestricted	-	3,605
Total unexpended	\$ -	\$ 12,605
Renewal and replacement:		
Fund balances	\$ 89,356	\$ 74,007
Total renewal and replacement	\$ 89,356	\$ 74,007
Retirement of indebtedness:		
Fund balances	\$ 226,635	\$ 236,567
Total retirement of indebtedness	\$ 226,635	\$ 236,567
Investment in plant (Note 6):		
Notes payable:		
First National Bank of Winona	\$ 330,653	\$ 336,120
Coupon notes payable - National City Bank of Minneapolis	1,120,000	1,167,000
Mortgage payable	203,000	219,000
Bonds payable:		
Issue 1957	465,000	483,000
Issue 1960	251,000	258,000
Issue 1965	308,000	315,000
Issue 1973	585,000	595,000
College Center	460,000	468,000
Net investment in plant	7,496,930	7,309,529
Total investment in plant	\$11,219,583	\$11,150,649
Total plant funds	\$11,535,574	\$11,473,828
AGENCY FUNDS:		
Deposits held in custody for others	\$ 27,672	\$ 23,363
Total agency funds	\$ 27,672	\$ 23,363

ST. MARY'S COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 1976

	Current Funds Unrestricted Restricted	Loan Funds	Endowment Fund	Annuity Funds	Plant Funds		
					Renewal and Replacements	Unexpended Indebtedness	Retirement of Investment in Plant
REVENUES AND OTHER ADDITIONS:							
Educational and general revenues	\$ 3,285,503	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprises revenues	1,307,255	203,303	-	-	-	-	-
Gifts and bequests - restricted	-	27,420	4,785	-	-	-	11,521
Grants and contracts - restricted	-	844,810	-	-	-	-	11,547
Investment income - restricted	-	3,883	25,798	-	4,849	14,190	-
Appreciation of investments	-	-	2,865	-	-	-	-
Expended for plant facilities (including \$42,261 charged to current funds expenditures)	-	-	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-	-	45,866
Receipts in excess of transfers to revenue	-	8,990	-	-	-	-	118,467
Total revenues and other additions	\$4,592,758	\$1,088,406	\$25,798	\$7,650	\$4,849	\$14,190	\$187,401
EXPENDITURES AND OTHER DEDUCTIONS:							
Educational and general expenditures	\$3,277,976	\$842,539	\$-	\$-	\$-	\$-	\$-
Auxiliary enterprises expenditures	856,899	210,877	-	-	-	-	-
Loan cancellations and write-offs	-	15,898	-	-	-	-	-
Administrative and collection costs	-	7,741	-	-	-	3,605	-
Expended for plant facilities	-	-	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-	118,467	-
Interest on indebtedness	-	-	-	-	-	171,836	-
Total expenditures and other deductions	\$4,134,875	\$1,053,416	\$23,639	\$-	\$3,605	\$290,303	\$-
TRANSFER AMONG FUNDS - ADDITIONS/DEDUCTIONS:							
Mandatory:							
Principal and interest	\$ (231,931)	\$ (22,000)	\$ -	\$ -	\$ -	\$253,931	\$ -
Sinking fund	(3,250)	-	-	-	-	3,250	-
Renewals and replacement	(6,500)	(4,000)	-	-	10,500	-	-
Reclassify deposit to debt service	-	-	-	-	(9,000)	9,000	-
Total transfers	\$ (241,681)	\$ (26,000)	\$ -	\$ -	\$ (9,000)	\$266,181	\$ -
Net increase (decrease) for the period	\$ 216,202	\$ 8,990	\$ 2,159	\$ 7,650	\$ (12,605)	\$ (9,932)	\$ 187,401
FUND BALANCES - MAY 31, 1975	(732,556)	59,481	1,511,327	85,560	66,880	236,567	7,309,529
FUND BALANCES - MAY 31, 1976	\$ (516,354)	\$ 68,471	\$1,513,486	\$93,210	\$89,356	\$226,635	\$7,496,930

See accompanying notes to financial statements.

ST. MARY'S COLLEGE

STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
YEAR ENDED MAY 31, 1976
WITH COMPARATIVE FIGURES FOR 1975

EXHIBIT C
-5-

	<u>Year Ended May 31, 1976</u>		<u>Prior Year</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Total</u>
<u>AVERAGE LAY ENROLLMENT</u>			<u>1,158</u>	<u>1,051</u>
<u>REVENUES:</u>				
Educational and general:				
Student tuition and fees	\$ 2,529,103	\$ -	\$ 2,529,103	\$ 2,259,322
Government grants and contracts	-	573,445	573,445	395,841
Contributed services	197,986	-	197,986	162,720
Gifts and private grants	395,289	27,420	422,709	420,205
Sponsored research/programs	41,908	271,365	313,273	398,706
Endowment income	138	3,883	4,021	3,198
Other sources	121,079	-	121,079	122,623
Total educational and general	\$ 3,285,503	\$ 876,113	\$ 4,161,616	\$ 3,762,615
Auxiliary enterprises:				
Dining hall (Schedule C-7)	\$ 666,790	\$ 22,120	\$ 688,910	\$ 565,402
Snack bar (Schedule C-7)	18,155	560	18,715	26,216
College housing (Schedule C-8)	467,116	175,303	642,419	559,110
College bookstore (Schedule C-9)	155,194	5,320	160,514	143,740
Total auxiliary enterprises	\$ 1,307,255	\$ 203,303	\$ 1,510,558	\$ 1,294,468
Total revenues	\$ 4,592,758	\$ 1,079,416	\$ 5,672,174	\$ 5,057,083
<u>EXPENDITURES AND MANDATORY TRANSFERS:</u>				
Educational and general:				
Instructional (Schedule C-1)	\$ 1,019,412	\$ 86,613	\$ 1,106,025	\$ 1,094,085
Sponsored research/programs	-	271,365	271,365	340,676
Academic support (Schedule C-4)	129,519	21,525	151,044	181,049
Student services (Schedule C-2)	441,454	53,915	495,369	470,835
Operations and maintenance of physical plant (Schedule C-3)	371,988	914	372,902	377,413
Institutional support (Schedule C-5)	935,766	31,718	967,484	950,435
Student financial assistance (Schedule C-6)	379,837	376,489	756,326	533,331
Educational and general expenditures	\$ 3,277,976	\$ 842,539	\$ 4,120,515	\$ 3,947,824
Mandatory transfers for:				
Principal, interest and sinking fund	145,025	8,000	153,025	152,580
Loan fund matching grant	-	-	-	9,208
Total educational and general	\$ 3,423,001	\$ 850,539	\$ 4,273,540	\$ 4,109,612
Auxiliary enterprises:				
Dining hall (Schedule C-7)	\$ 504,800	\$ 27,825	\$ 532,625	\$ 511,565
Snack bar (Schedule C-7)	23,678	2,749	26,427	36,083
College housing (Schedule C-8)	173,371	180,037	353,408	368,043
College bookstore (Schedule C-9)	155,050	266	155,316	138,316
Auxiliary enterprises expenditures	\$ 856,899	\$ 210,877	\$ 1,067,776	\$ 1,054,007
Mandatory transfers for:				
Principal, interest and sinking fund	96,656	18,000	114,656	196,129
Total auxiliary enterprises	\$ 953,555	\$ 228,877	\$ 1,182,432	\$ 1,250,136
Other deductions:				
Prior year adjustment	\$ -	\$ -	\$ -	\$ 3,371
Total expenditures, mandatory transfers and other deductions	\$ 4,376,556	\$ 1,079,416	\$ 5,455,972	\$ 5,363,119
Excess of revenue over expenditures	\$ 216,202	\$ -	\$ 216,202	\$ (306,036)

See accompanying notes to financial statements.

ST. MARY'S COLLEGE

SCHEDULE OF INSTRUCTIONAL EXPENDITURES
FOR THE YEARS ENDED MAY 31, 1976 AND 1975

	Year Ended May 31, 1976				Year Ended May 31, 1975
	Salaries	Other Expense	Plant Asset Replacements	Plant Additions	Total
Biology Department	\$ 82,106	\$ 7,599	\$ 489	\$ -	\$ 90,194
Hydrobiology Station	-	-	-	-	-
Chemistry Department	35,028	4,390	-	-	39,418
Physics Department	29,278	2,292	-	-	31,570
Mathematics Department	49,312	1,117	-	-	50,429
Science Shop	5,284	507	-	-	5,791
Computer Studies	29,796	3,064	-	-	32,860
Classical Language Department	20,738	1,090	-	-	21,828
Communication Arts Department	57,009	9,007	521	-	66,537
English Department	91,986	1,201	123	-	93,310
History Department	76,458	1,352	-	-	77,810
Modern Language Department	50,818	755	26	-	51,599
Philosophy Department	22,982	416	-	-	23,398
Religious Studies Department	43,569	1,213	-	-	44,782
American Studies	9,250	253	-	-	9,503
Fine Arts	50,414	6,600	1,383	-	58,397
Business Administration Department	70,378	2,184	-	-	72,562
Economics Department	23,619	543	-	-	24,162
Political Science Department	25,702	471	-	-	26,173
Psychology Department	69,145	2,854	-	-	71,999
Basic Seminar Program	15,850	2,832	281	1,360	20,323
Sociology Department	53,256	1,324	-	-	54,580
Education Department	35,602	4,579	-	-	40,181
Physical Education Department	34,066	7,096	2,051	-	43,213
Natural Science Division	882	257	-	-	1,139
Graduate Program	33,749	1,635	-	-	35,384
Humanities Division	987	904	-	-	1,891
Human Development Division	12,768	814	-	-	13,582
Institutional Studies Division	838	50	-	-	888
Honors Program	2,416	106	-	-	2,522
Total instructional expenditures (To Exhibit C)	\$1,033,286	\$66,505	\$4,874	\$1,360	\$1,106,025
					\$1,094,085

See accompanying notes to financial statements.

ST. MARY'S COLLEGE

SCHEDULE OF STUDENT SERVICES EXPENDITURES
FOR THE YEARS ENDED MAY 31, 1976 AND 1975

	Year Ended May 31, 1976				Year Ended May 31, 1975
	Salaries	Other Expense	Plant Asset Replacements	Plant Additions	Total
Admissions Office	\$ 75,845	\$ 32,106	\$ 179	\$12,000	\$120,130
Registrar's Office	17,406	5,325	-	-	22,731
Vice President - Student Development	24,592	2,212	-	-	26,804
Dean of Students	34,432	6,101	130	-	40,663
Counseling	15,482	1,939	-	-	17,421
Director College Center	46,493	1,598	14	-	48,105
Student Health Service	11,010	2,783	-	-	13,793
Intercollegiate Athletics	25,490	35,839	1,957	-	63,286
Intramural Athletics	25,742	3,419	132	-	29,293
Career Planning	17,901	2,703	65	-	20,669
College Center Board	479	25,459	1,889	-	27,827
Student Senate	35	1,893	-	-	1,928
Chaplain's Office	25,607	1,465	817	-	27,889
Financial Aid Administration	24,140	5,342	-	-	29,482
Cardinal	(47)	4,372	-	-	4,325
Other Student Activities	574	449	-	-	1,023
Total student services expenditures (To Exhibit C)	\$345,181	\$133,005	\$5,183	\$12,000	\$495,369
					\$470,835

See accompanying notes to financial statements.

ST. MARY'S COLLEGE
SCHEDULE OF OPERATIONS AND MAINTENANCE
OF THE PHYSICAL PLANT

FOR THE YEARS ENDED MAY 31, 1976 AND 1975

	Year Ended May 31, 1976				Year Ended May 31, 1975
	Salaries	Other Expense	Plant Asset Replacements	Plant Additions	Total
General buildings	\$ -	\$ -	\$ 392	\$ 5,830	\$ 6,222
St. Mary's Hall - Administrative	45,541	38,923	1,745	-	86,209
Heffron Hall - Administrative	5,946	7,174	-	-	13,120
Science Building - Hoffman	23,621	15,592	-	-	39,213
Gymnasium	34,697	24,518	-	-	59,215
College Center	29,460	36,019	-	-	65,479
Library	16,830	16,818	-	-	33,648
Heating plant	-	-	-	-	-
St. Thomas More Chapel	4,544	6,662	-	-	11,206
St. Joseph's Hall	5,794	12,845	210	-	18,849
Grounds	7,501	8,816	340	2,385	19,042
St. Yon Hall	4,518	9,827	-	-	14,345
Hydrobiology Station	-	5,571	160	-	5,731
President's Residence, Minneapolis	-	623	-	-	623
Total before mandatory transfers	\$178,452	\$183,388	\$2,847	\$ 8,215	\$372,902
Mandatory transfers for:					
College Center:					
Principal	\$ -	\$ -	\$ -	\$ -	\$ 55,000
Interest	-	-	-	-	92,065
Sinking fund	-	-	-	-	5,960
Total operations, maintenance of the physical plant and mandatory transfers (To Exhibit C)	\$ -	\$ -	\$ -	\$ -	\$153,025
	\$178,452	\$183,388	\$2,847	\$ 8,215	\$525,927
					\$529,993

See accompanying notes to financial statements.

ST. MARY'S COLLEGE
SCHEDULE OF ACADEMIC SUPPORT EXPENDITURES
FOR THE YEARS ENDED MAY 31, 1976 AND 1975

	Year Ended May 31, 1976				Year Ended May 31, 1975
	Salaries	Other Expense	Plant Asset Replacements	Plant Additions	Total
Library	\$ 87,182	\$43,052	\$1,270	\$	\$131,504
Faculty Committees	-	79	-	-	79
Audio-Visual Administration	13,839	2,213	185	1,186	17,423
Associate Dean Graduate Office	688	1,350	-	-	2,038
Total academic support expenditures (To Exhibit C)	\$101,709	\$46,694	\$1,455	\$1,186	\$151,044
					\$181,049

See accompanying notes to financial statements.

ST. MARY'S COLLEGE

SCHEDULE OF INSTITUTIONAL SUPPORT EXPENDITURES
FOR THE YEARS ENDED MAY 31, 1976 AND 1975

	Year Ended May 31, 1976				Year Ended May 31, 1975
	Salaries	Other Expense	Plant Asset Replacements	Plant Additions	Total
Office of the President	\$ 39,542	\$ 5,368	\$ -	\$ -	\$ 44,910
Special service - President	-	21,111	-	-	21,111
Board of Trustees	-	3,010	-	-	3,010
Institutional Research	5,235	1,025	-	-	6,260
Computer Center	30,868	6,351	-	-	37,219
Assistant to President/Planning	-	-	-	-	-
Vice President - Academic Affairs	39,901	15,764	-	-	55,665
Office of Records and Research	16,477	547	-	3,270	20,294
Vice President - Financial Affairs	32,902	12,535	-	-	45,437
Business Office	45,502	4,329	-	-	49,831
Central Services	35,695	18,995	14,961	-	69,651
Security	10,273	3,572	-	-	13,845
Transportation	826	21,932	-	7,180	29,938
Staff Benefits	-	316,987	-	-	316,987
Interest on short-term debt	-	21,617	-	-	21,617
Miscellaneous general and administrative	-	1,433	-	-	1,433
Vice President - College Relations	38,826	53,153	225	4,072	96,276
Alumni Director	18,641	22,975	-	-	41,616
Communication Director	20,406	17,083	900	-	38,389
Director of Sponsored Programs	18,868	8,978	-	-	27,846
Foundation Research Director	11,042	3,661	-	-	14,703
Bad debts	-	11,446	-	-	11,446
Total institutional expenditures (To Exhibit C)	\$365,004	\$571,872	\$16,086	\$14,522	\$967,484
					\$950,435

See accompanying notes to financial statements.

ST. MARY'S COLLEGE

SCHEDULE OF STUDENT FINANCIAL ASSISTANCE
FOR THE YEARS ENDED MAY 31, 1976 AND 1975
 (Note 8)

	<u>Year Ended May 31,</u> <u>1976</u>	<u>1975</u>
Scholarships and grants	\$419,337	\$306,982
F.S.C. Candidate discounts	8,319	6,636
Seminarian discounts	6,000	6,000
State of Minnesota Grants	104,775	67,150
Sibling discounts	-	2,468
Outside scholarships	41,364	19,120
Educational Opportunity Grants - Federal	<u>176,531</u>	<u>124,975</u>
Total before	\$756,326	\$533,331
Mandatory transfers for:		
Loan fund matching grant	<u>-</u>	<u>9,208</u>
Total student financial assistance and mandatory transfers (To Exhibit C)	<u>\$756,326</u>	<u>\$542,539</u>

See accompanying notes to financial statements.

ST. MARY'S COLLEGE

SCHEDULE OF AUXILIARY ENTERPRISES INCOME AND EXPENDITURES
FOR THE YEARS ENDED MAY 31, 1976 AND 1975

FOOD SERVICE

	<u>Dining Hall</u>	<u>Snack Bar</u>	<u>Total Year Ended May 31, 1976</u>	<u>Total Year Ended May 31, 1975</u>
Total income (To Exhibit C)	\$688,910	\$18,715	\$707,625	\$591,618
Expense:				
Salaries and wages	\$145,142	\$ 9,896	\$155,038	\$162,224
Food and beverages	321,002	15,024	336,026	312,480
Supplies and miscellaneous expense	10,643	1,459	12,102	17,299
Repairs and maintenance of machinery and equipment	2,986	48	3,034	2,078
Dishes and utensils	2,852	-	2,852	2,868
Rent	50,000	-	50,000	49,998
Total	\$532,625	\$26,427	\$559,052	\$546,947
Plant additions	-	-	-	701
Total expense (To Exhibit C)	\$532,625	\$26,427	\$559,052	\$547,648
Net income or (loss)	\$156,285	\$ (7,712)	\$148,573	\$ 43,970

See accompanying notes to financial statements.

ST. MARY'S COLLEGE

SCHEDULE OF AUXILIARY ENTERPRISES INCOME AND EXPENDITURES
FOR THE YEARS ENDED MAY 31, 1976 AND 1975

COLLEGE HOUSING

INCOME:	St. Edward Hall	St. John Baptist De La Salle Hall	Benilde Hall	Student Villages	Total Other College Housing	Total Expenditures Year Ended May 31, 1976	Total Year Ended May 31, 1975
Room, rent, student	\$67,188	\$63,125	\$35,313	\$69,688	\$159,650	\$247,455	\$559,110
EXPENSE:							
Salaries and wages:							
Salaries - lay personnel	\$10,331	\$24,144	\$18,663	\$12,310	\$19,779	\$83,097	\$181,345
Student wages	-	-	1,021	1,783	27	297	3,985
Sub-total	\$10,331	\$24,144	\$19,684	\$14,093	\$19,806	\$83,394	\$185,330
Other expense:							
Heat	2,557	4,736	6,273	8,041	7,911	25,022	54,540
Light, power and water	2,325	5,391	2,636	2,263	7,529	17,041	37,785
Insurance	841	1,209	1,078	841	1,551	5,257	10,777
Repairs and maintenance:							
Building	1,869	3,388	2,448	2,610	7,246	16,723	34,284
Other	2,466	142	165	479	980	2,750	6,982
Professional service	425	340	425	340	1,112	2,642	5,963
Other supplies and expense	515	939	862	537	2,285	18,155	23,293
Telephone	-	-	-	98	16	1,260	1,370
Total expense	\$21,929	\$40,289	\$33,571	\$29,302	\$48,436	\$169,602	\$335,386
Net income before	\$45,259	\$22,836	\$1,742	\$40,386	\$111,214	\$77,853	\$223,724
PLANT ASSET REPLACEMENTS							
PLANT ADDITIONS	\$ -	\$ -	\$ 486	\$ 62	\$ 3,590	\$ 1,163	\$ 23,949
Total	\$ -	\$ -	\$ 486	\$ 62	\$ 6,139	\$ 3,592	\$ 8,708
Excess of income before mandatory transfers	\$45,259	\$22,836	\$1,256	\$40,324	\$105,075	\$74,261	\$32,657
MANDATORY TRANSFERS:							
Principal	\$ -	\$ 7,000	\$ -	\$ 7,000	\$ 15,467	\$ 16,000	\$ 82,912
Interest	(103)	9,360	(103)	7,971	32,180	12,094	81,127
Sinking fund	-	5,161	-	2,629	-	-	32,090
Total	\$ (103)	\$21,521	\$ (103)	\$17,600	\$47,647	\$28,094	\$196,129
Excess of income	\$45,362	\$1,315	\$1,359	\$22,724	\$57,428	\$46,167	\$ (5,062)
Total interest on projects paid by:							
Sinking fund	\$ 6,641	\$ -	\$ 6,641	\$ -	\$ 5,090	\$ -	\$ 222
General fund transfers	(103)	9,360	(103)	7,971	32,180	12,094	82,912
Total	\$ 6,538	\$ 9,360	\$ 6,538	\$ 7,971	\$37,270	\$12,094	\$ 83,134

See accompanying notes to financial statements.

ST. MARY'S COLLEGESCHEDULE OF AUXILIARY ENTERPRISES INCOME AND EXPENDITURES
FOR THE YEARS ENDED MAY 31, 1976 AND 1975BOOKSTORE

	<u>Year Ended May 31,</u>	
	<u>1976</u>	<u>1975</u>
(1) INCOME	\$160,514	\$143,740
(2) COST OF SALES	<u>126,135</u>	<u>110,480</u>
Gross profit	\$ <u>34,329</u>	\$ <u>33,260</u>
(3) EXPENSE:		
Salaries and wages:		
Salary, lay personnel	\$ 14,908	\$ 14,243
Student wages	293	-
Sub-total	\$ <u>15,201</u>	\$ <u>14,243</u>
Other expense:		
Repairs and maintenance	132	121
Telephone	345	198
Administrative stationery forms	947	749
Rent	12,000	12,000
Printing	83	89
Miscellaneous	<u>423</u>	<u>436</u>
(4) Total expense	\$ <u>29,131</u>	\$ <u>27,836</u>
Excess of income over expenditures	\$ <u>5,198</u>	\$ <u>5,424</u>
Total expenditures		
Items 2 and 4 (To Exhibit C)	<u>\$155,316</u>	<u>\$138,316</u>

See accompanying notes to financial statements.

ST. MARY'S COLLEGE
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
MAY 31, 1976

The significant accounting policies followed by St. Mary's College are described below.

ACCRUAL BASIS

The financial statements of St. Mary's College have been prepared on the accrual basis of accounting except for depreciation accounting, as explained in Note 1 to the financial statements. The statement of current funds revenues, expenditures, and other changes, is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income, or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

FUND ACCOUNTING

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified.

Within each fund, fund balances restricted by outside sources are so indicated, and are distinguished from unrestricted funds. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of the College's purposes.

All unrestricted revenue is accounted for in the unrestricted current fund. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Investments in mutual funds are carried on the books at current market values. All other investments are carried at cost or the fair market value at date of gift.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Other significant accounting policies are set forth in the financial statements and the notes thereto.

ST. MARY'S COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. Physical plant and equipment are stated at cost, at date of acquisition or fair value at date of donation in the case of gifts. Depreciation on physical plant and equipment is not recorded.
2. The mortgage receivable of \$88,282 consists of the balance due from the contract for deed on the sale of Von Ruggermer Residence of:

Less: The existing mortgage the College owes on the property	<u>9,276</u>
Net mortgage receivable	<u>\$88,282</u>

The contract for deed consists of an 8% installment note due December 15, 1983 with monthly payments of \$775.00 with an additional \$1,000 payment due each year starting with May 25, 1976.

3. The Annuity Funds at May 31, 1976 consist of the following:

	<u>Annuity Payable</u>			<u>Fund Balances</u>
	<u>Total</u>	<u>EK #1</u>	<u>EK #2</u>	
Balance, June 1, 1975	\$122,895	\$ 68,875	\$54,020	\$66,880
Less: Payments to participant	<u>(17,400)</u>	<u>(10,000)</u>	<u>(7,400)</u>	<u>-</u>
Balance, May 31, 1976	<u>\$105,495</u>	<u>\$ 58,875</u>	<u>\$46,620</u>	<u>\$66,880</u>

The EK#1 Annuity consists of the balance of \$200,000 received by the College in prior years with a 5% guaranteed return to participant. The EK#2 Annuity which was received in the prior fiscal year carries a 7.4% guaranteed annual return. As of May 31, 1976, the proceeds from the two annuities are due from the current fund.

The fund balances consist of the annuity proceeds not expected to be returned to the participant based on life expectancy.

4. As part of the agreement in issuing bonds to finance construction of Village II, Title to the real estate and improvements was conveyed to the Minnesota Higher Education Facilities Authority which mortgaged the property to secure the bonds. The provisions of the agreement between the College and the Minnesota Higher Education Facilities Authority provides for the conveyance of this property back to the College at the time the bonds are redeemed in full for the sum of \$500.

During the course of our audit, we had obtained no knowledge of any default by the Authority or by St. Mary's College.

5. Notes payable - bank, consisted of the following:

<u>Date of Loan</u>	<u>Balance May 31, 1976</u>	<u>Interest Rate</u>	<u>Due Date</u>
4/6/76	\$ 75,000	9.5%	6/7/76
4/20/76	50,000	9.5%	7/19/76
4/30/76	<u>100,000</u>	9.5%	7/29/76
Total	<u>\$225,000</u>		

6. The notes and bonds payable were used to finance the following buildings:

	<u>Balance May 31, 1976</u>	<u>Building Financed</u>
First Northwestern National Bank of Winona	\$ 330,653	Village I
National City Bank of Minneapolis	1,120,000	College Center
Congregation of the Sacred Hearts of Jesus and Mary	203,000	Damian Hall
Bond Issue 1957	465,000	St. Edward's Hall and La Salle Hall
Bond Issue 1960	251,000	Benilde Hall
Bond Issue 1965	308,000	Skemp Hall
Bond Issue 1973	585,000	Village II
Bonds - College Center	<u>460,000</u>	College Center
Total	<u>\$3,722,653</u>	

7. A detailed analysis of restricted expenditures is as follows:

	S o u r c e s					
	Total	Government Grants and Contracts	Private Gifts, Grants and Contracts	Federal and Non-Federal Sponsored Programs and Research	Endowment Fund	Food Service, Snack Bar and Bookstore
Instructional	\$ 86,613	\$ 86,613	\$ -	\$ -	\$ -	\$ -
Sponsored Research	271,365	-	-	271,365	-	-
Academic support	21,525	21,525	-	-	-	-
Student services	53,915	53,915	-	-	-	-
Operation and maintenance	914	914	-	-	-	-
Institutional support	31,718	31,718	-	-	-	-
Student aid	376,489	345,186	27,420	-	3,883	-
Payment of principal	22,000	-	-	-	-	-
Renewals and replacements	4,000	-	-	-	-	22,000
Food service	27,825	27,825	-	-	-	4,000
Snack bar	2,749	2,749	-	-	-	-
College housing	180,037	2,734	-	-	-	2,000
College bookstore	266	266	-	-	-	-
Total	\$1,079,416	\$573,445	\$27,420	\$271,365	\$3,883	\$28,000
						\$175,303

8. Student financial assistance does not include NDSL Loans, College Work Study Funds or St. Mary's College Student wages.
9. Reclassifications were made to certain prior years' figures on exhibits and schedules of the report. This was necessary to place the prior year's classifications on the same basis as the current year's presentation for comparative purposes.
10. St. Mary's College is a participant in the Christian Brothers Retirement Plan which provides pension benefits to full time lay faculty and other lay personnel by means of contributions made by the employees and St. Mary's College. The annual contributions made by St. Mary's College cover the annual normal costs which are for future service benefits. There is no liability for unfunded past service costs since the Trustee of the plan has considered such costs as fully funded.

SUPPLEMENTAL INFORMATION

ST. MARY'S COLLEGESTATEMENT OF CHANGES IN FINANCIAL POSITION
CURRENT AND PLANT FUNDFOR THE YEARS ENDED MAY 31, 1976 AND 1975

	<u>1976</u>	<u>1975</u>
WORKING CAPITAL PROVIDED FROM:		
Operations:		
Excess of revenues over expenditures before mandatory transfers -		
Current Fund	\$492,873	\$ 25,391
Expenditures for Plant Fund additions	<u>42,261</u>	<u>62,261</u>
Total working capital provided from operations	\$535,134	\$ 87,652
Gift income to Plant Fund	23,068	62,965
Investment income of Plant Fund	<u>19,039</u>	<u>12,346</u>
Total funds provided	<u>\$577,241</u>	<u>\$ 162,963</u>
WORKING CAPITAL USED FOR:		
Loan Fund matching grant	\$ -	\$ 9,208
Plant asset additions, less retirements	68,934	125,225
Reduction of long-term debt	120,392	118,467
Payment of interest on long-term debt	171,836	178,994
Increase in sinking fund deposits	<u>5,417</u>	<u>36,388</u>
Total working capital used	<u>\$366,579</u>	<u>\$ 468,282</u>
Increase (decrease) in working capital	<u>\$210,662</u>	<u>\$ (305,319)</u>
CHANGE IN WORKING CAPITAL REPRESENTED BY:		
Cash	\$ 17,902	\$ (154,252)
Receivables	45,444	70,740
Investments	(4,030)	3,805
Inventories and prepaid expenses	20,266	(4,877)
Notes payable	177,883	(126,526)
Current maturities of long-term debt	(1,925)	22,057
Accounts payable and other accruals	(57,738)	(136,968)
Due to other funds	<u>12,860</u>	<u>20,702</u>
Increase (decrease) in working capital	<u>\$210,662</u>	<u>\$ (305,319)</u>

See accompanying notes to financial statements.

ST. MARY'S COLLEGE

SCHEDULE OF LONG-TERM DEBT

MAY 31, 1976 AND 1975

Description	Interest Rate	Amount Due May 31, 1976 (Note A)		Total Amount Due May 31, 1975	Original Debt Amount	Collateral
		Within One Year	After One Year			
1. St. Mary's College Faculty Residence Building and Student Dormitory Bonds, Series 1957, due in annual amounts of from \$18,000 to \$32,000 through 1997. (Established Debt Service Reserve deposited with Trustee - \$66,000.)	2-3/4%	\$ 18,000	\$ 447,000	\$ 465,000	\$ 760,000	LaSalle Hall (faculty residence) and St. Edward's Hall (student dormitory)
2. St. Mary's College Dormitory Bonds, Series 1960, due in annual amounts of from \$8,000 to \$15,000 through the year 2000. (Established Debt Service Reserve deposited with Trustee - \$33,000.)	3-1/8%	8,000	243,000	251,000	350,000	Benilde Hall (student dormitory)
3. St. Mary's College Dormitory Bonds, Series 1965, due in annual amounts of from \$7,000 to \$16,000 through the year of 2005. (Established Debt Service Reserve deposited with Trustee - \$16,000.)	3%	7,000	301,000	308,000	315,000	Skemp Hall (student dormitory)
4. St. Mary's College Student Union Bonds, Series 1969, due in annual amounts of from \$8,000 to \$22,000 through the year of 2009. (Established Debt Service Reserve deposited with Trustee - \$25,000.)	3%	8,000	452,000	460,000	500,000	College Center (formerly known as Student Union Building)
Due to First Northwestern National Bank of Winona: 1st mortgage (Village I), dated June, 1972, due in equal monthly installments of \$2,819 to 1997 (Note B).	8-1/2%	5,952	324,701	330,653	350,000	Village I (student apartments)
Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series C (1973), due in annual payments of from \$10,000 to \$30,000 to 1998. (Note B). (Established Debt Service Reserve deposited with Trustee - \$36,000.)	4.2%-5.6%	10,000	575,000	585,000	595,000	Village II (student apartments)

ST. MARY'S COLLEGE

SCHEDULE OF LONG-TERM DEBT

AT
MAY 31, 1976 AND 1975

Description	Interest Rate	Amount Due May 31, 1976 (Note A)		Total Amount Due May 31, 1975		Original Debt Amount	Collateral
		Within One Year	After One Year	Total			
Contract for Deed, payable to the Congregation of the Sacred Hearts of Jesus and Mary, due in quarterly installments of \$4,000 to Sept. 30, 1976.	5-3/4%	\$ 8,000	\$ -	\$ 8,000	\$ 219,000	\$ 275,000	Damian Hall (student dormitory)
To be converted to 10 year 1st mortgage, payable in equal quarterly installments commencing Jan. 1, 1977. (Congregation of the Sacred Hearts of Jesus and Mary - mortgagee.)	6-1/2%	3,440	191,560	195,000	-	-	
Total this obligation		\$ 11,440	\$ 191,560	\$ 203,000	\$ 219,000	\$ 275,000	
St. Mary's College Coupon Notes (Note C)	6.5%-7.0%	\$ 52,000	\$ 1,068,000	\$ 1,120,000	\$ 1,167,000	\$ 1,250,000	Unsecured
Total		\$ 120,392	\$ 3,602,261	\$ 3,722,653	\$ 3,841,120	\$ 4,440,000	

(Note D)

NOTES:

- A Payment schedule reflects payment on principal only.
- B Annual interest subsidies received from U.S. Dept. of
Housing and Urban Development:
First Mortgage - First N.W. Natl. Bk. \$13,628
MHEFA Bonds 8,396
- C Balloon payment of \$1,010,000 due June 1, 1978.
- D Includes amounts available from Debt Service Reserves.

See accompanying notes to financial statements.

\$1,300,000 Minnesota Higher Education
Facilities Authority Mortgage Revenue
Bonds, Refunding Series 1976-2
(St. Marys College)

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L E A S E

PARTIES

THIS LEASE, Made as of the 1st day of November, 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 ST. MARYS COLLEGE, a nonprofit institution of higher education incorporated under the laws of Minnesota and having its principal office in Winona, Minnesota (herein sometimes called the "College" or "Institution"),

WITNESSETH:

LEASING
CLAUSE

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

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

II. The items of fixtures, furnishings, equipment and related property, on the Leased Premises, hereinafter defined as Leased Equipment but generally described in Exhibit B attached hereto.

TERM AND

CONSIDERATION

TO HAVE AND TO HOLD the Leased Premises and Leased Equipment (herein collectively called the "Leased Property") unto the College for a term of 25 years 5 months commencing on the 1st day of November, 1976 and ending on the 1st day of April, 2002 (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 Mortgage Revenue Bonds, which may be issued by the Authority under Section 2.10 of the Indenture to provide financing for improvements or additions to the Project or to refund any Bonds or the Student Union Bond of 1969.

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

"Agreement" means the Agreement between the Authority and the College dated September 14, 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 President, Vice President, or the Secretary 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 March 22, 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 has been constructed and is located on the Leased Premises, as it or they may at any time exist.

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

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

"First Mortgage Indenture" means the Indenture dated January 1, 1969 by St. Marys College to Winona National and Savings Bank, as from time to time amended, constituting a Permitted Encumbrance and first mortgage lien on the Building and site thereof, securing the Student Union Bond of 1969.

"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 November 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 St. Marys College, a nonprofit institution of higher education incorporated 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) any fixture now or hereafter 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 (ii) those items of furnishings, equipment and related property described in Exhibit B hereto, acquired and installed for use in the Building or elsewhere on the Leased Premises, and 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 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.

"Original Project Debt" means the \$1,250,000 original principal amount of St. Mary's College, Winona, Minnesota, Coupon Note Issue, dated June 1, 1968, more fully described in Section 2.02(1).

"Outstanding Project Debt" means the \$1,120,000 unpaid principal amount of the Original Project Debt, more fully described in Section 2.02(1).

"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, (v) the First Mortgage Indenture, and (vi) those additional encumbrances identified in Exhibit C hereto.

"Project" means the building 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 Mortgage Revenue Bonds, Refunding Series 1976-2 (St. Marys College), authorized by the Indenture and the Bond Resolution and described in Section 2.01(d) hereof.

"Redemption Account" means the Redemption 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.

"Student Union Bond of 1969" means the \$500,000 original principal amount Saint Marys College Student Union Bond of 1969, dated January 1, 1969, bearing interest at the rate of 3.00%, payable in installments in varying amounts in 1972 to 2009 issued to and held by the United States of America, Secretary of Housing and Urban Development, secured by the First Mortgage Indenture.

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

Section 1.02 Description of Project. The term "Project" means the Leased Property, including a multipurpose college center building housing the student dining room, a snack bar, lounge, TV room, post office, meeting rooms, game room, music listening room, offices for student government, a barber shop and the campus store.

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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 refinance certain outstanding indebtedness incurred by the College to pay costs of the Project; 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 and preserving the College and the Project and the utilization thereof for educational purposes for the people of the state. 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 refinance 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 \$1,300,000 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 April 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>
1979	\$ 20,000	1991	\$ 50,000
1980	\$ 25,000	1992	\$ 55,000
1981	\$ 25,000	1993	\$ 60,000
1982	\$ 25,000	1994	\$ 60,000
1983	\$ 30,000	1995	\$ 65,000
1984	\$ 30,000	1996	\$ 70,000
1985	\$ 35,000	1997	\$ 75,000
1986	\$ 35,000	1998	\$ 80,000
1987	\$ 40,000	1999	\$ 85,000
1988	\$ 40,000	2000	\$ 95,000
1989	\$ 45,000	2001	\$100,000
1990	\$ 45,000	2002	\$110,000

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

At the option of the Authority all bonds maturing April 1, 1992 through April 1, 2002 shall be subject to prior payment in inverse order of serial numbers on April 1, 1991 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 operation 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 has continually used and operated, and 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 operation, leasing 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.

(k) Refinancing of the Project would (i) enhance and preserve St. Marys College, the Project and the utilization thereof for educational purposes, (ii) result in the extension and adjustment of the maturities of obligations incurred to construct the Project to correspond to the resources available for their payment, (iii) eliminate the need for a special fee which would otherwise have to be imposed on students for use of the Project and (iv) enhance and preserve educational programs and make possible improvement of other facilities eligible to be projects under the Act.

(l) The Project was financed in part by the issuance and sale of \$1,250,000 in original principal amount of St. Mary's College, Winona, Minnesota, Coupon Note Issue, dated June 1, 1968, maturing and bearing interest as follows:

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
June 1, 1973	\$ 40,000.00	6 1/2%
June 1, 1974	\$ 43,000.00	6 1/2%
June 1, 1975	\$ 47,000.00	6 1/2%
June 1, 1976	\$ 52,000.00	6 3/4%
June 1, 1977	\$ 58,000.00	6 3/4%
June 1, 1978	\$1,010,000.00	7%

subject to redemption in whole or in part on any interest payment date at par plus accrued interest, secured by a Trust Indenture to National City Bank of Minneapolis (the "Original Project Debt"). No event of default or default exists with respect to said Coupon Notes. The outstanding

principal amount of Original Project Debt at the date of this Lease is \$1,120,000 consisting of \$1,068,000 of Coupon Notes maturing June 1, 1977 and 1978 and of \$52,000 of outstanding bank loans incurred to pay the \$58,000 Coupon Notes maturing June 1, 1976 presently evidenced by a Promissory Note of the College to the Winona National and Savings Bank dated January 5, 1977, bearing interest at the rate of 9 1/2 % per annum and due June 4, 1977 (the "Outstanding Project Debt").

(m) At the date of this Lease (i) the principal amount of the Project Bonds does not exceed the aggregate of the following:

- (A) the Outstanding Project Debt, plus
- (B) unpaid interest accrued or to accrue to the redemption date and any premium payable on the Outstanding Project Debt, plus
- (C) legal, fiscal and related costs, plus
- (D) reserves to be deposited in the Debt Service Reserve Account and contributions to the General Bond Reserve Account required by the Bond Resolution;

and (ii) the principal amount of the Project Bonds plus the unpaid principal amount of the Student Union Bond of 1969 does not exceed the fair market value of the Project (including the site thereof and Leased Equipment) and (iii) the principal amount of the Project Bonds plus the unpaid principal amount of the Student Union Bond of 1969 does not exceed the aggregate of the cost of the Project (determined as provided in Section 3.04 hereof) plus the amounts in (B), (C) and (D) of clause (i) above. For purposes of this Lease and the Indenture, interest paid by the College from funds borrowed for such purpose shall be deemed unpaid interest.

(n) 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, 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; 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 the Leased Equipment has been installed, is suitable and is sufficient for the efficient use and operation of the Project and all costs and expenses incurred in the acquisition and installation of the Leased Equipment have been paid. The foregoing is made without prejudice to any rights against third parties which exist at the date of this Lease or which may subsequently come into being.

ARTICLE III

ISSUANCE OF THE BONDS

REFUNDING OUTSTANDING PROJECT DEBT

Section 3.01 Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds for payment of the cost of refinancing the Outstanding Project Debt, 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, together with such amount, if any, as shall be specified in the Bond Resolution, for capitalized interest, (ii) in the Debt Service Reserve Account and General Bond Reserve Account the sum or sums, if any, required to be deposited therein by the Bond Resolution or the Indenture, and (iii) in the Refunding Account the balance of the proceeds received from said sale.

Section 3.02 Refunding Account. The Authority agrees that it will establish with the Trustee under the Indenture a separate account or accounts (herein called the "Refunding Account") and deposit therein the proceeds of the Project Bonds except as provided in Section 3.01. All moneys in the Refunding Account shall be used by the Authority, the Trustee and the Institution to pay, (i) as promptly as possible the Outstanding Project Debt, any premium thereon and interest accrued thereon to the next first available date for redemption thereof, (ii) any fees and expenses of any paying agent or trustee respecting the Outstanding Project Debt, (iii) the fees and expenses incurred by the College in connection with the issuance and sale of the Project Bonds, including the Authority's initial fee and counsel and fiscal consultant fees, and (iv) the out-of-pocket costs of the College, if any, necessarily incurred in connection with the redemption and prepayment of the Outstanding Project Debt, subject to Section 3.07 hereof.

Section 3.03 Disbursements from the Refunding Account. Prior to any withdrawal from the Refunding Account, the Institution shall furnish to the Trustee and the Authority the following:

(a) Unless all unpaid principal of the Outstanding Project Debt is due and payable, or shall become due and payable according to its terms on or before the next interest payment date applicable to the Outstanding Project Debt, a certified resolution of the Board of Directors of the Institution authorizing and directing the redemption and prepayment of the Outstanding Project Debt and an affidavit or affidavits of publication or mailing, as required, of notice of redemption and prepayment of the Outstanding Project Debt.

(b) An opinion of counsel for the Institution (i) that the Outstanding Project Debt is the valid and binding obligation of the Institution, (ii) whether the Outstanding Project Debt is subject to redemption and prior payment in accordance with its terms, (iii) whether notice of redemption of the Outstanding Project Debt has been authorized and

given, (iv) that the Outstanding Project Debt, the premium thereon (if any) and accrued interest thereon have become due and payable on the date specified in the notice of redemption or on the next interest payment date applicable to the Outstanding Project Debt, specifying such date, and (v) that interest on the Outstanding Project Debt will cease to accrue after such date of redemption stated in the notice of redemption or due date, provided funds for redemption or payment (stating the amount) are deposited with the trustee or other proper person (designating the name and address of the proper person) at the opening of business on the date of redemption (designating such date and hour).

(c) A certificate of an Authorized Institution Representative as to any unpaid fees and expenses respecting the Outstanding Project Debt, in connection with the redemption or otherwise, and the amount of funds (other than proceeds of the Project Bonds) required, if any, to provide for full payment of the Outstanding Project Debt and any other obligations of the Institution which are part of the same issue or series as the Outstanding Project Debt, premium thereon (if any) and accrued interest thereon; and showing the deposit of such additional funds (if any) with the paying agent or trustee for the Outstanding Project Debt or, in the case of other obligations, showing the extension or refinancing thereof.

(d) A certificate of an Authorized Institution Representative, in reasonable detail, showing the original costs of the Project, including costs of construction of the Building, acquisition of or removal of encumbrances on the Project site, and acquisition of the Leased Equipment, as such Project costs are defined in Section 3.04 hereof.

Section 3.04 Definition of Project Costs. For purposes of the Agreement, this Lease and the Indenture, the following costs incurred for the following purposes shall be considered Project costs:

(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 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 Original Project Debt and the Student Union Bond of 1969 during the construction of the Project and interest accruing upon interim financing incident to the construction of the Project before the Original Project Debt and Student Union Bond of 1969 were delivered to the respective 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 of the Project or the issuance of the Original Project Debt and the Student Union Bond of 1969;

(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 Original Project Debt and the Student Union Bond of 1969, 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.

Section 3.05 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 Refunding 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 Refunding 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 Refunding Account available for payment under the terms of the Indenture.

Section 3.06 Institution Required to Pay Outstanding Project Debt in Event Refunding Account Insufficient. In the event the moneys in the Refunding Account available for payment of the Outstanding Project Debt (including any premium and interest and the costs of redemption) should not be sufficient to pay the same in full, the Institution agrees, for the benefit of the Authority, to complete the redemption and to deposit into the

Refunding Account such amounts as are necessary and sufficient for payment of the balance required. The Authority does not make any warranty, either express or implied, that the moneys, which will be paid into the Refunding Account and which under the provisions of this Lease will be available for payment of the costs of the redemption, will be sufficient to pay all the Outstanding Project Debt 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 Refunding Account the Institution should pay any portion of the Outstanding Project Debt or said costs of the redemption 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 Application of Balance in Refunding Account.

When the Outstanding Project Debt shall have been redeemed and no longer be outstanding, and all fees and expenses payable from the Refunding Account shall have been paid, any sums remaining in the Refunding Account shall be used, first, to return to the Institution such amounts (if any) as it may have paid on the Outstanding Project Debt, premium thereon (if any) or interest after the date of this Lease from sources other than the proceeds of the Project Bonds, and shall be used, second, for deposits in the Bond and Interest Sinking Fund Account or the Debt Service 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 for the redemption or prepayment of principal installments of the Student Union Bond of 1969 on behalf of and in the name of the College, any premium thereon, and any accrued interest due and owing on the Student Union Bond of 1969 (which prepayment the College hereby authorizes), and, third, 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 Refunding Account for payment of Outstanding Project Debt not presented for payment on the date of redemption.

Section 3.08 Investment of Refunding Account Moneys

Permitted. The moneys on deposit in the Refunding 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 5.06

of the Indenture. Any such investment shall be payable in such amounts and at such times not later than the time or times when such moneys will be needed to pay the Outstanding Project Debt, the premium thereon (if any) and accrued interest on the first next available date on which the Outstanding Project Debt may be redeemed or (if earlier) paid. The type, amount and maturity of such investments shall be as specified by the Authorized Institution Representative. The deposit of any moneys in the Refunding 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 Refunding 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 redeem the Outstanding Project Debt, 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)(1) 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 August 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; 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 Ninety-One Thousand Two Hundred Dollars (\$91,200), 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) 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 and Debt Service 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 April 1, 1977 and on the 1st day of April in each year thereafter through April 1, 2001, the sum of One Thousand Six Hundred Twenty-Five Dollars (\$1,625) as the annual fee provided for in the Agreement of 1/8 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 October 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 5.08, 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; and

(e) To the Authority, at its office, the Institution's pro rata share of the fees and expenses of independent auditors employed by the Authority to audit the records and accounts of the Authority, from time to time, including accounts held by the Trustee under the Indenture, as such pro rata share is established by the Authority.

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 the Leased Property, 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.

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 or installments of the Student Union Bond of 1969 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, 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 5.06 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) or (c), as appropriate, of Section 4.01 hereof prior to the next semi-annual 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 Student Union Bond of 1969 or the Bonds or for the prior redemption or retirement of the Student Union Bond of 1969 or 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.

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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 a revenue producing educational facility, eligible to be and defined as a "project" under the Act, and primarily as a multipurpose college center, and will not use or operate the Project 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.

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 herein-after 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 or 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.

Section 5.16 First Mortgage Indenture. The Institution covenants that it will pay when due all installments of principal of, premium (if any) and interest on the Student Union Bond of 1969, will comply with all other terms and conditions of the First Mortgage Indenture, and will not default or permit to exist any default or event of default under the First Mortgage Indenture. It is expressly understood that the interest of the Authority in the Leased Premises is subject to the First Mortgage Indenture, and that the Authority has not assumed and does not assume any liability thereunder or for the payment of the Student Union Bond of 1969, nor the performance of any covenant or agreement in the First Mortgage Indenture.

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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 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 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 (i) the costs theretofore incurred or paid, and (ii) 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 named in the request, if any, for such approval by the holder or holders of 51% of the outstanding Bonds. In the event said Net Proceeds 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, 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, 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 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.

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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(c) 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 the First Mortgage Indenture and 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 subaccount 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 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.

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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 default in payment of principal or interest on the Student Union Bond of 1969 or any event of default shall exist under the First Mortgage Indenture or any amendment thereto securing said Bond; 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 (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 pay principal of or interest on the Student Union Bond of 1969 when due, 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 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, (i) 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, (ii) to provide at its own expense for closure of any openings between the Project and the gymnasium facility to which the Project is connected and (iii) to provide for the entry of all utilities into the Project without dependence upon their passage through the gymnasium facility.

Section 9.10 Authority and Trustee as Agents of Institution to Give Notices, Etc. The Institution hereby irrevocably appoints the Authority and the Trustee, and each of them, as its agents to give any notice, to cure any default, to execute any consent or to do anything which the Institution is authorized to provide or do under the Student Union Bond of 1969 and the First Mortgage Indenture; provided that so long as no event of default exists under this Lease and no default exists hereunder which, by the giving of notice or passage of time or both, would become an event of default, neither the Authority nor the Trustee shall give any notice, execute any consent or do anything on behalf of the Institution under the Student Union Bond of 1969 or the First Mortgage Indenture without first giving ten (10) days' written notice to the Institution of the action proposed, nor if the Institution shall object to such proposed action in writing delivered to, or mailed to and received by, the Authority and the Trustee prior to the expiration of such ten (10) day period. Neither the Authority nor the Trustee shall have any liability to the Institution for any action taken, or for any failure to take action, pursuant to the authority contained in this Section.

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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, 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, 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, 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 -- St. Marys College
Winona, Minnesota 55987
Attention: Vice President for
Financial Affairs
- 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.

\$1,300,000 Minnesota Higher Education
Facilities Authority Mortgage Revenue
Bonds, Refunding Series 1976-2
(St. Marys College)

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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 November, 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 corporation with trust powers organized and existing under and by virtue of the laws of _____ and having its main office and place of business at _____, 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 refinancing 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 and thereby refinance outstanding indebtedness incurred by St. Marys College for the construction of the Project hereinafter described, including costs of site acquisition and of the Leased Equipment located at and used for purposes of the Project, in order to enhance and preserve the College, the Project and the utilization thereof for educational purposes, to extend and adjust the maturities of such indebtedness to correspond to resources available for their payment, and to enhance and preserve educational programs and the acquisition and improvement of other facilities eligible to be projects under the Act; and

WHEREAS, said Project consists of a multipurpose college center housing the student dining room, a snack bar, lounge, TV room,

post office, meeting rooms, game room, music listening room, offices for student government, a barber shop and the campus store at St. Marys College (herein called the "College" or the "Institution"), a nonprofit institution of higher education duly incorporated under the laws of Minnesota and having its main office and place of business in the City of Winona, Minnesota; and

WHEREAS, the said indebtedness to be refinanced (the "Outstanding Project Debt") consists of \$1,068,000 in unpaid principal amount of \$1,250,000 in original principal amount (the "Original Project Debt") of Coupon Notes, dated June 1, 1968, more fully hereinafter described, secured by an Indenture (as amended) dated January 1, 1968, to the National City Bank of Minneapolis, as trustee, plus \$52,000 of outstanding bank loans incurred to pay the Coupon Notes maturing June 1, 1976, but does not include the unpaid principal amount of the \$500,000 Saint Marys College Student Union Bond of 1969, more fully hereinafter described, also issued by the College to provide funds for the Project; and

WHEREAS, to carry out such purposes, the Authority has deemed it advisable to issue and sell revenue bonds in an amount not exceeding \$1,300,000 to provide money to pay the Outstanding Project Debt, unpaid interest accrued and to accrue on the Outstanding Project Debt to the redemption date, reserves, and bond issuance expense; 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 \$1,300,000 to be designated "Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Refunding Series 1976-2 (St. Marys College)" (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 acquisition and refinancing of 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 September 14, 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 November 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 22nd day of March, 1977 (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

Mortgage Revenue Bond
Refunding Series 1976-2
(St. Marys College)

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 Refunding Series 1976-2 (St. Marys College) 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 April, 19 and to pay interest thereon from such Fund from the date hereof at the rate of

percent (%) per annum, interest payable October 1, 1977 and semiannually thereafter on April 1 and October 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 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 One Million Three Hundred Thousand Dollars (\$1,300,000), 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 acquiring and refinancing a College Center, with appurtenant furnishings and equipment and site improvements (hereinafter called the "Project"), at St. Marys College (hereinafter called the "College"), a nonprofit institution of higher education in the City of Winona, 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 March 22, 1977 and a Mortgage Trust Indenture (herein called the "Indenture") dated as of November 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 lien of the Indenture is subject to a first mortgage lien on the Project building and site under an Indenture, dated January 1, 1969, as amended, to the Winona National and Savings Bank, Winona, Minnesota, as trustee, securing the Saint Marys College Student Union Bond of 1969 issued to and held by the United States of America, Secretary of Housing and Urban Development.

The Bonds of this issue maturing April 1, 1992 through April 1, 2002 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 April 1, 1991, 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 Banks 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 are 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 refinancing of the Project at the College will enhance and preserve the College, its educational programs, the Project and the utilization thereof, and extend and adjust maturities of the original indebtedness incurred to construct the Project and thereby provide appropriate additional educational opportunity for the people of the state; that the amount of the Bonds of this series plus prior liens does not exceed the fair market value of the Project, or the original cost of the Project; that the amount of the Bonds of this series does not exceed the amount of the outstanding indebtedness being refinanced, including premium and interest, plus legal, fiscal and related costs in connection with the refinancing and reasonable reserves, as determined by the Authority; 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 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 April, 1977.

MINNESOTA HIGHER EDUCATION
FACILITIES AUTHORITY

By _____
Its Chairman

(Seal)

Attest:

Secretary

(Form of Coupon)

No.

\$

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

On the first day of April (October), 19 , the Minnesota Higher Education Facilities Authority will pay to bearer at the principal office of , in Minnesota, the sum shown hereon for interest then due on and from the Fund mentioned in its Minnesota Higher Education Facilities Authority Mortgage Revenue Bond, Refunding Series 1976-2 (St. Marys College), dated April 1, 1977, No. .

MINNESOTA HIGHER EDUCATION
FACILITIES AUTHORITY

By _____
Chairman

Secretary

(Form of Trustee's Certificate)

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

Trustee,

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 November 1, 1976 between the Authority and St. Marys College, 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 September 14, 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 and to the First Mortgage Indenture,

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 President, Vice President or Secretary of the Institution. Such certificate may designate an alternate or alternates.

Section 1.04 Default, Financial Journal, 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 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 St. Marys College, a nonprofit institution of higher learning incorporated under the laws of Minnesota and located in the City of Winona, 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 March 22, 1977, by the Authority and any amendments thereto.

The term "Agreement" means the Agreement between the Authority and the College dated September 14, 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 November 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 November 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 June 1 and ending May 31, and the term "Fiscal Half Year" initially refers to the six months periods ending the last days of May and November.

The term "Project" refers to a multipurpose college center housing the student dining room, a snack bar, lounge, TV room, post office, meeting rooms, game room, music listening room, offices for student government, a barber shop and the campus store, 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 Mortgage Revenue Bonds, Refunding Series 1976-2 (St. Marys College), 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, (v) the First Mortgage Indenture and (vi) those additional encumbrances identified in Exhibit C hereto.

Section 1.09 Original Project Debt, Outstanding Project Debt, Student Union Bond of 1969, First Mortgage Indenture. The term "Original Project Debt" refers to the \$1,250,000 original principal amount of St. Marys College, Winona, Minnesota Coupon Note Issue, dated June 1, 1968, maturing and bearing interest as follows:

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
June 1, 1973	\$ 40,000.00	6 1/2%
June 1, 1974	\$ 43,000.00	6 1/2%
June 1, 1975	\$ 47,000.00	6 1/2%
June 1, 1976	\$ 52,000.00	6 3/4%
June 1, 1977	\$ 58,000.00	6 3/4%
June 1, 1978	\$1,010,000.00	7%

subject to redemption and prepayment at the option of the College on any interest payment date at par plus accrued interest, secured by an Indenture dated June 1, 1968 to National City Bank of Minneapolis, as trustee.

The term "Outstanding Project Debt" refers to \$1,120,000 in unpaid principal amount of the Original Project Debt, consisting of \$1,068,000 of the Coupon Notes maturing June 1, 1977 and 1978 and \$52,000 of outstanding bank loans incurred to pay the Coupon Notes maturing June 1, 1976 presently evidenced by a Promissory Note to the Winona National and Savings Bank dated January 5, 1977, bearing interest at the rate of 9 1/2% per annum and due June 4, 1977.

The term "Student Union Bond of 1969" refers to the \$500,000 original principal amount Saint Marys College Student Union Bond of 1969, dated January 1, 1969, bearing interest at the rate of 3% per annum and payable in installments in varying amounts in 1972 to 2009, issued to and registered in the name of the United States of America, Secretary of Housing and Urban Development.

The term "First Mortgage Indenture" refers to the Indenture dated as of January 1, 1969 by St. Marys College to Winona National and Savings Bank, Winona, Minnesota, as trustee, as amended, providing a first mortgage lien on the Project building and site therein described, securing the Student Union Bond of 1969.

Section 1.10 Other Defined Terms. The following terms shall have the meanings ascribed to them in the Sections opposed:

<u>Term</u>	<u>Section Number</u>
Refunding Account	4.01
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
Redemption Account	5.05
General Bond Reserve Account	5.07
Event of Default	7.01

Section 1.11 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.

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 April 1, 1977 and shall each be designated "Minnesota Higher Education Facilities Authority Mortgage Revenue Bond, Refunding Series 1976-2 (St. Mary's College)". 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 October 1, 1977 and semiannually thereafter on April 1 and October 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 One Million Three Hundred Dollars (\$1,300,000), shall mature serially on April 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>
1979	\$ 20,000		1991	\$ 50,000	
1980	\$ 25,000		1992	\$ 55,000	
1981	\$ 25,000		1993	\$ 60,000	
1982	\$ 25,000		1994	\$ 60,000	
1983	\$ 30,000		1995	\$ 65,000	
1984	\$ 30,000		1996	\$ 70,000	
1985	\$ 35,000		1997	\$ 75,000	
1986	\$ 35,000		1998	\$ 80,000	
1987	\$ 40,000		1999	\$ 85,000	
1988	\$ 40,000		2000	\$ 95,000	
1989	\$ 45,000		2001	\$100,000	
1990	\$ 45,000		2002	\$110,000	

Section 2.02 Execution of Bonds.

The Bonds shall be signed in the name of the Authority by the facsimile signature of the Chairman 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 of the Authority and 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 and the First Mortgage Indenture.

(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) The certified resolution of the Board of Directors of the Institution, affidavit or affidavits, Opinion of Counsel, and Certificates of Authorized Institution Representative specified in Section 4.02 hereof.

(h) An appraisal by a recognized appraiser, bearing the MAI designation or similar qualifications satisfactory to the Authority, expressing an opinion as of a date not more than 90 days prior to the date of Bond delivery, as to the fair market value of the Project buildings and the site thereof, together with a Certificate of an Authorized Institution Representative showing the depreciated cost value of the Leased Equipment, which shall aggregate not less than the principal amount of the Bonds plus the unpaid principal (at the date of Bond delivery) of the Student Union Bond of 1969.

(i) A Certificate of an Authorized Institution Representative that the Project (including the site thereof and the Leased Equipment) is in good condition and repair and is being utilized by the Institution as educational facilities eligible to be a "project" under the Act.

(j) A Certificate of an Authorized Institution Representative that no default or event of default exists, or will exist immediately following Bond delivery, under the First Mortgage Indenture.

Section 2.10 Authorization of Additional Bonds. In addition to the Bonds above described, the Authority, with the consent of the holders of at least sixty-five percent of the outstanding Bonds under Section 11.04 hereof, may issue Additional Bonds to provide funds for

improvements to or alterations, repairs or replacement of Project facilities, or to refund any of the Bonds or the Student Union Bond of 1969, 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 or the redemption of any bonds to be refunded, as the case may be, and availability of funds therefor, and further documents described in paragraphs (c), (d) and (f) 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 April 1, 1991 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 April 1, 1992 through April 1, 2002, 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 April 1, 1991 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 Refunding Account

Section 4.01 Refunding Account. The Authority agrees that it will establish with the Trustee a separate account or accounts (herein called the "Refunding Account") and deposit therein the proceeds of the Bonds except as otherwise provided herein or in the Series Resolution. All moneys in the Refunding Account shall be used by the Authority, the Trustee and the Institution to pay, (i) as promptly as possible the Outstanding Project Debt, any premium thereon and interest accrued thereon to the next first available date for redemption thereof, (ii) any fees and expenses of any paying agent or trustee respecting the Outstanding Project Debt, (iii) the fees and expenses incurred by the College in connection with the issuance and sale of the Bonds, including the Authority's initial fee and counsel and fiscal consultant fees, and (iv) the out-of-pocket costs of the College, if any, necessarily incurred in connection with the redemption and prepayment of the Outstanding Project Debt, subject to Section 4.06 hereof.

Section 4.02 Disbursements from the Refunding Account. Prior to any withdrawal from the Refunding Account, the Institution shall furnish to the Trustee and the Authority the following:

(a) Unless all unpaid principal of the Outstanding Project Debt is due and payable, or shall become due and payable according to its terms on or before the next interest payment date applicable to the Outstanding Project Debt, a certified resolution of the Board of Directors of the Institution authorizing and directing the redemption and prepayment of the Outstanding Project Debt and an affidavit or affidavits of publication or mailing, as required, of notice of redemption and prepayment of the Outstanding Project Debt.

(b) An Opinion of Counsel for the Institution (i) that the Outstanding Project Debt is the valid and binding obligation of the Institution, (ii) whether the Outstanding Project Debt is subject to redemption and prior payment in accordance with its terms, (iii) whether notice of redemption of the Outstanding Project Debt has been duly authorized and given, (iv) that the Outstanding Project Debt, the premium thereon (if any) and accrued interest thereon have become due and payable on the date specified in the notice of redemption or on the next interest payment date applicable to the Outstanding Project Debt, specifying such date, and (v) that interest on the Outstanding Project Debt will cease to accrue after such date of redemption stated in the notice of redemption or due date, provided funds for redemption or payment (stating the amount) are deposited with the trustee or other proper person (designating the name and address of the proper person) at the opening of business on the date of redemption (designating such date and hour).

(c) A Certificate of an Authorized Institution Representative as to any unpaid fees and expenses respecting the Outstanding Project Debt, in connection with the redemption or otherwise, and the amount of funds (other than proceeds of the Project Bonds) required, if any, to provide for full payment of the Outstanding Project Debt and any other obligations of the Institution which are part of the same issue or series as the Outstanding Project Debt, premium thereon (if any) and accrued interest thereon and showing the deposit of such additional funds (if any) with the paying agent or trustee for the Outstanding Project Debt or, in case of other obligations, showing the extension or refinancing thereof.

(d) A Certificate of an Authorized Institution Representative, in reasonable detail, showing the original costs of the Project, including costs of construction of the Building, acquisition of or removal of encumbrances on the Project site, and acquisition of the Leased Equipment, as such Project costs are defined in Section 4.03 hereof.

Section 4.03 Definition of Project Costs. For purposes of the Agreement, the Lease and this Indenture, the following costs incurred for the following purposes shall be considered Project costs:

(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 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 Original Project Debt and Student Union Bond of 1969 during the construction of the Project and interest accruing upon interim financing incident to the construction of the Project before the Original Project Debt and Student Union Bond of 1969 were delivered to the respective 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 of the Project or the issuance of the Original Project Debt and the Student Union Bond of 1969;

(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 Original Project Debt and the Student Union Bond of 1969, 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 4.04 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 4.02 hereof that are required to effect payments out of the Refunding 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 Refunding Account in accordance with Section 4.02 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 Refunding Account available for payment under the terms of this Indenture.

Section 4.05 Institution Required to Pay Outstanding Project Debt in Event Refunding Account Insufficient. In the event the moneys in the Refunding Account available for payment of the Outstanding Project Debt (including any premium and interest) and the costs of redemption should not be sufficient to pay the same in full, the Institution has agreed, for the benefit of the Authority, to complete the redemption and to deposit into the Refunding Account such amounts as are necessary and sufficient for payment of the balance required. The Authority does not make any warranty, either express or implied, that the moneys, which will be paid into the Refunding Account and which under the provisions of the Lease will be available for payment of the costs of the redemption, will be sufficient to pay all the Outstanding Project Debt 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. Nothing in this Indenture, the Lease, the Agreement or any other document shall be construed as an assumption by the Authority or an agreement by the Authority to pay the Outstanding Project Debt, or any premium or interest thereon, or as an assumption by the Authority of any covenant or term in any instrument securing the Outstanding Project Debt.

Section 4.06 Application of Balance in Refunding Account. When the Outstanding Project Debt shall have been redeemed and shall no longer be outstanding, and all fees and expenses payable from the Refunding Account shall have been paid, any sums remaining in the Refunding Account shall be used, first, to return to the Institution such amounts (if any) as it may have paid on the Outstanding Project Debt, premium thereon (if any) or interest after the date of this Indenture from sources other than the proceeds of the Bonds and shall be used, second, for deposits in the Bond and Interest Sinking Fund Account or the Debt Service 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 for the redemption or prepayment of principal installments of the Student Union Bond of 1969 on behalf of and in the name of the College, any premium thereon and any accrued interest due and owing on the Student Union Bond of 1969 (which payment the College has authorized), and third, 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 Refunding Account for payment of Outstanding Project Debt not presented for payment on the date of redemption.

Section 4.07 Investment of Refunding Account Moneys Permitted. The moneys on deposit in the Refunding 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 5.06 hereof. Any such investment shall be payable in such amounts and at such times not later than the time or times when such moneys will be needed to pay the Outstanding Project Debt, the premium thereon (if any) and accrued interest on the first next available date on which the Outstanding Project Debt may be redeemed or (if earlier) paid. The type, amount and maturity of such investments shall be as specified by the Authorized Institution Representative. The deposit of any moneys in the Refunding 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 Refunding 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 redeem the Outstanding Project Debt, 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)(1) 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 "Refunding Series 1976-2 (St. Marys College) 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 Redemption Account for the uses stated in Section 5.05 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 "Refunding Series 1976-2 (St. Marys College) 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, March 26 and September 25 as the case may be, before April 1 and October 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.

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 April 1 and October 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 "Refunding Series 1976-2 (St. Marys College) 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 "Refunding Series 1976-2 (St. Marys College) 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 March 26 and September 25 of 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 Ninety-One Thousand Two Hundred Dollars (\$91,200).

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 Sections 5.08 and 6.15 hereof.

Section 5.05 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, or the Debt Service Reserve Account shall be deposited in an account which the Authority shall maintain with the Trustee, to be designated "Refunding Series 1976-2 (St. Marys College) 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 redeem or prepay principal installments of the Student Union Bond of 1969 on behalf of and in the name of the College, any redemption premium thereon or any accrued interest due and owing on the Student Union Bond of 1969; and
- 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 5.06 Investment of Funds. Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Debt Service 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 or prepayment of principal installments, premium thereon and accrued interest on the Student Union Bond of 1969, or 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 5.05; it being intended that interest, income and profit shall not be permitted to accumulate but shall be used to provide debt service on the Student Union Bond of 1969 or the Bonds or for the prior redemption or retirement of the Student Union Bond of 1969 or 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 5.07 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, 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.

Section 5.08 Use of Funds For Student Union Bond of 1969 and First Mortgage Indenture. Notwithstanding any other provision of this Indenture, the Trustee is authorized, in its discretion, to use any funds or investments on the Operation and Maintenance Account, the Debt Service Reserve Account and the Redemption Account to cure any default by the Institution in the payment of principal of or interest on the Student Union Bond of 1969 or any other default under the First Mortgage Indenture if, in its opinion, such use of such funds or investments is desirable and in the best interests of the holders of the outstanding Bonds. Such payment shall be deemed an advance by the Authority under Section 9.05 of the Lease.

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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 and Income of the Project, subject to the First Mortgage Indenture and the rights of the United States of America, Secretary of Housing and Urban Development, as holder of the Student Union Bond of 1969) 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, the Lease and the First Mortgage Indenture. 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 the First Mortgage Indenture and 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 and Income 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. Nothing in this Indenture, the Lease, the Guaranty Agreement or the Agreement or any other instrument shall be construed as an assumption by the Authority or an agreement by the Authority to pay the indebtedness evidenced by the Student Union Bond of 1969 or an assumption by the Authority of, or an agreement by the Authority to perform, any term or covenant in the First Mortgage Indenture, nor to release the Institution from its primary liability to pay when due all installments of principal, premium (if any) and interest on the Student Union Bond of 1969 and otherwise to perform the terms and covenants of the obligor set forth in the First Mortgage Indenture.

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;

provided that the assignment of Project revenues and income contained in the First Mortgage Indenture shall not be deemed a violation of this Section 6.09. 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 (or cause the Institution to keep, observe and perform all obligations and regulations) lawfully imposed upon it (or the Institution) by law, contract or otherwise as a condition of continued enjoyment of its rights, privileges and franchises, or title to the Project, and will not violate any restriction or limitation contained in the Student Union Bond of 1969 or the First Mortgage Indenture.

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 and the Student Union Bond of 1969, (b) Current Expenses of the Project, (c) the required reserve for Current Expenses, and (d) the debt service reserves for the Bonds and the Student Union Bond of 1969; 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 Lessee under the Lease) will be sufficient to pay all Current Expenses of the Project and provide for debt service on the Bonds and the Student Union Bond of 1969 and the required reserves therefor, 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 and the Student Union Bond of 1969, the required reserves therefor 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 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 and paid out by the Trustee, from time to time, to or upon the order of the Authority, but only upon receipt by the Trustee of a certificate signed by the Authorized Institution Representative and approved by the Authorized Authority Representative if the Lease is in effect, otherwise signed by the Authorized Authority Representative, setting forth (1) the costs theretofor incurred or paid, and (2) that the Net Proceeds and other legally available moneys are sufficient to complete such repairing or reconstructing, which certificate shall be approved by an Independent Engineer named in the request (if any) for such approval by the holder or holders of 51% of the outstanding Bonds.

In the event the net proceeds of insurance or condemnation, together with 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 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 will 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 Trustee 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 the First Mortgage Indenture or this Indenture and the agreements in that behalf therein and herein contained, and will not suffer or permit any default to occur under the First Mortgage Indenture or this Indenture, but will faithfully observe and perform all the conditions, covenants and requirements thereof and 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 the First Mortgage Indenture or this Indenture, or from any funds other than Revenues and Income of the Project or Bond proceeds or funds held by the Winona National and Savings Bank or its successor as trustee under the First Mortgage Indenture 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 of the First Mortgage Indenture or 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 made; or

(b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue), 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 by or 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 agentss 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, payments due on the Student Union Bond of 1969 and prior or 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 (including the First Mortgage Indenture) 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 stamped 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 (including the First Mortgage Indenture) 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 Appraisement, 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 appraisement, 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 appraisement 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; and

(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.

In any judicial proceeding to which the Institution or 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, including (without limitation) any proceeding for foreclosure or enforcement of the First Mortgage Indenture, 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 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.

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, or in case the Institution shall fail to pay any installment of principal, premium (if any) or interest due on the Student Union Bond of 1969, the Trustee may pay such tax, assessment, governmental charge or installment 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 or the Institution, as the case may be, 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 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 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 so 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 to the General Bond Resolution, reciting that the 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.

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT made and entered into as of November 1, 1976, by and between ST. MARYS COLLEGE, a Minnesota nonprofit corporation, located in the City of Winona, Winona County, Minnesota (the "College"), and a 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 Mortgage Revenue Bonds, Refunding Series 1976-2 (St. Marys College) in the aggregate principal amount of \$1,300,000 (the "Bonds"); and

WHEREAS, the Bonds are to be issued under and pursuant to the Indenture; and

WHEREAS, the Bonds are being issued to refinance the Outstanding Project Debt, as defined in the Indenture, incurred by the College for the construction of a College Center (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 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. The Guarantor agrees that it will maintain its corporate existence under the laws of Minnesota and will not dispose of all or substantially all of its assets nor consolidate with nor merge into another corporation; provided that the Guarantor may, without violating the agreement contained in this paragraph, consolidate with or merge into another corporation, or permit one or more other of such corporations to consolidate with or merge into it, or sell or otherwise transfer to another such corporation all or substantially all of its assets as an entirety and thereafter dissolve if such surviving, resulting or transferee corporation assumes in writing all of the obligations of the Guarantor herein and has a net worth at least equal to the net worth of the Guarantor immediately prior to such consolidation, merger, or transfer.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

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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.

b. Consents of holders of outstanding common fund Bonds may be evidenced by a consent or consents in writing of the holder or holders or adopted at a meeting of bondholders in the same manner as may be provided in the Indenture for the Bonds of such series for execution of instruments by bondholders or the holding of bondholders' meetings or, if not so provided, then in such manner as shall be deemed appropriate by the Authority, whose determination of the validity and sufficiency of any such consents shall be binding as provided in paragraph 2(g).

5. Issuance of Special Series Bonds. The Authority reserves the right and power in its discretion to issue special series Bonds at any time and from time to time not to be secured by the General Bond Reserve Account or the covenants and provisions of this General Bond Resolution. No special series Bonds so issued, or interest thereon, shall be entitled to any advance from or any lien on or security interest in the General Bond Reserve Account or cash or investments therein, but such special series Bonds and interest thereon shall be payable and shall be paid exclusively from the revenues of the Project and the Lease in respect of which such special series Bonds have been issued and as shall be provided in the Series Resolution, Indenture, Lease and Agreement in respect of such special series Bonds.

SERIES RESOLUTION

[Minnesota Higher Education Facilities
 Authority First Mortgage Revenue Bonds,
 Refunding Series 1976-2 (St. Marys College)]

BE IT RESOLVED by the Minnesota Higher Education Facilities Authority, as follows:

1. This Authority has received and considered bids for the sale of \$1,300,000 Mortgage Revenue Bonds, Refunding Series 1976-2 (St. Marys College), dated as of April 1, 1977 (herein called the "Bonds" or "Refunding Series 1976-2 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 \$1,300,000 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 St. Marys College has heretofore approved and executed, an Agreement dated as of September 14, 1976 (hereinafter called the "Agreement"). As provided in paragraph 3 of the Agreement, the representatives of St. Marys College 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 Refunding Series 1976-2 Bonds to the said bidder in accordance with the said bid, and the Chairman (or in his absence 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 Refunding Series 1976-2 Bonds with the said bidder. The good faith checks of all unsuccessful bidders shall be returned forthwith.

3. The Authority does hereby approve, and St. Marys College (hereinafter sometimes called the "College") has heretofore approved, the forms of the following Exhibits to the Agreement:

- Exhibit 1 -- Deed of the Project 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 November 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 November 1, 1976, including as exhibits a description of the mortgaged real estate and a description of the mortgaged leased equipment (the "Indenture"), with
as Trustee.
- Exhibit 8 -- Financing Statement from the College to secure the payment of the base rent under the Lease (the "Financing Statement").

The Chairman (or in his absence 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 Refunding Series 1976-2 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 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 Refunding Series 1976-2 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 -- \$22,800

Into the Refunding Series 1976-2 (St. Marys College) 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 Refunding Series 1976-2 (St. Marys College) Debt Service Reserve Account to be kept and maintained by the Trustee under the Indenture -- \$91,200

All other proceeds of the Bonds shall be deposited into the Refunding Account with the Trustee under the Indenture to be used and paid out by the Trustee for refinancing of the Outstanding Project Debt and payment of expenses 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 have furnished 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 Refunding Series 1976-2 Bonds, which officers and the amount of the surety bond 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. Streater, Murphy, Brosnahan & Langford, of Winona, Minnesota, as counsel for the College, may be accepted to evidence title to the Project, 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 Refunding Series 1976-2 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 Refunding Series 1976-2 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 Refunding Series 1976-2 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, refinanced and operated and that the Refunding Series 1976-2 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:

Attest:

Secretary

Chairman

Bids delivered to Springsted Incorporated by 10:00 A.M. , the day of the sale, will be carried to the sale.

Telephone & Telecopier: 612/222-4241

PLEASE SUBMIT BID IN DUPLICATE. It is preferred, but not mandatory, that this form be used.

TO: Dr. Joseph E. LaBelle
Executive Director
Minnesota Higher Education Facilities Authority
278 Metro Square Building
St. Paul, MN 55101

DATE: March 22, 1977

RE: \$1,300,000 Mortgage Revenue Bonds, Refunding Series 1976-2 (St. Marys College)

For the Bonds of this Issue which shall mature and bear interest at the annual rate, as follows, we offer a price of \$_____ and accrued interest to the date of delivery.

_____ % 1979	_____ % 1983	_____ % 1987	_____ % 1991	_____ % 1995	_____ % 1999
_____ % 1980	_____ % 1984	_____ % 1988	_____ % 1992	_____ % 1996	_____ % 2000
_____ % 1981	_____ % 1985	_____ % 1989	_____ % 1993	_____ % 1997	_____ % 2001
_____ % 1982	_____ % 1986	_____ % 1990	_____ % 1994	_____ % 1998	_____ % 2002

In making this offer we accept all of the terms and conditions of the Official Notice of Bond Sale published in the Official Statement for the Issue dated March 11, 1977. Our offer, unless extended by us, shall expire within four (4) hours of the time set for its award. In the event of failure to deliver these bonds in accordance with the Official Notice of Bond Sale as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

We request that CUSIP numbers be printed on the Bonds and we will pay CUSIP charges related thereto.
(Strike if not applicable)

Account Members

Account Manager

By: _____

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST \$ _____
NET EFFECTIVE RATE _____

Received good faith check for return
to bidder as of the date of this offer.

SPRINGSTED Incorporated by _____

The foregoing offer is hereby accepted by the addressee on the date of the offer by its following officers duly authorized and empowered to make such acceptance.

Secretary

Chairman



Bids delivered to Springsted Incorporated by 10:00 A.M. , the day of the sale, will be carried to the sale.
Telephone & Telecopier: 612/222-4241

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to bidder as of the date of this offer.

SPRINGSTED Incorporated by _____

The foregoing offer is hereby accepted by the addressee on the date of the offer by its following officers duly authorized and empowered to make such acceptance.

Secretary

Chairman

B
I
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R
M

