

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

\$5,500,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
Variable Rate Demand Revenue Bonds, Series Two-1
(College of St. Thomas)

Bonds Dated: December 5, 1985

Due: November 1, as shown below

Initial Interest Rate: 5.25%
Reoffered at Par

The Bonds are fully registered with interest payable each February 1, May 1, August 1 and November 1, commencing February 1, 1986, to and until the Conversion Date. Following the Conversion Date, interest is payable each May 1 and November 1. The Bonds are issued in denominations of \$25,000 (or, following the Conversion Date, \$5,000) and integral multiples thereof and principal will be payable at the principal office of First Trust Company, Inc., Saint Paul, Minnesota, as Trustee (the "Trustee").

The Bonds are issued by the Minnesota Higher Education Facilities Authority (the "Authority") to provide funds to be loaned to the College of St. Thomas (the "College"), and are payable primarily from draws to be made under an Irrevocable Letter of Credit (the "Letter of Credit") issued to the benefit of the Trustee by

THE FIRST NATIONAL BANK OF SAINT PAUL

In addition, the College is obligated to make Loan Repayments under a Loan Agreement between the Authority and the College.

Prior to December 12, 1985, the Bonds will bear interest at the rate of 5.25%. Thereafter until the Conversion Date interest shall be at the Variable Rate, which is the lowest interest rate which, in the judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, would permit the sale of the Bonds at par on the date the Variable Rate is established by the Remarketing Agent, provided that it does not exceed 15% per annum. The Variable Rate shall be determined weekly by The First National Bank of Saint Paul, as Remarketing Agent, or its successors, as more fully described herein.

Any Holder of a Bond may, prior to the Conversion Date, at any time, upon not less than seven calendar days prior written notice (the "Purchase Demand"), tender Bonds to the Trustee at its main office at or before 11:00 A.M., Saint Paul time, on the purchase date specified in such notice. The Trustee shall purchase the tendered Bonds from the proceeds of a draw under the Letter of Credit, as more fully described herein.

At the option of the College on any May 1 or November 1, commencing May 1, 1986, the Variable Rate Bonds will be converted to Fixed Rates, determined by the Remarketing Agent to be the lowest rate for each maturity which, in the judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, would permit the sale of all the Bonds of such maturity at par on the Conversion Date, provided that no such rate exceeds 18% per annum. If the College fails to obtain a renewal of the Letter of Credit or an Alternate Credit Facility, the Bonds will be converted to Fixed Rate Bonds by the Trustee, as more fully described herein. The Letter of Credit expires on December 10, 1995.

MATURITY SCHEDULE			
<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>
1995	\$ 400,000	2010	\$1,400,000
2000	700,000	2015	1,900,000
2005	1,100,000		

The Bonds are subject to redemption in whole or in part as described in "THE BONDS — Redemption of Bonds" herein.

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

The Bonds are being offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality and certain other matters by Faegre & Benson, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed on for the College by its Counsel, Moore, Costello & Hart, Saint Paul, Minnesota. Certain matters will be passed on by Oppenheimer Wolff Foster Shepard and Donnelly, Saint Paul, Minnesota, as Counsel to the Bank in its capacity as issuer of the Letter of Credit and in its capacity as Underwriter. It is expected that the Bonds will be available for delivery in Saint Paul, Minnesota on or about December 5, 1985.

THE FIRST NATIONAL BANK OF SAINT PAUL

No dealer, broker, salesman or other person has been authorized by the Authority or by The First National Bank of Saint Paul as Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information contained herein has been obtained from sources believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority or the Underwriter. 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 there has been no change in the affairs of the Authority since the date hereof.

References in this Official Statement to laws, rules, regulations, agreements, and any other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein.

The Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. The registration or qualification of these securities in accordance with applicable provisions of securities laws of the jurisdictions in which the Bonds may be registered or qualified and the exemption from registration or qualification in other jurisdictions shall not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

In connection with this offering, The First National Bank of Saint Paul, Saint Paul, Minnesota as Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. Although the Underwriter anticipates that it will maintain a secondary market for the Bonds, there is no assurance that such a market will develop or, if developed, will be maintained.

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OFFICIAL STATEMENT

\$5,500,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY VARIABLE RATE DEMAND REVENUE BONDS, SERIES TWO-I (COLLEGE OF ST. THOMAS)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the College of St. Thomas (the "College") in connection with the issuance of the Authority's \$5,500,000 Variable Rate Demand Revenue Bonds, Series Two-I (College of St. Thomas) (the "Bonds").

The Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, by the provisions of which the Authority was created and is authorized to issue its obligations to assist institutions of higher education within the State of Minnesota to finance certain projects. The Bonds are issued also pursuant to the Trust Indenture between the Authority and First Trust Company, Inc., Saint Paul, Minnesota (the "Trustee"). The Trustee shall act as Registrar and Paying Agent and Tender Agent for the Bonds.

The Bonds are being issued by the Authority to provide funds to be loaned to the College of St. Thomas. The proceeds of the Bonds are to finance the construction, equipping and furnishing of two additional stories each, and other improvements to Brady Hall and Dowling Hall, both on-campus residence halls, including necessary utilities and site improvements and the construction of additional campus parking facilities to serve the residence halls. Pursuant to a Loan Agreement between the Authority and the College, the College covenants to pay or cause to be paid through the Letter of Credit amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due.

At the time the Bonds are issued, an Irrevocable Letter of Credit (the "Letter of Credit") will be issued by The First National Bank of Saint Paul, Saint Paul, Minnesota (the "Bank") in favor of the Trustee to secure payment of and to pay directly the principal of and interest on the Bonds and to provide funds to purchase Bonds which are tendered for purchase in accordance with the Indenture. The College and the Bank have entered into a Letter of Credit and Reimbursement Agreement (the "Reimbursement Agreement") to provide for reimbursement to the Bank such amounts as may be drawn under the Letter of Credit.

The brief descriptions contained in this Official Statement of the Bonds, the Authority, the Project, the College, and the documents, including the Loan Agreement, the Indenture, the Letter of Credit and Reimbursement Agreement, the Remarketing Agreement, and the Collateral Security and Assignment of Deposit Agreement are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. All of the above-mentioned documents are available for inspection at The First National Bank of Saint Paul, Capital Markets and Treasury Group, 332 Minnesota Street, Saint Paul, Minnesota 55101.

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

DEFINITION OF CERTAIN TERMS

As used in this Official Statement the following words and terms when capitalized shall have the meaning stated, unless a different meaning clearly appears from the context or is stated in a separate document referred to herein:

Act: Sections 136A.25 to 136A.42, Minnesota Statutes, as amended.

Alternate Credit Facility: Any alternate credit and liquidity facility delivered to the Trustee in replacement or substitution for the Letter of Credit, providing for the payment of all principal of and interest on the Bonds as the same shall become due (whether at maturity or by redemption or acceleration), and for payment of the purchase price (including accrued interest) upon the tender of Bonds to the Trustee.

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Institution Representative: 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 College by the Chairman, the Vice Chairman or the Secretary of its Board of Trustees or the President or Vice President of the Institution of higher education owned and operated by the College. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the Accounts and Funds created under Article V of the Indenture.

Bank: The First National Bank of Saint Paul, as issuer of the Letter of Credit, its successors and assigns, and, if the context permits, any issuer of an Alternate Credit Facility.

Bonds: The Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Two-I (College of St. Thomas), authorized by the Indenture, the Loan Agreement and the Bond Resolution.

Bond and Interest Sinking Fund Account: The Bond and Interest Sinking Fund Account established in the Indenture into which shall be paid earnings on other Accounts, proceeds of the Letter of Credit and payments by the College pursuant to the Loan Agreement for the purpose of paying the principal of and interest on the Bonds when the same shall become due and payable and for that purpose only.

Bond Purchase Agreement: The Bond Purchase Agreement dated November 26, 1985 among the Authority, the College and The First National Bank of Saint Paul, relating to the sale of the Bonds, and any amendments thereto.

Bond Resolution: The Series Resolution of the Authority adopted on November 6, 1985, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Business Day: Any day which is not a Saturday or Sunday or is not a day on which banking institutions in Minnesota or the City in which the principal office of the Trustee is located are authorized or required by law to close, or which has been designated and publicly announced by the Bank as a "hazardous weather" conditions day.

Closing Date: The date on which the Bonds are initially executed, authenticated and delivered.

Collateral Agreement: The Collateral Security and Assignment of Deposit Agreement dated as of November 1, 1985, among the College, the Trustee and the Bank, as amended or supplemented from time to time.

College: College of St. Thomas, Saint Paul, Minnesota, a Minnesota nonprofit corporation and institution of higher education, its successors and assigns.

Conversion Date: The May 1 or November 1 or (as a result of mandatory conversion) any other date of any year as of which interest on the Bonds becomes payable at Fixed Rates.

Deposit Agreement: The Deposit Agreement dated November 1, 1985 between the College and the Bank.

Disbursing Agreement: The Disbursing Agreement dated as of November 1, 1985, among the Institution, the Bank, and the Trustee as amended or supplemented from time to time.

Fiscal Year: The College's fiscal year, and shall initially mean the 12-month period commencing on July 1 in each year.

Fixed Rates: The fixed interest rates established for the Bonds on the Conversion Date by the Remarketing Agent in accordance with Section 2.01 of the Indenture and the Remarketing Agreement.

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

Holder, Bondholder, or Owner: The person in whose name a Bond shall be registered.

Indenture: The Trust Indenture between the Authority and First Trust Company, Inc. as Trustee, dated as of November 1, 1985, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Initial Rate: The interest rate to be borne by the Bonds from the date of issuance thereof to and until December 12, 1985.

Institution: College of St. Thomas, Saint Paul, Minnesota, a Minnesota nonprofit corporation and institution of higher education, its successors and assigns.

Interest Period: Each quarterly period commencing, respectively, on February 1, May 1, August 1 and November 1, and ending on the day immediately prior to each such February 1, May 1, August 1 and November 1 during the term of the Bonds, to and until the Conversion Date except that the first Interest Period shall be the period from and including December 5, 1985 to and including January 31, 1986. Following the Conversion Date, "Interest Period" means each semiannual period commencing on May 1 and November 1, and ending, respectively, on each October 31 and April 30, during the remaining term of the Bonds.

Internal Revenue Code: The Internal Revenue Code of 1954 and amendments thereto.

Letter of Credit: The Irrevocable Letter of Credit dated the Closing Date issued by the Bank in favor of the Trustee for the account of the College, as amended or supplemented from time to time, and, if the context permits, an Alternate Credit Facility.

Loan Agreement: The Loan Agreement between the Authority and the Institution, as from time to time amended or supplemented.

Maximum Fixed Rate: 18.00% per annum (applicable only after conversion).

Minimum Fixed Rates: The minimum fixed rate established by the Remarketing Agent pursuant to the Remarketing Agreement and furnished by the Trustee to the owners of the Bonds pursuant to Section 2.03 of the Indenture.

Net Proceeds: When used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the Institution as owner and the Trustee as secured party of the Project Facilities, less the cost of recovery (including attorneys' fees) or such moneys from the insuring company or the condemning authority.

Paying Agent: First Trust Company, Inc., Saint Paul, Minnesota or its successor appointed under the Indenture.

Permitted Encumbrances: As of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities 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 Institution, (iv) the existing mortgages; and (v) the additional encumbrances, if any, permitted by the Loan Agreement.

Project: The construction and equipping of two additional floors in Brady Hall Dormitory and of two additional floors in Dowling Hall Dormitory, including necessary utilities and site improvements and the construction of additional campus parking facilities to serve said Dormitories, all to be located on the main campus of the College.

Project Buildings: The College buildings constructed or improved as part of the Project.

Project Costs: The costs of improvement, acquisition, construction and equipping of the Project.

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

Purchase Demand: A written demand in the form attached to the Indenture as Exhibit A by an owner of one or more Bonds that Bonds be purchased on a specified purchase date.

Purchase Fund: The Purchase Fund established in the Indenture into which all proceeds of the Letter of Credit or (in the event of a failure to pay thereunder) proceeds of remarketing or funds of the College will be deposited in order to purchase Bonds tendered pursuant to a Purchase Demand or deemed tendered under the Indenture.

Redemption Account: The Redemption Account created under Section 5.02 of the Indenture.

Reference Rate: The rate of interest publicly announced from time to time by the Bank as its reference rate, regardless of whether the Bank lends to other borrowers at, above or below the Reference Rate.

Registrar: First Trust Company, Inc., Saint Paul, Minnesota or its successor appointed under the Indenture.

Regular Record Date: Prior to the Conversion Date, the close of business on the 25th day of the calendar month next preceding the interest payment date or, following the Conversion Date, the close of business on the 15th day of the calendar month next preceding the interest payment date.

Reimbursement Agreement: The Letter of Credit and Reimbursement Agreement dated November 1, 1985 between the College and the Bank.

Remarketing Agent: The Remarketing Agent appointed by the College under the Remarketing Agreement, initially The First National Bank of Saint Paul, and any successor Remarketing Agent.

Remarketing Agreement: The Remarketing Agreement dated November 1, 1985 among the Authority, the College, the Remarketing Agent and the Trustee, as amended or supplemented from time to time.

Reserve Fund: The Reserve Fund established after the Conversion Date under certain conditions.

Series Two-I Bonds: The Bonds.

Sinking Fund: The Sinking Fund established by the Indenture into which the College will make deposits or cause deposits to be made under the Letter of Credit prior to each November 1, 1991 through November 1, 2014 for mandatory redemption of the Bonds.

Tender Agent: First Trust Company, Inc., Saint Paul, Minnesota or its successor under the Indenture.

Trustee: First Trust Company, Inc., Saint Paul, Minnesota or its successor under the Indenture.

Trust Estate: The interest of the Authority in the Loan Agreement assigned under Granting Clause I of the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause II of the Indenture; and additional property held by the Trustee pursuant to Granting Clause III of the Indenture.

Underwriter: The First National Bank of Saint Paul.

Variable Rate: The Variable Rate which is determined with respect to the Bonds as described in "THE BONDS - Interest Rate Prior to the Conversion Date," which rate shall be effective as of the first day of each Variable Rate Period, whether or not such day is a Business Day.

Variable Rate Period: The weekly period commencing each Thursday to and including Wednesday of the following week (unless Thursday falls between the Regular Record Date and an interest payment date, in which case the Variable Rate Period shall extend for two weeks from the preceding Thursday), such Variable Rate Periods to commence on December 12, 1985, and to continue until the final maturity of the Bonds or until the Conversion Date, whichever occurs first.

THE BONDS

General

The Bonds are dated December 5, 1985 and will mature each November 1 in the years and amount set forth on the cover page of this Official Statement, but are subject to mandatory and optional redemption (see "THE BONDS - Redemption of Bonds"). Interest for each Interest Period is payable February 1, 1986 and quarterly thereafter on the first day (or the next Business Day if such day is not a Business Day) in each May, August, November and February, to and until the Conversion Date. Following the Conversion Date, interest for each Interest Period is payable on each May 1 and November 1. The Bonds are fully registered in the denominations of \$25,000 (or, following the Conversion Date, \$5,000) and integral multiples thereof.

Principal of the Bonds is payable at the principal office of the Trustee; the Trustee will also perform the functions of Registrar and Paying Agent. Interest on the Bonds is payable by check or draft mailed (or, pursuant to an agreement between the Owner and Trustee, by wire transfer) to the registered Owner of Record as of the close of business on the 25th day of the month preceding the interest payment date (whether or not a Business Day) or, following the Conversion Date, on the 15th day (whether or not a Business Day) of the month preceding the interest payment date, at his address as shown on the registration books.

Owners' Right to Tender Bonds for Purchase

Prior to the Conversion Date, any Owner of a Bond may, at any time, upon not less than seven calendar days prior written notice, in the form attached to the Indenture as Exhibit A ("Purchase Demand"), tender and deliver Bonds to the Trustee at its main office for purchase by the Trustee at or before 11:00 A.M., Saint Paul time, on the purchase date specified in such Purchase Demand. The purchase price for the principal amount of the Bonds so delivered, together with interest accrued, will be paid by the Trustee to the Owner on the specified purchase date. Funds used to purchase Bonds under a Purchase Demand will be obtained from a draw under the Letter of Credit. In the case of any Bond to be purchased prior to an interest payment date but after the Regular Record Date in respect thereof, the Owner shall also deliver a due-bill check in form and substance satisfactory to the Trustee, for interest due on such interest payment date. Bonds tendered pursuant to a Purchase Demand shall be in the denominations of \$25,000 and integral multiples thereof.

The Bonds will be subject to mandatory tender for purchase in certain events unless the Owner elects otherwise. After the Conversion Date, the Bonds will cease to be subject to purchase on demand of the Owner. (See "THE BONDS -Mandatory Tender for Purchase")

Interest Rate Prior to the Conversion Date

Prior to December 12, 1985, the Bonds will bear interest at 5.25%. Thereafter, for each Interest Period, prior to the Conversion Date, the interest rate on the Bonds will be at the Variable Rate, adjusted weekly and effective during each Variable Rate Period. The Variable Rate Period will be the weekly period commencing each Thursday to and including Wednesday of the following week, unless Thursday falls between the 25th day of the month and an interest payment date, in which case the Variable Rate Period will extend for two weeks from the preceding Thursday.

The Variable Rate will be determined by the Remarketing Agent on the day prior to the first day of each Variable Rate Period unless such day is not a Business Day in which case the Variable Rate will be determined on the first day prior thereto. The Variable Rate will be the lowest interest rate which, in the judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, would permit the sale of the Bonds at par on the date the Variable Rate is established, provided that in no event is the Variable Rate to exceed 15.00% per annum.

In the event that the Remarketing Agent fails or refuses to determine the Variable Rate for any Variable Rate Period, the Variable Rate for the Variable Rate Period will be equal to 85.00% of the effective bond-equivalent yield on 13-week United States Treasury Bills, determined from the most recent Treasury auction thereof, but not to exceed 15.00% per annum, or, if no such auction has been held during the preceding Variable Rate Period, the Variable Rate will be the same as for the previous Variable Rate Period.

Interest Rate After Conversion Date

Upon conversion of the Bonds to fixed interest rates (see "THE BONDS -Conversion to Fixed Rates"), the Bonds will bear interest at fixed interest rates per annum (the "Fixed Rates") determined by the Remarketing Agent to be the lowest rate for each maturity which, in the judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, would permit the sale of all the Bonds of such maturity at par on the date that the Fixed Rates are established by the Remarketing Agent, provided that in no event is any Fixed Rate to exceed 18.00% per annum.

Upon the decision to convert the Bonds to Fixed Rates, the Trustee will give notice to the Bondholders of the determination of the Minimum Fixed Rates established by the Remarketing Agent at least 15 days prior to the indicated Conversion Date. The actual Fixed Rates will be established no later than Noon on the Conversion Date by the Remarketing Agent and will be not less than the Minimum Fixed Rates or more than 18.00% per annum.

Conversion to Fixed Rate

The College may elect to convert outstanding Bonds to Fixed Rates commencing on May 1, 1986 and on each November 1 and May 1, thereafter, by notice to the Authority, the Trustee, the Remarketing Agent and the Bank stating the exercise of its option to convert and the Conversion Date. The College shall also deliver an opinion of bond counsel to the effect that interest on the Bonds on and after the Conversion Date will be exempt from federal income taxes under then existing and applicable statutes, regulations and decisions. Such notice and opinion shall be delivered no later than 35 days prior to the proposed Conversion Date.

The Bonds shall also be converted to Fixed Rates in the event the College fails to obtain a renewal of the Letter of Credit or an Alternate Credit Facility on or before 30 days prior to the expiration of the Letter of Credit or an Alternate Credit Facility. The initial Letter of Credit expires December 10, 1995. The Trustee shall undertake to convert the Bonds to Fixed Rates on such expiration date and the Letter of Credit will be used to fund the obligation of the Trustee to purchase on behalf of the College, on the Conversion Date, all tendered Bonds.

Mandatory Tender for Purchase

If the Bonds are to be converted to bear interest at Fixed Rates, the Trustee shall give notice of the determination of the Minimum Fixed Rates at least fifteen days prior to the indicated Conversion Date to the Bondholders, the Bank, the College and the Authority. Such notice shall state (i) the Minimum Fixed Rates and the date of determination thereof; (ii) the Conversion Date; (iii) that the interest borne by all of the Bonds from and after the Conversion Date will be at rates determined by the Remarketing Agent but shall not be more than the Maximum Fixed Rate or less than the Minimum Fixed Rates; (iv) the last date by which the Owners of Bonds who wish to retain all or a portion of the principal amount of their Bonds may deliver the Notice to Retain, or alternatively may tender all or a portion of their Bonds for purchase on the Conversion Date and the place of either such delivery or tender; (v) that the ratings by Standard & Poor's Corporation, if any, on the Bonds may either be modified or terminated on the Conversion Date; (vi) that after the last date by which the Owners of the Bonds may deliver their Notice to Retain all or a portion of their Bonds, the Owners of the Bonds shall be deemed to have properly tendered for purchase all or a portion of their Bonds not indicated in any Notice to Retain, whether or not such Bonds have been properly tendered and shall have no further right to any payment (including interest to occur after the Conversion Date) other than the purchase price and unpaid interest due and payable for such Bonds deemed to be tendered or portions thereof and any Bonds deemed to be tendered or portion thereof shall no longer be entitled to the benefits of the Indenture, except for the purpose of payment from the deposit with the Trustee therefor upon presentation and surrender of the Bonds to the Trustee; and (vii) that the option to tender Bonds expires seven days prior to the Conversion Date.

Redemption of Bonds

Prior to the Conversion Date, the Bonds are subject to redemption prior to maturity and at the option of the Authority, acting at the request of the College, on any interest payment date, at a redemption price equal to par plus accrued interest, in whole or in part, and, if in part, in integral multiples of \$25,000.

After the Conversion Date, the Bonds will be subject to redemption prior to maturity and at the option of the Authority, acting at the request of the College, on any interest payment date on or after the eighth anniversary of the Conversion Date, at a redemption price equal to par plus accrued interest, in whole or in part, and, if in part, in integral multiples of \$5,000. After the Conversion Date, the Bonds shall also be subject to redemption prior to maturity and at the option of the Authority, acting at the direction of the College, in whole or in part, at a redemption price equal to par plus accrued interest, in certain events of damage to or destruction or condemnation of the Project Facilities, all as more fully provided in the Loan Agreement.

The Bonds are subject to mandatory redemption and shall be redeemed at par plus accrued interest by application of moneys in the Sinking Fund, as provided in Section 3.08 of the Indenture, in aggregate amounts or installments on November 1 in each of the years as follows:

Of the 1995 Maturities:

<u>November 1</u>	<u>Principal Amount</u>	<u>November 1</u>	<u>Principal Amount</u>
1991	\$ 50,000	1993	\$ 75,000
1992	50,000	1994	100,000

Of the 2000 Maturities:

<u>November 1</u>	<u>Principal Amount</u>	<u>November 1</u>	<u>Principal Amount</u>
1996	\$125,000	1998	\$150,000
1997	125,000	1999	150,000

Of the 2005 Maturities:

<u>November 1</u>	<u>Principal Amount</u>	<u>November 1</u>	<u>Principal Amount</u>
2001	\$175,000	2003	\$225,000
2002	200,000	2004	250,000

Of the 2010 Maturities:

<u>November 1</u>	<u>Principal Amount</u>	<u>November 1</u>	<u>Principal Amount</u>
2006	\$250,000	2008	\$275,000
2007	275,000	2009	300,000

Of the 2015 Maturities:

<u>November 1</u>	<u>Principal Amount</u>	<u>November 1</u>	<u>Principal Amount</u>
2011	\$325,000	2013	\$375,000
2012	350,000	2014	400,000

At its option, the College may receive a credit in respect of such Sinking Fund redemption obligations for any Bonds which prior to the Sinking Fund redemption dates have been purchased or redeemed (other than through the operation of the Sinking Fund) and not theretofore applied as a credit against such Sinking Fund redemption obligation.

The Bonds are subject to mandatory redemption in the event that a determination of taxability occurs, as described in Section 6.09 of the Loan Agreement. In such an event the outstanding Bonds will be subject to redemption at par and will be redeemed on any Business Day established by the Trustee for such redemption. The Trustee will cause notice of the redemption to be given to Owners of all outstanding Bonds.

Notice of any such redemption shall be mailed not more than sixty days nor less than thirty days before the date fixed for such payment. On the date fixed for redemption, proceeds of the Letter of Credit shall be deposited with the Trustee

sufficient to pay the Bonds called and accrued interest thereon. 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.

If less than all of the Bonds at the time outstanding are to be called for prior redemption, the particular Bonds or portions thereof of such maturity to be redeemed shall be selected by lot, except that Bonds owned by the College shall be called first and Bonds held by the Bank or Remarketing Agent shall be called next, and except as otherwise expressly provided by the Indenture, in such manner as the Trustee, in its discretion, may determine. The Trustee shall call for redemption in accordance with the foregoing provisions as many Bonds or portions thereof as will, as nearly as practicable, exhaust the moneys available therefor. Particular Bonds or portions thereof shall be redeemed only in integral multiples of principal amount of \$25,000 prior to the Conversion Date and \$5,000 thereafter.

Uses of Funds

The proceeds of the Bonds are expected to be applied approximately as follows:

Deposit to the Construction Account	\$5,348,750
Underwriter's Discount	41,250
Costs of Issuance	<u>110,000</u>
Total	\$5,500,000

SUMMARY OF SECURITY FOR THE BONDS

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College as required by the Loan Agreement, proceeds of the Letter of Credit, or out of other amounts pledged therefor under the Trust Indenture.

The Bonds will be secured by a Letter of Credit issued by the Bank in the full amount of the Bonds, plus 95 days' interest on the Bonds at 15% per annum, the maximum rate of interest, to be borne by the Bonds prior to the Conversion Date. Principal and interest will be paid by a draw on the Letter of Credit. The Letter of Credit expires December 10, 1995.

The College pledges its full faith and credit to the Loan Repayments and agrees to make such payments out of the general fund or any other moneys legally available to the College. **The Bondholder should rely, however, on payments under the Letter of Credit and the credit of the Bank in evaluating the security of the Bonds, and not on the ability of the College to make Loan Repayments.** The College covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and any other payment required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the College as they become due.

The College will also agree pursuant to the terms of the Loan Agreement to make payments directly, or cause to be made under a draw on the Letter of Credit, to

the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds.

The purchase price of any Bond tendered pursuant to a Purchase Demand shall be paid by a draw on the Letter of Credit (see "SUMMARY OF DOCUMENTS - The Letter of Credit and Reimbursement Agreement").

By the Collateral Agreement the College has granted to the Trustee to secure the Bonds and to the Bank to secure reimbursements and fees payable under the Reimbursement Agreement, a security interest in cash or certain securities deposited with the Bank. (See "SUMMARY OF DOCUMENTS -Collateral Agreement").

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

The Bonds are not secured by the General Bond Reserve of the Authority (see "ACCOUNTS - General Bond Reserve Account").

THE REMARKETING AGREEMENT

The First National Bank of Saint Paul has been appointed Remarketing Agent, pursuant to the Remarketing Agreement among the Authority, the College, the Remarketing Agent and the Trustee. The Remarketing Agent has agreed to use its reasonable efforts to remarket Bonds tendered pursuant to a Purchase Demand or Bonds subject to mandatory tender for purchase upon the conversion of the Bonds to Fixed Rates.

The Remarketing Agent will compute the Variable Rate on the Bonds for each Variable Rate Period and the Fixed Rates for the Bonds on the Conversion Date.

Under any circumstances, whether or not any tendered Bonds have been remarketed in accordance with the Remarketing Agreement, such tendered Bonds will be purchased from the Bondholder with funds obtained by a draw on the Letter of Credit.

THE FIRST NATIONAL BANK OF SAINT PAUL

The Bank is a national banking association organized under the laws of the United States of America. At September 30, 1985, the Bank reported total assets of approximately \$5.3 billion, total deposits of approximately \$3.2 billion, net loans of approximately \$2.6 billion and shareholder's equity (capital, surplus and undivided profits) of approximately \$253 million.

Copies of the Bank's unaudited consolidated reports of condition (exclusive of schedules) prepared in accordance with instructions issued by the Federal Deposit Insurance Corporation, which may not in all cases be in accordance with generally accepted accounting principles, will be available upon written or oral request from the First National Bank, 332 Minnesota Street, Saint Paul, Minnesota 55101, attention: Capital Markets and Treasury Group (612) 291-5625.

The Bank is a subsidiary of the First Bank System, Inc., a registered bank holding company organized under the Bank Holding Company Act of 1956. The Letter of Credit is solely the obligation of the Bank and no assets of the parent corporation or any affiliate of the Bank will be pledged to or available for payment thereof.

ACCOUNTS

Summary

The Indenture provides for the creation of certain trust accounts into which the proceeds from the sale of the Bonds and revenues received from proceeds of the Letter of Credit or as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Bond and Interest Sinking Fund Account, a Purchase Fund, a Sinking Fund, and a Redemption Account, and authority is provided to establish a Reserve Fund upon the occurrence of certain specified conditions. In addition, the Indenture provides for a Construction Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments or from proceeds of the Letter of Credit are to be deposited in the Bond and Interest Sinking Fund Account, Sinking Fund, Purchase Fund, and the Redemption Account and used, to the extent needed, to pay the principal of and interest on and provide for the purchase price of the Bonds.

Construction Account

There shall initially be deposited in the Construction Account the net proceeds of the Bonds, less any amount of such proceeds representing accrued interest, which will be deposited into the Bond and Interest Sinking Fund Account. In addition, the College agrees in the Loan Agreement to make additional deposits to the Construction Account if needed to provide sufficient funds with which to pay all Project Costs. Upon receipt of proper documentation, and in accordance with the Disbursing Agreement, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project. When each Project Building has been completed and equipped and opened for use and occupancy and the Project Equipment has been installed, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account, the Sinking Fund, or the Redemption Account.

Bond and Interest Sinking Fund Account

There shall initially be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from earnings on other Accounts established under the Indenture and from proceeds of the Letter of Credit and Loan Repayments made by the College. 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.

Redemption Account

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

Reserve Fund

A Reserve Fund is to be established under the Indenture only in the event that on the Conversion Date, the Collateral Agreement is no longer to serve as security for the Bonds. In such event the College shall deposit on the Conversion Date a sum into the Reserve Fund equal to the maximum amount of principal and interest to come due on the Bonds in any year, provided that in no event shall such sum exceed 15% of the then outstanding principal amount of the Bonds.

Purchase Fund

In the event that any Bonds are tendered for purchase pursuant to a Purchase Demand, there are to be deposited into the Purchase Fund all proceeds of the Letter of Credit drawn for payment of the purchase price. Amounts on deposit in the Purchase Fund are to be used solely for payment of the purchase price of tendered Bonds.

Sinking Fund

There are to be deposited into the Sinking Fund, Letter of Credit proceeds or Loan Repayments in amounts sufficient to redeem Bonds in advance of maturity on November 1 in each of the years 1991 to 1994 inclusive, with respect to the Bonds maturing in 1995; 1996 to 1999 inclusive, with respect to the Bonds maturing in 2000; 2001 to 2004 inclusive, with respect to the Bonds maturing in 2005; 2006 to 2009 inclusive, with respect to the Bonds maturing in 2010; and 2011 to 2014 inclusive, with respect to the Bonds maturing in 2015 (See "THE BONDS - Redemption of Bonds").

Under the Indenture, there is to be credited against the obligation to make Sinking Fund payments as above described any amounts representing the principal amount of Bonds theretofore purchased and cancelled on behalf of the College of the relevant maturity and any amounts representing the principal amount of Bonds of the relevant maturity redeemed in advance of maturity at the option of the College.

General Bond Reserve Account

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. In general, the General Bond Reserve Account secures certain Bonds of the Authority for which a deposit is made into the General Bond Reserve Account in compliance with the General Bond Resolution.

In connection with the Bonds, the Authority has not required that the College deposits funds into the General Bond Reserve Account. **The Bonds will not be secured by the General Bond Reserve Account.**

Permitted Investments

Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account, the Sinking Fund, the Redemption Account, the Reserve Fund and the Purchase Fund shall be invested by the Trustee in (i) direct obligations of or obligations fully guaranteed by the United States of America ("Government Obligations"), 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) which deposits are insured by the Federal Deposit Insurance Corporation or are fully secured by Government Obligations, or (iii) securities issued by the agencies of the United States known as Federal Home Loan Banks, Farmers Home Administration, Federal Housing Administration, Government National Mortgage Association, Federal Maritime Administration and Public Housing Authorities, and (iv) shares of an investment company registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, and whose only investments are in securities previously described in this sentence. Obligations so purchased shall be deemed at all times to be a part of the respective Fund or 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 Fund or Account. The type, amount and maturity of any such investments shall conform to any instructions of the Authorized Institution Representative. Any interest and income accruing on and any profit realized from such investment shall be credited against Loan Repayments to be deposited by the College under the Loan Agreement. Any such interest or other investment income or profit not credited to Loan Repayments and deposits therefor under the Loan Agreement, and not needed to provide payments on the Bonds, shall be used as promptly as possible and in integral multiples of \$25,000, or \$5,000 after the Conversion Date, for the redemption of Bonds or the purchase of Bonds on the market, it being intended that interest, income and profit shall not be permitted to accumulate but shall be used to provide debt service on the Bonds or for the prior redemption or retirement of Bonds. 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 Fund or 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 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(c) of the Internal Revenue code of 1954 and regulations thereunder.

THE PROJECT

The net proceeds of the Issue will finance the construction, equipping and furnishing of two additional stories each, and other improvements to Brady Hall and Dowling Hall, both on-campus student residences, and the construction of additional campus parking facilities to serve the residence halls. The additional space in Brady Hall and Dowling Hall will accomodate 250 students and was completed for the 1985/86 school year. The construction of the parking facilities serving the residence halls will create 106 parking spaces.

THE AUTHORITY

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

Dr. Joseph E. LaBelle has been the Executive Director of the Authority since its inception.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$150 million. The Authority has had 40 issues (including refunded and retired issues) totaling \$127,890,000 of which \$93,555,000 (excluding the Bonds) is outstanding as of November 2, 1985. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payments. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are nonprofit 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 (an "institution").

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 education 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 projects.

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority then outstanding, including payment of any redemption premium thereon and any interest accrued or to accrue to the earliest or any subsequent date of redemption.

The Authority is financed solely from fees paid by the institutions; it has no taxing power.

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

Members of the Authority

<u>Member</u>	<u>Principal Activity</u>
Earl R. Herring, Chairman	Vice President for Administrative Affairs, Moorhead State University, Moorhead, Minnesota
John A. McHugh, Vice Chairman*	Of Counsel to Larkin, Hoffman, Daly & Lindgren, Ltd., Minneapolis, Minnesota
Emily Anne Staples, Secretary	Director of Development, Spring Hill Conference Center, Wayzata, Minnesota
Carol A. Blomberg	Vice President, Merchants & Miners State Bank, Hibbing, Minnesota
Kathryn D. Jarvinen	Hospital Administrator, Winona, Minnesota
David Longanecker	Executive Director, Minnesota Higher Education Coordinating Board, Saint Paul, Minnesota
Carlos Lopez, Jr.	President, Cal-Mech, Inc., Saint Paul, Minnesota
Larry Osnes	President, Minnesota Private College Council, Saint Paul, Minnesota
Peter H. Seed	Attorney, Briggs and Morgan Professional Association, Saint Paul, Minnesota
Catherine M. Warrick	Executive Director, Chrysalis - A Center for Women, Minneapolis

** Mr. McHugh is also a member of the College's Board of Trustees. He has abstained from any action of the Authority taken in regard to the Bonds.*

THE COLLEGE

The College of St. Thomas, a Minnesota not-for-profit corporation, was founded in 1885 by Archbishop John Ireland as St. Thomas Aquinas Seminary. The College became a four year institution of higher education in 1908 and conferred its first baccalaureate degrees in 1910. The College currently offers a broad range of academic programs leading to undergraduate and graduate degrees. The College does not discriminate on the basis of race, creed, color, national origin, sex, age, or physical disability in the employment of faculty or staff, the admission or

treatment of students, or in the operation of its educational programs and activities. As permitted by applicable statutes and regulations, the College reserves the right to consider sex as one factor in its undergraduate admissions policy in order to effect a desired balance in the proportionate representation of the sexes in the student body.

The main campus of the College is located in the west Summit Avenue area of Saint Paul, Minnesota, between the downtown districts of Saint Paul and Minneapolis. The College has recently acquired property in Owatonna, Minnesota which is used as a conference center, and the former Peavey Company Technical Center in Chaska, Minnesota.

The College is accredited by the North Central Association of Colleges and Schools and is registered with the Minnesota Higher Education Coordinating Board in accordance with Minnesota Statutes.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The College agrees that it will complete the Project by December 31, 1986, delays incident to causes beyond the reasonable control of the College only excepted, and pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs are not met from proceeds of the Bonds in the Construction Account.

Loan Repayments

On the Closing Date, the College has agreed to cause the Bank to issue the Letter of Credit. During the term of the Letter of Credit the Trustee is required under the Indenture to submit to the Bank a draw under the Letter of Credit in order to provide for payment of all principal (whether upon maturity, redemption or acceleration) and interest on the Bonds. Following expiration of the Letter of Credit, or at any time during the term thereof, if payment is not made thereunder, the College agrees that:

- (a) before each interest payment date the College shall pay into the Bond and Interest Sinking Fund Account a sum which, together with all other amounts then credited to such Account, will be equal to the amounts payable as interest on and principal of the Bonds on such payment date;
- (b) the College shall forthwith pay into the Bond and Interest Sinking Fund Account and the Redemption Account the amount of any deficiency in the event that the funds on deposit in the Bond and Interest Sinking Fund Account or the Redemption Account on any interest or principal payment date are insufficient to pay principal, premium (if any) and interest due on such date;
- (c) prior to a date established for the redemption and prepayment of the Bonds, the College shall pay into the Redemption Account such amount, if any, as shall be necessary to provide for the redemption of any of the Bonds called for redemption from the Redemption Account; and
- (d) the College shall pay into the Reserve Fund forthwith any amounts then required to be deposited therein by Section 5.03 of the Indenture.

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

As additional payments the College agrees to pay the annual fee of the Authority, fees and expenses of the Trustee and certain other expenses.

Use of Project Facilities

The College agrees to use the Project Facilities as educational facilities, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with a program of a school or department of divinity for any religious denomination. It agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in a loss of the tax-exemption for interest on the Bonds under Section 103 of the Internal Revenue Code.

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation. The College may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities so long as the tax-exempt status of the Bonds will not be affected thereby and such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, or the Act. In the event of such lease, sublease or use agreement, the College shall remain as fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made.

Title to Property and Liens

Except for Permitted Encumbrances, the College will not permit any liens to be established or remain against the Project Facilities, including any mechanics liens for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided the College may in good faith, contest any liens filed or established against the Project Facilities and may permit the items so contested to remain undischarged and unsatisfied during the period of such contest unless the Authority or Trustee shall notify the College that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities will be subject to loss or forfeiture, in which event the College shall promptly pay all such items.

Taxes and Other Governmental Charges

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

The College may, at its expense, in good faith contest any such taxes, assessments and other charges and may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest unless the Authority

or the Trustee shall notify the College that, in the opinion of Independent Counsel, by nonpayment of any such items the Project Facilities or the revenue therefrom will be subject to loss or forfeiture, in which event such items shall be paid promptly.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and the College shall either repair, rebuild or restore the damaged facilities, or prepay Bonds, as more fully provided in the Loan Agreement.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any Project Building shall be taken in any proceeding involving the exercise of the right of eminent domain, the College shall either redeem Bonds or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

Indemnification

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

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

Institution to Maintain its Existence and Accreditation

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and a nonprofit institution of higher education under the laws of Minnesota and its accreditation as an institution of higher education by recognized accrediting agencies and that it will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution except upon the conditions provided in the Loan Agreement. The conditions are the following: (i) if the surviving, resulting or transferee corporation, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement, and shall be either a state university or college or

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 the Loan Agreement against discrimination and requiring that the institution be nonsectarian; and (ii) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under Section 103 of the Internal Revenue Code of 1954, as amended, and regulations thereunder.

College to Be Nonsectarian

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

Federal Income Tax Status

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

In the event a determination of taxability is made that the Bonds are subject to federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of original issue of the Bonds, the Bonds shall be subject to mandatory redemption on a date to be determined by the Trustee following the determination of taxability, and the redemption price therefor shall be equal to par plus accrued interest.

The determination of taxability described above 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.

Other Covenants

The College further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to comply with the provisions of the Reimbursement Agreement; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Coordinating Board, subject to the right of contest.

Alternate Credit Facility

If the Bank does not elect to renew or replace the Letter of Credit upon the expiration thereof (or upon the expiration of any renewal or replacement thereof if such expiration occurs while any of the Bonds remain outstanding), the College may obtain an Alternate Credit Facility in accordance with the Indenture. If the

College fails to obtain such an Alternate Credit Facility, the Bonds shall be converted to fixed rate bonds, as further provided in the Indenture. The College shall cause an executed counterpart of the agreement between it and the issuer of the Alternate Credit Facility to be delivered to the Trustee, along with an opinion of counsel and evidence as to rating which complies with the requirements set forth in the Indenture.

Events of Default

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

- (a) If (i) the College shall fail to make any Loan Repayment when due and such failure shall continue until the date that any payment of principal of, premium, if any, or interest on the Bonds comes due, and (ii) the Bank shall not have deposited moneys with the Trustee on such date to pay, when due, the principal of, premium, if any, and interest on the Bonds, and (iii) the moneys on deposit in the Bond and Interest Sinking Fund Account on such date are insufficient to pay when due the principal of, premium, if any, and interest on the Bonds; or
- (b) If the College shall fail to observe and perform for reasons other than force majeure, any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, given to the College by the Authority or the Trustee (in which event the Bank shall have the privilege of curing such default in the name of the College) or unless the Trustee shall agree in writing to an extension of such time prior to its expiration, or for such longer period as may be reasonably necessary to remedy such default, provided that the College is proceeding with reasonable diligence to remedy the same; or
- (c) If a Bankruptcy Petition shall have been filed; or
- (d) If the Trustee receives notice from the Bank that there has been a default under the Reimbursement Agreement and directing the Trustee to accelerate the Bonds and submit a draft under the Letter of Credit.

Remedies on Default

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

- (a) The Trustee, upon an Event of Default under Section 7.01(a), (c) or (d) of the Loan Agreement, shall declare all or any amounts of Loan Repayments thereafter to become due for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable. Upon the occurrence of an Event of Default under subparagraph (b) of Section 7.01 of the Loan Agreement, the Trustee may, if at the time the Bank is subject to an insolvency or receivership proceeding, declare the principal amount of the loan, and any other indebtedness under the Loan Agreement, with interest accrued thereon, to be immediately due and payable. Upon the acceleration of Loan Repayments under this subsection, the Trustee shall promptly draw such funds pursuant to the Letter of Credit as shall be required to pay the Bonds.

- (b) If the Bank does not honor a draft presented under the Letter of Credit in accordance with the terms thereof, or if at the time the Bank is subject to an insolvency or receivership proceeding, the Trustee shall bring suit to enforce the Letter of Credit, and may take whatever action at law or in equity that appears necessary or desirable to enforce the Loan Agreement, the Collateral Agreement, the Letter of Credit or the Indenture in accordance with the provisions thereof.

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied, first, to payment of the Bonds (interest, and then principal and premium, if any) as provided in Section 7.04 of the Indenture, and any excess to the Bank, to the extent of any unreimbursed payments made under the Letter of Credit, and the balance to the Trustee and the College, as their interests may appear.

Amendments

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

THE INDENTURE

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

Granting Clauses

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

- (1) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority's annual fee and rights to indemnity and reimbursement;
- (2) a first lien on and pledge of (i) the moneys and investments in the Accounts and Funds covenanted to be paid and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and
- (3) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the College or by anyone in behalf of them or with their written consent, to the Trustee, including, but not limited to, the Collateral Agreement and the Letter of Credit.

Accounts

Bond proceeds and revenues derived under the Loan Agreement, Letter of Credit or Indenture shall be deposited into accounts held by the Trustee as described in "ACCOUNTS."

Trustee's Right to Payment

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

Covenants of the Authority

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

Events of Default

The following are Events of Default under the Indenture:

- (a) If default shall be made in the due and punctual payment of any interest on any Bond outstanding; or
- (b) If default shall be made in the due and punctual payment of the principal, or redemption premium, if any, of any Bond outstanding, whether at the stated maturity thereof or at the date fixed for redemption thereof, or upon the maturity thereof by acceleration; or
- (c) If default shall be made in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority in the Indenture, or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof given in the manner provided in the Indenture; or
- (d) If an Event of Default occurs under Section 7.01 (a), (c) or (d) of the Loan Agreement; or
- (e) If an Event of Default occurs under Section 7.01 (b) of the Loan Agreement.

Remedies

Upon the occurrence of any Event of Default, pursuant to subparagraphs (a), (b) or (d) above, the Trustee shall, by notice in writing delivered to the Authority, the College and the Bank, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable and such principal and interest shall thereupon become and be immediately due and payable. Upon the occurrence of an Event of Default pursuant to subparagraph (c) or (e) above, with the consent of the Bank, or without such consent if at the time the Bank is subject to an insolvency or receivership proceeding, the Trustee may, or, at the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds outstanding, the Trustee shall by notice in writing delivered to the Authority, the College and the Bank, declare the principal and interest on all Bonds then outstanding immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any such declaration of acceleration, the Trustee shall draw upon the Letter of Credit in such amount as shall be necessary to pay the principal of and interest on the Bonds at the date fixed for payment thereof.

Upon the happening and continuance of an Event of Default, the Trustee may and shall, upon the written request of the holders of not less than a majority in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at all or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to such payment of the funds, investments, revenues and income appropriated thereto by the Indenture and the Bonds, 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 is not required to proceed upon any such written request of the Bondholders unless the Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expense and liabilities to be incurred therein or thereby.

The Trustee is permitted to file proofs of claim and otherwise act for the Bondholders without having possession of the Bonds.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the Reference Rate announced from time to time by The First National Bank of Saint Paul, which advances are given priority of payment (other than from proceeds of the Letter of Credit). The Trustee also has a lien with right of payment prior to payment of Bond interest or principal (other than from proceeds of the Letter of Credit) for reasonable compensation, expenses and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the addition of an individual co-trustee if necessary or convenient and for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of \$10 million in event of merger, resignation, or removal by holders of a majority in

principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court.

Provisions Concerning the Letter of Credit

The Trustee agrees that all funds received pursuant to the Letter of Credit shall be credited to the Bond and Interest Sinking Fund Account, the Purchase Fund or the Redemption Account to be utilized for the payment of principal of, premium, if any, and interest on the Bonds. At the Bank's direction, the Trustee shall submit a draw under the Letter of Credit in the event the Bank determines, in its sole discretion, that an event of default has occurred under the Reimbursement Agreement. Prior to any date on which any principal of or interest on the Bonds shall be due and payable (whether at maturity or by redemption or acceleration), the Trustee shall submit to the Bank a draw under the Letter of Credit in an amount sufficient to provide for payment in full of all such principal and interest when due. Prior to any date on which tendered Bonds are subject to purchase in accordance with a properly completed Purchase Demand furnished to the Trustee at least seven days in advance in accordance with the provisions of the Indenture, the Trustee shall submit to the Bank a draw under the Letter of Credit in an amount sufficient to provide for payment in full of the purchase price (including accrued interest) when due. Prior to the Conversion Date, the Trustee shall submit to the Bank a draw under the Letter of Credit in an amount sufficient to provide for payment in full of the purchase price (including accrued interest) on all Bonds tendered or deemed tendered in accordance with the provisions of this Indenture on the Conversion Date.

Appointment of Trustee as Tender Agent

The Trustee accepts the appointment of it by the Authority and the College as Tender Agent, and accepts the following duties and obligations as Tender Agent:

- (a) The Tender Agent shall hold all Bonds delivered to it for purchase under the Indenture as agent and bailee of, and in escrow for the benefit of the respective Bondholders which shall have so delivered such Bonds until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders.
- (b) The Tender Agent shall hold all moneys and due-bill-checks delivered to it under the Indenture for the purchase of Bonds as agent and bailee of, and in escrow for the benefit of the person or entity which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity.
- (c) The Tender Agent shall keep such books and records as shall be consistent with prudent industry practice and shall make such books and records available for inspection by the Trustee and the Authority upon reasonable notice during the usual business hours of the Tender Agent.
- (d) The Tender Agent shall give telephonic or other electronic notice, promptly confirmed by a written notice, to the Trustee, the College, the Remarketing Agent and the Authority of any Purchase Demand and specifying the principal amount of Bonds, if any, delivered to it pursuant to such Purchase Demand.

- (e) On the date at least seven calendar days after receipt of a Purchase Demand but otherwise on the purchase date set forth in the Purchase Demand, the Tender Agent shall purchase, but only from proceeds of the Letter of Credit, Bonds delivered to it in accordance with such Purchase Demand at a purchase price equal to 100% of the principal amount thereof plus accrued interest. The Tender Agent shall be entitled to demand a due-bill-check from the seller of such Bonds, when appropriate, as a condition of purchase.
- (f) The Tender Agent agrees that it will not release any Bonds tendered to it except (i) to the Trustee for cancellation; (ii) to the Trustee for registration; (iii) to the Trustee for authentication; or (iv) to the Remarketing Agent.
- (g) In the event that the manner of redelivery of Bonds is not specified in the instructions delivered by the Remarketing Agent, or in the notice provided by the tendering Bondholder, in the case of portions of Bonds for which purchase or redemption is not demanded, the Tender Agent is authorized to deliver such Bonds together with the applicable due-bill-check in accordance with standard industry practices and subject to the rules of the New York Clearing House Association in effect at the time of such delivery.
- (h) The Tender Agent agrees to such written notice to Bondholders at the addresses as shown on books maintained by the Trustee of any change in the address to be used by such Bondholders in connection with the tendering of Bonds to the Tender Agent.

Concerning the Bondholders

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

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

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

Defeasance

If the Authority shall:

- (a) pay or cause to be paid the principal of and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or
- (b) provide for the payment of principal and interest on the Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and interest to maturity of all Bonds outstanding, or
- (c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the 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 such outstanding Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any prior interest payment dates, or
- (d) surrender to the Trustee for cancellation all Bonds, and shall also pay all other sums due and payable under the Indenture by the Authority,

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

When the Authority 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, and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the holders thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit for security of the Indenture except the right to receive the funds so

deposited, and such Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

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

- (a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the holders and owners of all Bonds under the Indenture;
- (b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority;
- (c) to evidence the succession of any other department, agency, body or corporation to the Authority; and
- (d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or to make such other provisions in regard to matters or questions arising under the Indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture and which shall not impair the security of the same.

In addition and subject to the provisions set forth below, the holders of not less than 65% in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the holders of all such Bonds (a) an extension of the maturity of any Bonds, or (b) a reduction in the principal amount of any Bonds or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of property, funds, investments or revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the holders of which are required to consent to such supplemental indenture.

Amendments to the Loan Agreement, Collateral Agreement, Remarketing Agreement and Letter of Credit

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, consent to any amendment, change or modification of the Loan Agreement, Collateral Agreement, Remarketing Agreement or Letter of Credit as may be required (a) by the provisions of the Loan Agreement, Collateral Agreement, Remarketing Agreement, Letter of Credit or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement, Collateral Agreement, Remarketing Agreement or Letter of Credit without the written approval or consent of the holders of not less than 65% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the payments under the Loan Agreement or Letter of Credit without the consent of the holders of all the Bonds then outstanding.

Registration, Transfer and Exchange

The Bonds shall be fully registered as to principal and interest at the office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the holder, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for new Bonds of the same maturity which may be of difference denominations so long as the aggregate principal amount thereof equals the aggregate principal sum of the Bonds surrendered. Payment of principal will be at the corporate office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered owner at his address as shown on the registration books of the Trustee.

THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

Pursuant to the Letter of Credit and Reimbursement Agreement, the Bank will issue its irrevocable, direct-pay Letter of Credit securing principal of and up to 95 days' interest (at an assumed maximum rate of 15% per annum) on the Bonds. The maximum aggregate stated amount of the Letter of Credit is \$5,717,708.33, of which \$5,500,000 is allocated to principal of, and \$217,708.33 is allocated to interest on the Bonds. The Letter of Credit will be delivered to the Trustee simultaneously with the issuance of the Bonds. Under the Letter of Credit, the Trustee, upon presentation of sight drafts and appropriate certification, will be paid an aggregate amount equal to the purchase price of, or principal of and up to 95 days' accrued interest on, the outstanding Bonds.

The Trustee is required by the Indenture to draw upon the Letter of Credit during the term of the Letter of Credit, in the following circumstances:

- (a) To pay principal of, and interest on, the Bonds when due whether upon regular interest payment and maturity dates, bond redemption or acceleration; and
- (b) To the extent necessary to pay the purchase price of Bonds tendered (i) in compliance with the requirement described in "THE BONDS - Owners Right to Tender Bonds for Purchase," in the event such Bonds have not been remarketed by the Remarketing Agent by the Purchase Date or (ii) pursuant to the mandatory purchase of Bonds described in "THE BONDS - Conversion to Fixed Rate;"

provided, however, that amounts drawn under the Letter of Credit shall not be applied to the payment of the principal of or interest on, or the payment of the purchase price of, any Bonds owned by the College.

Upon each drawing under the Letter of Credit with respect to the payment of interest on the Bonds, or the payment of the purchase price of Bonds not remarketed, the amount available under the Letter of Credit for such payment shall be reduced pro tanto. The amount available under the Letter of Credit for the payment of interest upon, or the payment of the Purchase Price of, the Bonds will be automatically reinstated in the full amount thereof immediately following such drawing.

In addition, the amount available under the Letter of Credit will automatically and permanently be reduced following each drawing under the Letter of Credit with respect to the payment of principal of the Bonds (whether at maturity, upon redemption, acceleration or otherwise), in an amount equal to the principal amount of Bonds no longer outstanding plus a pro rata portion of the amount available to be drawn to pay interest on such Bonds.

The initial Letter of Credit expires by its terms on December 10, 1995.

Pursuant to the terms of the Letter of Credit and Reimbursement Agreement, the College is obligated to reimburse to the Bank the amount of any drawings made under the Letter of Credit. Amounts drawn to pay regular Bond principal and interest on each interest payment date must be reimbursed to the Bank on or before such interest payment date. Amounts drawn to pay the purchase price of Bonds not remarketed must be reimbursed to the Bank within 90 days following the purchase date for such Bonds. The College must pay interest on all amounts so drawn under the Letter of Credit prior to the reimbursement thereof, at a rate of interest equal to the Bank's Reference Rate. In addition to such reimbursement obligations, the College is required under the Letter of Credit and Reimbursement Agreement to satisfy certain operating and financial covenants and warranties specified therein.

Upon the College's default of its reimbursement obligations under the Letter of Credit and Reimbursement Agreement, upon the occurrence of an Event of Default as described and defined in the Indenture or the Loan Agreement, upon the College's insolvency, bankruptcy, liquidation or general assignment of assets for the benefit of creditors, or upon a determination that any of the College's warranties, representations or other written statements made in connection with the Bond financing were incorrect, an Event of Default will occur under the Letter of Credit and Reimbursement Agreement, and the Bank may, in its sole discretion, exercise its rights and remedies against the College, and by notice to the Trustee, require the Trustee to accelerate payment of all Bonds and interest accrued thereon, draw upon the Letter of Credit, and apply Letter of Credit funds to the redemption of all outstanding Bonds.

The College will pay to the Bank an annual fee calculated as a percentage of the amount available, from time to time, to be drawn under the Letter of Credit.

The College may deliver to the Trustee, and the Trustee is authorized to accept, an Alternate Credit Facility provided that, contemporaneously with the issuance of the Alternate Credit Facility the Trustee shall receive an opinion from counsel to the issuer of the Alternate Credit Facility to the effect that the Alternate Facility is the valid and binding obligations of issuer thereof, enforceable against said Bank in accordance with its terms except insofar as its enforceability may be limited by

insolvency, or similar proceedings applicable to said Bank; and provided further that if the Bonds are then rated by Moody's Investors Service ("Moody's) and/or by Standard & Poor's Corporation ("Standard & Poor's), any rating of the Bonds by Moody's and/or Standard & Poor's shall not be reduced from the rating then prevailing.

THE COLLATERAL AGREEMENT

The following constitute a summary of certain provisions of the Collateral Security and Assignment of Deposit Agreement (the "Collateral Agreement"). This summary does not purport to be complete and reference is made to the full text of the Collateral Agreement for a complete recital of its terms.

General Duties of the College

The College will convey to the Trustee and the Bank, on a parity basis, a first perfected security interest in a deposit account established by the College at the Bank, and in cash and/or United States Treasury issues or guaranteed securities (the "Collateral") deposited in such account, to secure the Bonds, and to secure the payment of reimbursements and fees owing to the Bank under the Reimbursement Agreement. Cash collateral must be maintained in the deposit account equal to 100% of the outstanding amount of the Letter of Credit and securities Collateral must be maintained in the deposit account equal to at least 110% of the outstanding amount of the Letter of Credit (the "Collateral Requirement").

The Collateral must (1) be derived from gifts or bequests (including the income thereon); (2) not be raised for the purpose of carrying out the Project; (3) not be reasonably expected to be used (directly or indirectly) to pay principal of or interest on the Bonds; and (4) be held as part of the College's permanent capital.

Valuation of Collateral

The Bank shall determine the value of the Collateral (i) upon the initial deposit thereof with the Bank, and thereafter on the last Business Day of each week commencing the week of December 8, 1985.

Maintenance of Collateral

The College must take such action or cause such action to be taken as is necessary and proper in and to preserve, maintain and service the Collateral and to perfect the Trustee's and Bank's security interest therein.

Substitution and Release of the Collateral

The College will have the right to substitute Collateral for all or any part of the Collateral at any time, provided that following any substitution, the value of the Collateral at least equals the Collateral Requirement. Unless an event of default under the Collateral Agreement has occurred and is continuing, if the Bank determines that the value of the Collateral exceeds the Collateral Requirement,

the College will have the right at any time to obtain the release of Collateral having a value equal to the amount of the excess.

Right to Receive Income From the Collateral

Unless the College has failed to make any payment required by the Collateral Agreement, the College will be entitled to any interest received by the Bank on the Collateral.

Events of Default - Remedies

Upon a default in the payment of any principal or interest when due on the Bonds, or in payment of reimbursements or fees owing to the Bank under the Reimbursement Agreement, the Bank shall liquidate the Collateral, and apply the net proceeds to pay first amounts owing on the Bonds, and second, to pay reimbursements and fees owing to the Bank under the Reimbursement Agreement.

UNDERWRITING

The Bonds are to be purchased on their delivery date by The First National Bank of Saint Paul (the "Underwriter"). The Underwriter is committed to purchase all of the Bonds if any are purchased at an aggregate discount of \$41,250 from the public offering price set forth on the cover page of this Official Statement.

The College has agreed to indemnify the Underwriter against certain liabilities, including certain liabilities under the Federal securities laws. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the offering price stated on the Cover of this Official Statement.

The Underwriter is also acting as Remarketing Agent and will receive a fee for such service, pursuant to the Remarketing Agreement. The First National Bank of Saint Paul will also receive annual fees and other charges from the College for the issuance of the Letter of Credit, pursuant to the Reimbursement Agreement.

ABSENCE OF LITIGATION

The Authority and the College are unaware of any pending or threatened litigation which would affect the validity of the Bonds or materially affect the ability of the College to pay the principal of or interest on the Bonds as the same become due.

RATINGS

Standard & Poor's Corporation has given the Bonds an "AA" long-term rating and an "A-1+" short-term rating as stated on the cover page. Such ratings reflect only the

views of that organization, and an explanation of the significance of each such rating may be obtained from it. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised or withdrawn entirely by such rating agency if in its judgment circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the Bonds.

TAX EXEMPTION

In the opinion of Faegre & Benson, Bond Counsel, the 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 includable in the gross income of the recipient for United States or State of Minnesota income tax purposes (other than Minnesota corporate franchise and bank excise taxes measured by income) according to present federal and Minnesota laws, regulations, rulings and decisions. Under the provisions of Section 136A.39, Minnesota Statutes, any bonds issued by the Authority under the provisions of Section 136A.25 to 136A.42, Minnesota Statutes, their transfer and the income therefrom, including any profit made on the sale thereof, shall be exempt from taxation of every kind by the State and its municipalities and other political subdivisions of the State. Under some interpretations of this provision, interest income from the Bonds received by corporations and banks may be exempt from State of Minnesota corporate franchise taxes measured by income, including bank excise taxes, but no opinion is being expressed nor is any representation being made in that respect.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Faegre & Benson, Minneapolis, Minnesota, Bond Counsel, whose approving opinion will be delivered with the Bonds. Certain legal matters will be passed on for the College by its Counsel, Moore, Costello & Hart, Saint Paul, Minnesota. Certain matters will be passed on by Oppenheimer Wolff Foster Shepard and Donnelly, Saint Paul, Minnesota, as Counsel to the Bank in its capacity as issuer of the Letter of Credit and in its capacity as Underwriter.

