

NEW ISSUE

Rating: Requested from
Moody's Investors Service, Inc.

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 and is not an item of tax preference included in the computation of the alternative minimum tax imposed on individuals under the Internal Revenue Code, but is subject to federal alternative minimum taxes and environmental surtaxes on corporations and the tax on United States branch profits on certain foreign corporations and to Minnesota franchise taxes on banks and corporations measured by income according to present federal and Minnesota laws, regulations, rulings and decisions. (See "TAX EXEMPTION" herein.)

\$1,300,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
MORTGAGE REVENUE BONDS, SERIES TWO-P

(MINNESOTA STATE BOARD FOR COMMUNITY COLLEGES,
VERMILION COMMUNITY COLLEGE PROJECT)

Bonds Dated: November 1, 1987

Interest Due: Each January 1 and July 1,
commencing July 1, 1988

The Bonds will mature each January 1 in the amounts and years as follows:

\$35,000	1990-1991	\$55,000	1997	\$ 80,000	2002	\$105,000	2006
\$40,000	1992-1993	\$60,000	1998-1999	\$ 85,000	2003	\$240,000	2007
\$45,000	1994-1995	\$65,000	2000	\$ 90,000	2004		
\$50,000	1996	\$70,000	2001	\$100,000	2005		

Bonds due on or after January 1, 1999 shall be subject to optional redemption on January 1, 1998, and on any interest payment date thereafter, in whole or in part and if in part, in integral multiples of \$5,000. If redemption is in part, those Bonds remaining unpaid which have the latest maturity date will be redeemed first. If only part of the Bonds having a common maturity date are called for redemption, the specific Bonds to be redeemed will be chosen by lot by the Registrar. Redemption of Bonds shall be at a price of par and accrued interest.

The Bonds will be also subject to redemption on any interest payment date in certain cases of damage to or destruction or condemnation of the Project Facilities and after a Determination of Taxability, as described in the Loan Agreement and Indenture.

The proceeds of the Bonds will be used to finance part of the cost of construction of a student residence on the campus of Vermilion Community College.

Bids must be for not less than \$1,267,500 and accrued interest on the total principal amount of the Bonds and must be accompanied by a certified or cashier's check in the amount of \$13,000, payable to the order of the Minnesota Higher Education Facilities Authority (the "Authority"). The check of the Purchaser will be retained as liquidated damages in the event the Purchaser fails to comply with the accepted bid. The Authority will deposit the check of the Purchaser, the amount of which will be deducted at settlement.

No rate for any maturity shall be lower than any prior rate. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity.

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the Minnesota State Board for Community Colleges (the "Board") pursuant to a Loan Agreement between the Authority and the Board, or out of other amounts pledged pursuant to the Indenture, as described herein. The Bonds will be secured by a pledge of the gross revenues of the Project Facilities, a mortgage on and security interest in the Project Facilities and a guarantee of Loan Repayments by the City of Ely, Minnesota, which shall pledge its full faith, credit and taxing power without limit as to rate or amount.

The Bonds will be issued in denominations of \$5,000, and in integral multiples thereof not exceeding the amount maturing in any maturity, as requested by the Purchaser, and will be fully registered as to principal and interest. Norwest Bank Minneapolis, N.A., Minneapolis, Minnesota, will act as Trustee, Registrar and Paying Agent for the Bonds.

The Bonds will be delivered without cost to the Purchaser within 40 days following the date of their award. Delivery of the Bonds is subject to receipt of an approving legal opinion by Faegre & Benson, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the Board and the State of Minnesota by the Attorney General of the State of Minnesota.

The Bonds will not be qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, relating to deductibility of interest incurred by financial institutions to purchase or carry tax-exempt obligations.

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, THE BOARD, OR THE STATE OF MINNESOTA, OR THE TAXING POWERS OF THE STATE, ARE PLEDGED. THE AUTHORITY AND THE BOARD HAVE NO TAXING POWERS.

BID OPENING:

October 14, 1987 (Wednesday) at 11:00 A.M., Central Time

AWARD:

October 14, 1987 (Wednesday) at 2:00 P.M., Central Time

Further information may be obtained from SPRINGSTED Incorporated, Financial Advisor to the Issuer, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101-2143 (612) 223-3000.

No dealer, broker, salesman or other person has been authorized by the Authority or the Board 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 either the Authority or the Board. The information contained herein, except as it relates to the Authority, has been obtained from the Board or other sources but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Board or the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the Board since the date hereof.

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

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.

This Official Statement was prepared for the information of bidders for all of the Bonds to be purchased from the Authority. Only the Arabic numbered pages and the Appendices, if any, of this Official Statement may be used or reproduced, in whole or in part, for distribution to investors. However, no assurance can be given and no representation is made that no additional information is required when the Bonds are reoffered by the purchasers to investors or that this Official Statement states all facts which would be material to an investor purchasing Bonds from the Underwriters.

RATING

An application for a rating of this Issue has been made to Moody's Investors Service, Inc., ("Moody's"), 99 Church Street, New York, New York. If a rating is assigned, it will reflect only the opinion of Moody's. Any explanation of the significance of the rating may be obtained only from Moody's.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of Moody's, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Earl R. Herring, Chairman	Retired, formerly Vice President for Administrative Affairs, Moorhead State University, Moorhead, Minnesota.
Kathryn D. Jarvinen, Vice-Chairman	Hospital Administrator, Winona, Minnesota.
Catherine M. Warrick, Secretary	Executive Director, Chrysalis - A Center for Women, Minneapolis, Minnesota.
John M. Amundson	Managing Partner, McMahon, Hartman, Amundson & Co., St. Cloud, Minnesota.
Carol A. Blomberg	Vice President, Merchants & Miners State Bank, Hibbing, Minnesota.
David A. Longanecker*	Executive Director, Minnesota Higher Education Coordinating Board, St. Paul, Minnesota.
John A. McHugh	Attorney and Banker, Minneapolis, Minnesota.
Larry A. Osnes*	President, Minnesota Private College Council, St. Paul, Minnesota.
Milton Radjenovich	Retired, Buhl, Minnesota
John Young, Jr.	Salesman/Construction Foreman, Olson Pool Company, Hawley, Minnesota

* *Ex Officio*

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
SPRINGSTED Incorporated

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OFFICIAL TERMS OF OFFERING

\$1,300,000

**MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
MORTGAGE REVENUE BONDS, SERIES TWO-P
(MINNESOTA STATE BOARD FOR COMMUNITY COLLEGES,
VERMILION COMMUNITY COLLEGE PROJECT)**

Sealed bids for the Bonds will be opened by Dr. Joseph E. LaBelle, Executive Director, Minnesota Higher Education Facilities Authority (the "Authority") on Wednesday, October 14, 1987 at 11:00 A.M., Central Time, at Suite 278, Metro Square Building, Saint Paul, Minnesota 55101, telephone (612) 296-4690. Consideration for award of the Bonds will be by the Members of the Authority at 2:00 P.M., Central Time, of the same day.

DETAILS OF THE BONDS

The Bonds will be dated November 1, 1987, as the date of original issue, and will bear interest payable on July 1 and January 1 of each year, commencing July 1, 1988. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. The Bonds will be issued in the denomination of \$5,000 each, or in integral multiples thereof as requested by the Purchaser, and fully registered as to principal and interest. Principal will be payable at the main corporate office of the Trustee and interest on each Bond will be payable by check or draft of the Trustee mailed to the registered holder thereof at his address as it appears on the books of the Trustee as of the 15th day of the calendar month next preceding the interest payment.

The Bonds will mature annually on January 1 in the amounts and years as follows:

\$35,000	1990-1991	\$55,000	1997	\$ 80,000	2002	\$105,000	2006
\$40,000	1992-1993	\$60,000	1998-1999	\$ 85,000	2003	\$240,000	2007
\$45,000	1994-1995	\$65,000	2000	\$ 90,000	2004		
\$50,000	1996	\$70,000	2001	\$100,000	2005		

The Bonds will bear additional interest at a rate of 2.00% per annum in the event of a Determination of Taxability as described in the Loan Agreement and the Trust Indenture.

OPTIONAL REDEMPTION

The Authority may elect on January 1, 1998, and on any interest payment date thereafter, to prepay Bonds due on or after January 1, 1999. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, those Bonds remaining unpaid which have the latest maturity date will be prepaid first. If only part of the Bonds having a common maturity date are called for prepayment the specific Bonds to be prepaid will be chosen by lot by the Trustee. The Bonds are also subject to redemption on any interest payment date under certain circumstances described in a Loan Agreement between the Minnesota State Board for Community Colleges (the "Board") and the Authority and a Trust Indenture between the Authority and the Trustee, and in the event of taxability. All prepayments shall be at a price of par and accrued interest.

SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the Board pursuant to the Loan Agreement or from other amounts pledged therefore

pursuant to the Trust Indenture. The Bonds are additionally secured by a pledge of the gross revenues of the Project Facilities, a mortgage on and security interest in the Project Facilities and a guarantee of Loan Repayments by the City of Ely, Minnesota, which shall pledge its full faith, credit and taxing power without limitation as to rate or amount. **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, the Board or the State of Minnesota, or the taxing powers of the State, are pledged.** The Authority and the Board have no taxing powers. The proceeds will be used to construct a student residence on the campus of Vermilion Community College.

TYPE OF BID

A sealed bid for not less than \$1,267,500 and accrued interest on the total principal amount of the Bonds shall be filed with the undersigned prior to the time set for the opening of bids. Also prior to the time set for bid opening, a certified or cashier's check in the amount of \$13,000, payable to the order of the Authority, shall have been filed with the undersigned or SPRINGSTED Incorporated, the Authority's Financial Advisor. No bid will be considered for which said check has not been filed. The check of the Purchaser will be retained by the Authority as liquidated damages in the event the Purchaser fails to comply with the accepted bid. The Authority will deposit the check of the Purchaser, the amount of which will be deducted at settlement. No bid shall be withdrawn after the time set for opening bids unless the meeting of the Authority scheduled for consideration of the bids is adjourned, recessed, or continued to another date without award of the Bonds having been made. No rate specified for a maturity shall exceed the rate specified for any subsequent maturity. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity.

AWARD

The Bonds will be awarded to the Bidder offering the lowest dollar interest cost to be determined by the deduction of the premium, if any, from, or the addition of any amount less than par, to the total dollar interest on the Bonds from their date to their final scheduled maturity. The Authority's computation of the total net dollar interest cost of each bid, in accordance with customary practice, will be controlling.

The Authority will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Bonds, (ii) reject all bids without cause, and, (iii) reject any bid which the Authority determines to have failed to comply with the terms herein.

TRUSTEE/REGISTRAR/PAYING AGENT

The Trustee shall be Norwest Bank Minneapolis, N.A., which shall also act as Registrar and Paying Agent.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

It is expected that on or about November 18, 1987, the Bonds will be delivered without cost to the Purchaser at a place mutually satisfactory to the Authority and the Purchaser. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Faegre & Benson of Minneapolis, Minnesota, which opinion will be printed on the Bonds, and of customary closing papers, including a no-litigation certificate. Certain legal matters will be passed on for the Board and the State by the Attorney General of the State of Minnesota. On the date of settlement payment for the Bonds shall

be made in federal, or equivalent, funds which shall be received at the offices of the Authority, or its designee, not later than 1:00 P.M., Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the Authority, or its agents, the Purchaser shall be liable to the Authority for any loss suffered by the Authority by reason of the Purchaser's non-compliance with said terms for payment.

OFFICIAL STATEMENT

Underwriters may obtain a copy of the Official Statement by request to the Authority's Financial Advisor. The Purchaser will be provided with 50 copies of the Official Statement.

Dated September 30, 1987

BY ORDER OF THE MINNESOTA HIGHER
EDUCATION FACILITIES AUTHORITY

/s/ Joseph E. LaBelle, Executive Director

SCHEDULE OF BOND YEARS

\$1,300,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
MORTGAGE REVENUE BONDS, SERIES TWO-P

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>BOND YEARS</u>	<u>CUMULATIVE BOND YEARS</u>
1990	\$35,000	75.8333	75.8333
1991	\$35,000	110.8333	186.6666
1992	\$40,000	166.6667	353.3333
1993	\$40,000	206.6667	560.0000
1994	\$45,000	277.5000	837.5000
1995	\$45,000	322.5000	1,160.0000
1996	\$50,000	408.3333	1,568.3333
1997	\$55,000	504.1667	2,072.5000
1998	\$60,000	610.0000	2,682.5000
1999	\$60,000 c	670.0000	3,352.5000
2000	\$65,000 c	790.8333	4,143.3333
2001	\$70,000 c	921.6667	5,065.0000
2002	\$80,000 c	1,133.3333	6,198.3333
2003	\$85,000 c	1,289.1667	7,487.5000
2004	\$90,000 c	1,455.0000	8,942.5000
2005	\$100,000 c	1,716.6667	10,659.1667
2006	\$105,000 c	1,907.5000	12,566.6667
2007	\$240,000 c	4,600.0000	17,166.6667

Average Maturity: 13.21 Years

Bonds Dated: November 1, 1987

Interest Due: July 1, 1988 and each January 1 and
July 1 to maturity.

Principal Due: January 1, 1990-2007 inclusive.

Optional Call: Bonds maturing on or after January 1, 1999
are callable commencing January 1, 1998
and any interest payment date thereafter
at par.
(See Official Terms of Offering.)

OFFICIAL STATEMENT

\$1,300,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY MORTGAGE REVENUE BONDS, SERIES TWO-P

**(THE MINNESOTA STATE BOARD FOR COMMUNITY COLLEGES.
VERMILION COMMUNITY COLLEGE PROJECT)**

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority"), the Minnesota State Board for Community Colleges (the "Board"), Vermilion Community College (the "College"), the State of Minnesota (the "State"), and the City of Ely, Minnesota (the "City") in connection with the issuance of the Authority's \$1,300,000 Mortgage Revenue Bonds, Series Two-P (Minnesota State Board for Community Colleges, Vermilion Community College Project) (the "Bonds" or the "Issue").

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 authorized to issue its obligations to assist institutions of higher education within the State of Minnesota to finance certain projects, and by 1987 Minnesota Laws, Chapter 400, Section 18, Subd. 11, as amended by 1987 Minnesota Laws, Chapter 384, Article 3, Section 46, (the "Act").

The Bonds are also issued pursuant to the Trust Indenture between the Authority and Norwest Bank Minneapolis, N.A., Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Issue.

Pursuant to a Loan Agreement between the Board and the Authority, the Board will covenant to make from Project Revenues, Loan Repayments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the Board by the Authority to finance in part the construction and furnishing of a student residence on the campus of the College (the "Project"). The State of Minnesota has appropriated an additional \$1.5 million for the Project from the State Building Fund.

The Bonds will be secured by a pledge of Project Revenues derived from the Project Facilities, a mortgage on and security interest in the Project, and a guarantee of Loan Repayments by the City, which shall pledge its full faith and credit and taxing powers without limit as to rate or amount.

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, the Board, or the State of Minnesota or the taxing powers of the State are pledged. The Authority and the Board have no taxing powers.

The foregoing Introductory Statement is a summary only. For more specific explanations, reference should be made to the following pages and appendices of this Official Statement.

THE BONDS

The Bonds will be dated November 1, 1987 and will mature annually each January 1, commencing January 1, 1990, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of \$5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each January 1 and July 1, commencing July 1, 1988.

The Bonds will be registered at the office of Norwest Bank Minneapolis, N.A., Minneapolis, Minnesota, as Trustee; the Trustee will also be the Registrar and Paying Agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Owner thereof or the Owner's authorized attorney satisfactory to the Trustee, subject to such reasonable regulations as the Trustee may prescribe, and shall be without expense to the Owner, 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 different 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 payment of 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 the Owner's address as shown on the registration books of the Authority.

Transfers shall not be made with respect to any Bonds called for redemption or during any period within fifteen days next prior to the required date for mailing or publication of notice of such redemption.

Interest on any Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name the Bond is registered at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding such interest payment date (the "Regular Record Date"). Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any interest payment date shall forthwith cease to be payable to the registered Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner; and such defaulted interest may be paid by the Trustee on a "Special Record Date," as follows:

- (a) Subject to the provisions of Article VII of the Indenture relating to application of money upon the occurrence of an Event of Default, upon receipt by the Trustee of any defaulted interest, the Trustee shall fix a Special Record Date for the payment of such defaulted interest which shall not be more than fifteen days nor less than ten days prior to the date of the payment set by the Trustee in its discretion, but not more than ten days after the receipt by the Trustee of such defaulted interest. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name of the Authority, shall cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed first class postage prepaid, to each Owner at the Owner's address as it appears on the registration books on a date determined by the Trustee, but not less than ten days prior to such Special Record Date. The Trustee may, in its discretion in the name of the Authority, cause a similar notice to be published at least once in a financial journal, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such defaulted interest and the Special Record Date therefor having been mailed as aforesaid, such defaulted interest shall be paid to the registered Owners on such Special Record Date and shall no longer be payable pursuant to the following paragraph (b).

- (b) Subject to the provisions of Article VII of the Indenture, the Trustee may make payment of any defaulted interest on the Bonds in any other lawful manner, if after notice given to the Authority by the Trustee of the proposed payment pursuant to this paragraph (b), such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions, each Bond delivered under the Indenture upon transfer of, or in exchange for, or in lieu of, any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Optional Prior Redemption

At the option of the Authority, as directed by the Board, the Bonds maturing on January 1, 1999 or thereafter will be subject to redemption, in whole or in part, and if in part in integral multiples of \$5,000 and in inverse order of maturity and by lot or other impartial method selected by the Trustee within a maturity, on January 1, 1998, and any interest payment date thereafter. Redemption of the Bonds shall be at a price of par and accrued interest.

The Bonds will be also subject to optional redemption at par and accrued interest, as a whole or in part, pro rata by maturity, on any interest payment date, in certain cases of damage to or destruction or condemnation of the Project Facilities, and as a whole but not in part, upon a Determination of Taxability as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS - Loan Agreement").

Partial Redemption

In the case of Bonds of denominations greater than \$5,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each \$5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of \$5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. If it is determined that one or more, but not all of the \$5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the \$5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the registered Owner thereof, without charge therefor. If the Owner of any such Bond of a denomination greater than \$5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the \$5,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such \$5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said \$5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such \$5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than thirty days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. 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.

Determination of Taxability

If a determination of taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic rate from the date of taxability effective until the respective dates on which the principal of the Bonds is paid.

The Board will have the option to prepay the Loan in full but not in part on any interest payment date after a Determination of Taxability at a price of par and accrued interest (including additional interest from the date of taxability).

ESTIMATED PROJECT SOURCES AND USES OF FUNDS

Sources:

Bond Proceeds	\$1,300,000
State of Minnesota Appropriation	1,500,000
Estimated Investment Earnings	<u>41,555</u>
Total Sources	<u><u>\$2,841,555</u></u>

Uses:

Construction Costs*	\$2,500,000
Debt Service Reserve	130,000
Repair and Replacement Reserve	30,000
Allowance for Discount Bidding	32,500
Issuance Costs	32,500
Capitalized Interest	<u>116,555</u>
Total Uses	<u><u>\$2,841,555</u></u>

* Includes costs of construction, architect and engineering fees, furniture and equipment and contingencies.

The Authority, the Board, the Trustee, and the Minnesota Departments of Finance and Administration will enter into a Disbursing Agreement, which will authorize the Minnesota Department of Administration to pay all bills relating to the construction of the Project. The Disbursing Agreement will stipulate that the State's appropriation of \$1.5 million will be disbursed first. After State funds have been exhausted, upon the written order of the Authorized Institution Representative or Project Supervisor, the Trustee will begin disbursements from the Construction Account.

THE PROJECT

Net Bond proceeds and a \$1.5 million appropriation from the State of Minnesota will be used to construct and furnish a 34,800 square foot residence hall on the campus of Vermilion Community College in Ely, Minnesota. The residence hall will accommodate approximately 144 students.

Construction will begin in the fall of 1987, with completion of the Project scheduled by September, 1988.

Construction of the Project and issuance of the Bonds were authorized by 1987 Minnesota Laws, Chapter 400, Section 18, Subd. 11, as amended by 1987 Minnesota Laws, Chapter 384, Article 3, Section 46. The student residence will be the first to be owned and operated by the Board. The Board has acknowledged the unique geographical situation of the College in determining to operate the 144-student residence on campus. Approximately 62% of the College's full-time students are non-commuting students who require housing in the community. At the present time there is not adequate and satisfactory housing for students in the College's immediate area, and no private developer is available to construct such student housing.

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 Board as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including moneys and investments in the Debt Service Reserve Account or received from enforcement of the Mortgage, the Security Agreement or the Guaranty Agreement.

The Debt Service Reserve Account will be initially funded from proceeds of the Bonds in the amount of \$130,000.

The Bonds are secured by a pledge of gross revenues of the Project Facilities, including all rents, charges and other revenues ("Project Revenues"), which shall be deposited forthwith as received by the Board into the Revenue Account. So long as there is no Event of Default, the Board may use and invest all moneys in the Revenue Account to pay debt service, to meet current expenses of operation and maintenance, for capital expenditures, and for any other lawful purpose. However, deposits required to be made into the Bond and Interest Sinking Fund Account and the Debt Service Reserve Account and all payments due the Trustee shall be a first lien upon the Project Revenues and shall be paid ahead of all other charges.

On the 10th day of each October, January and April, commencing October 10, 1988, the Board shall deposit into the Bond and Interest Sinking Fund from the Revenue Account, one-third of the total amount payable as interest on and principal of the Bonds due on July 1 of the year of the January and April deposits and January 1 of the following year. Provided that the Debt Service Reserve Account is fully funded and no tax receipts from the City of Ely have been deposited into the Bond and Interest Sinking Fund, the April deposit need only be in an amount, which, when added to the balance in the Bond and Interest Sinking Fund, will be sufficient to meet the next July 1 and January 1 Bond payments.

The Board shall establish, impose and collect rates and charges for the use of the Project Facilities which are estimated to be sufficient, together with any other moneys

legally available to the Board for the purpose, to provide Project Revenues sufficient to pay all Loan Repayments and other payments required by the Loan Agreement when due, all current expenses of operation and maintenance of the Project Facilities and all other obligations of the Board with respect to the Project Facilities, as the same become due and payable. Rates and charges established by the Board for use of the Project Facilities in each Fiscal Year shall be sufficient to provide not less than 100 percent of the budgeted expenditures with respect to the Project Facilities, including Loan Repayments and amounts deemed necessary by the Board for maintenance, repair and replacement of the Project Facilities and to establish and maintain reserves for such purposes, for the Fiscal Year, and such rates and charges shall be sufficient, together with any balance in the Revenue Account at the beginning of the Fiscal Year, to provide not less than 110 percent of such budgeted expenditures for the Fiscal Year.

Prior to the commencement of each Fiscal Year, the Board shall prepare or cause to be prepared a budget for the operation of the Project Facilities indicating the monthly expenditures anticipated during the Fiscal Year, including amounts estimated by the Board to be required for maintenance, repair and replacement of the Project Facilities and reserves deemed necessary by the Board for such purposes, and the projected monthly receipts to be deposited in the Revenue Account.

The Board will also covenant that: (i) during the academic year (September through May), units within the Project Building will be rented for periods of not less than an academic quarter except as units may be re-let for an unexpired term; (ii) all rents will be payable in advance in the full amount of the rent due for the rental period and shall be non-refundable, except a refund may be made in the event the unit is re-let, but only to the extent of rent received by reason of re-letting; (iii) the Board shall require a sufficient number of non-commuting dependent students to live in the Project Building to assure maximum occupancy of the Project Building; and (iv) for the first year of operation of the Project, the Board shall assume for budgeting purposes, an occupancy rate of 85% for the academic year and thereafter the occupancy rate projected for each academic year shall be no more than the average actual occupancy rate for the previous academic year. For budgeting purposes, the Board shall assume zero occupancy for the months June through August.

The Board will assign to the Trustee a security interest in the Project Revenues and the Revenue Account, which shall be held by a depository bank, pursuant to the Security Agreement. Upon the occurrence of an Event of Default, upon notice to the depository bank, the Revenue Account shall be transferred to the Trustee who shall use revenues then on deposit in or subsequently deposited into the Revenue Account to pay principal of and interest on the Bonds (and any Additional Bonds outstanding) due on the next interest payment date; and, to pay ordinary and necessary expenses of operation and maintenance of the College.

Pursuant to the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), the State of Minnesota, as owner of the Land and the Board, as owner of the Project Building and Equipment, will mortgage and grant a security interest in the Project Facilities to the Authority to secure the Board's obligations to make timely Loan Repayments (see "SUMMARY OF DOCUMENTS - The Mortgage"). Under the Mortgage, the State grants a mortgage lien on an easement to construct, own, operate and maintain the Project Buildings; the Mortgage does not grant a mortgage lien on the fee interest of the State. The Authority will, in turn, assign its interest in the Mortgage to the Trustee to be held by the Trustee as part of the Trust Estate.

Pursuant to the Guaranty Agreement between the City, the Authority and the Trustee, the City of Ely will pledge its full faith and credit and taxing powers to guarantee Loan

Repayments on the part of the Board. The Trustee shall notify the City in writing not later than the 20th day of each October, January and April, commencing October 20, 1988, of the amount of the deposits made to the Bond and Interest Sinking Fund Account by the Board in each of those months, and of the amount of the deficiency, if any, of the sum of the deposits required to be made. Transfers from the Reserve Account, if any, shall be excluded from the calculation of any deficiency.

The Trustee shall also notify the City on September 1 of each year, commencing September 1, 1989, of the then amount of the deficiency, if any, of deposits into the Bond and Interest Sinking Fund Account due the previous October, January and April. Moneys on deposit in the Reserve Account shall not be considered. The City shall then immediately make the payment or a special general ad valorem tax levy for collection in the following year in the amount of 110% of such deficiency and shall request the County Treasurer to forward the collection of such levy directly to the Trustee for deposit into the Bond and Interest Sinking Fund Account. At such time as there are sufficient funds in the Bond and Interest Sinking Fund Account for the payment of principal of and interest on the Bonds during the current Fiscal Year, all Loan Repayments due in the current Fiscal Year have been made and the Debt Service Reserve Account and the Repair and Replacement Reserve Account are fully funded, the Trustee shall return any excess amount in the Bond and Interest Sinking Fund Account to the City, but only to the extent of the principal sum of deposits made from receipt of tax levies made by the City.

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, the Board, or the State of Minnesota, or the taxing powers of the State, are pledged. The Authority and the Board have no taxing powers.

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

STATE SUPPORT OF OPERATION OF THE COLLEGE

The College receives its major support from the State of Minnesota for general operations (except for operation of the Project Facilities) through appropriations to the Board, which, in turn, allocates the State appropriations to the eighteen community colleges, including Vermilion Community College (See Appendix I, "Annual Receipts and Disbursements"). The Board's allocation to the College is based on a number of formulas designed to allow for the operation of all necessary programs and services.

Future levels of State support are dependent upon the ability and willingness of the State Legislature to make appropriations to the Board, taking into consideration the availability of financial resources and other potential uses of such resources. Future operations of the College are also dependent on the ability and willingness of the Board to allocate sufficient appropriations to the College.

The State operates on a biennial budget basis, with each biennium ending on June 30 of an odd-numbered year. The Board submits its biennial general operations legislative request in October of the year preceding the new biennium. The resulting biennial State appropriation is incorporated into the Board's budgeting process when enacted.

Legislative appropriations are allotted by the State Department of Finance to various State agencies to which such appropriations are made. Such allotments have the effect of timing the disbursements of funds over monthly periods during the State's fiscal year.

During and after the legislative sessions, revenues are reforecast to reflect legislative actions which have a direct impact on State revenues and changes in economic conditions which may materially affect the results of previous revenues forecasts. If, during the course of the fiscal year, the State Commissioner of Finance (the "Commissioner") determines that revenues probably will be less than anticipated, the Commissioner, with the approval of the Governor, is required to reduce allotments as may be necessary to balance expenditures and revenues forecast for the then current biennium. The Governor also may request legislative actions to provide additional sources of revenue, but such requests do not relieve the Commissioner of the obligation to reduce allotments to State agencies.

The State is not obligated to appropriate any moneys and the Board is not obligated to allocate any appropriation to payment of costs of operation and maintenance of the Project Facilities and debt service on the Bonds.

DEBT SERVICE ON THE BONDS

The following table sets forth the estimated annual debt service by Fiscal Year for the Bonds.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Principal and Interest(a)</u>	<u>Less: Capitalized Interest</u>	<u>Less: Debt Service Reserve and Earnings(b)</u>	<u>Net Debt Service</u>
1988/89	\$	\$ 116,553	\$116,553	\$	\$
1989/90	35,000	134,903		9,100	125,803
1990/91	35,000	132,803		9,100	123,703
1991/92	40,000	135,615		9,100	126,515
1992/93	40,000	133,015		9,100	123,915
1993/94	45,000	135,315		9,100	126,215
1994/95	45,000	132,165		9,100	123,065
1995/96	50,000	133,925		9,100	124,825
1996/97	55,000	135,250		9,100	126,150
1997/98	60,000	136,125		9,100	127,025
1998/99	60,000	131,565		9,100	122,465
1999/00	65,000	131,945		9,100	122,845
2000/01	70,000	131,875		9,100	122,775
2001/02	80,000	136,345		9,100	127,245
2002/03	85,000	134,945		9,100	125,845
2003/04	90,000	133,145		9,100	124,045
2004/05	100,000	135,945		9,100	126,845
2005/06	105,000	132,945		9,100	123,845
2006/07	240,000	259,440		139,100	120,340
	\$1,300,000	\$2,653,819	\$116,553	\$293,800	\$2,243,466

(a) Interest is assumed at an average 7.90% per annum.

(b) Interest earnings on the Debt Service Reserve Account is assumed at 7.00% per annum.

PRO FORMA CASH FLOW OF PROJECT RECEIPTS AND DISBURSEMENTS

	F.Y. <u>1989</u>	F.Y. <u>1990</u>	F.Y. <u>1991</u>	F.Y. <u>1992</u>	F.Y. <u>1993</u>
Beginning Cash Balance	\$ 25,000	\$ 35,192	\$ 45,410	\$ 56,050	\$ 66,942
Receipts:					
Rentals*	184,464	184,464	189,954	189,954	194,346
Auxiliary Revenues	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total Receipts and Beginning Cash	219,464	229,656	245,364	256,004	271,288
Disbursements:					
Operation and Maintenance	54,369	56,443	58,699	61,047	63,490
Principal and Interest	125,803	123,703	126,515	123,915	126,215
Authority Annual Fee	2,600	2,600	2,600	2,600	2,600
Other	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>
Total Disbursements	184,272	184,246	189,314	189,062	193,805
Ending Cash Balance	\$ 35,192	\$ 45,410	\$ 56,050	\$ 66,942	\$ 77,483
Coverage of Disbursements by Receipts and Beginning Cash	1.19 X	1.25 X	1.30 X	1.35 X	1.40

* Assumes 85% occupancy or 122 students per academic year. Monthly rent per student for the above cash flow is assumed to be: \$168 for fiscal years 1989 and 1990; \$173 for fiscal years 1991 and 1992 and \$177 for fiscal year 1993.

Source: Vermilion Community College.

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which the proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account, a Debt Service Reserve Account, a Repair and Replacement Reserve Account, a Redemption Account and a Revenue Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account, except that \$130,000 will be deposited into the Debt Service Reserve Account, \$30,000 will be deposited into the Repair and Replacement Reserve Account and accrued interest and capitalized interest will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the Board as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, and the Redemption Account and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Construction Account

There shall be deposited initially into the Construction Account from Bond proceeds approximately \$1,032,500. In addition, the Board will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds and the appropriation of funds from the State of Minnesota available therefor. However the Board agrees that it will not cause or permit any amendment, modification, change order or waiver with respect to any plans and specifications prepared for the Project or any contract entered into in connection with the Project, if such will result in a net increase in the amount of Project costs, unless the Board shall have deposited an amount equal to such net increase in the Construction Account. Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the Board costs incurred in connection with the Project. When work on the Project Building and Project Site has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, or the Redemption Account.

Bond and Interest Sinking Fund Account

Initially there shall be deposited into the Bond and Interest Sinking Fund Account capitalized interest and 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 the Revenue Account (if held by the Trustee), from earnings on other accounts established under the Indenture (other than the Revenue Account) and from Loan Repayments made by the Board. The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Debt Service Reserve Account

There shall be initially deposited into the Debt Service Reserve Account from Bond proceeds the amount of \$130,000 irrevocably pledged to the payment of principal of and interest on the Bonds, as may be required from time to time. All amounts paid by the Board as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or Redemption Account will be deposited into the Debt Service Reserve Account in order to maintain the Debt Service Reserve Account in an amount not less than the Reserve Requirement, initially, \$130,000. In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than \$130,000, the Board shall restore the deficiency, forthwith, as a Loan Repayment.

Interest and income of the Debt Service Reserve Account shall be transferred to the Bond and Interest Sinking Fund Account if not necessary to maintain the balance in the Debt Service Reserve Account as above provided, and when the moneys and investments in the Debt Service Reserve Account shall be sufficient to pay the principal of and interest on all outstanding Bonds when due, such moneys and investments shall be transferred, as appropriate, into the Bond and Interest Sinking Fund Account or the Redemption Account; provided, that the Trustee is authorized, in its discretion, to use funds and investments in the Debt Service Reserve Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148(f) of the Internal Revenue Code if the Board shall have failed to pay or provide for the payment thereof under Section 6.08 of the Loan Agreement.

Repair and Replacement Reserve Account

There shall be initially deposited into the Repair and Replacement Reserve Account \$30,000 from Bond proceeds to be used by the Board to pay the cost of unusual or extraordinary maintenance or repairs, renewals and replacements of the Project Facilities, and renovation or replacement of Project Equipment not paid or to be paid for as a part of the ordinary and normal expenses of operation of the Project Facilities. If moneys in the Repair and Replacement Reserve Account are used for such purpose, the Board will repay and may do so in three equal installments, on October 10, January 10 and April 10 in the next succeeding Fiscal Year.

Fund and investments in the Repair and Replacement Reserve Account shall be used to eliminate any deficiency in the Bond and Interest Sinking Fund Account and the Debt Service Fund Account if moneys in those Accounts are insufficient to meet debt service on the Bonds. The Trustee is also authorized to use funds and investments in the Repair and Replacement Reserve Account to pay any rebate due the United States in respect of the Bonds under Section 148(f) of the Internal Revenue Code if the Board shall have failed to pay or provide for the payment thereof under Section 6.08 of the Loan Agreement. If moneys are used for such purposes, and the balance in the Repair and Replacement Reserve Account is reduced below \$30,000, the Board shall forthwith restore the balance to not less than \$30,000 by making a Loan Repayment under the Loan Agreement.

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. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148(f) of the Internal Revenue Code if the Board shall have failed to pay or provide for the payment thereof under Section 6.08 of the Loan Agreement.

Revenue Account

The Board agrees to establish and maintain, so long as any of the Bonds are outstanding, an account or accounts with a bank whose deposits are insured by the Federal Deposit Insurance Corporation into which the Board shall deposit all gross Project Revenues. So long as no Default or Event of Default shall exist, the Board shall be entitled to use and invest all moneys in the Revenue Account to meet current expenses of operation and maintenance of the Project Facilities, to meet debt service on the Bonds, for capital expenditures, and for any other lawful purpose. The Board covenants in the Security Agreement that it will not deposit Project Revenues elsewhere than in the Revenue Account and will not transfer the Revenue Account to any institution or depository other than the designated depository bank or the Trustee without compliance with procedures intended to protect the security interest of the Trustee in the Revenue Account.

In an Event of Default, the depository bank shall transfer all moneys in the Revenue Account to the Trustee, and the Board covenants that it shall direct such orders and execute such documents as may be required by the depository bank or the Trustee to effect and complete the transfer of all such moneys to the Trustee and further covenants that it shall assign and deliver to the Trustee such certificates of deposit,

other investments or cash as shall then be credited to the Revenue Account; and thereafter, so long as such Event of Default exists, the Board covenants that it will deposit all Project revenues promptly when received with the Trustee for credit to the Revenue Account.

If such Event of Default shall be cured, then at the written request of an Authorized Institution Representative, the Trustee shall return moneys and investments of the Revenue Account to the depository bank, or another depository bank designated by the Board, and the Board shall thereafter deposit to and use moneys in the Revenue Account as if no Event of Default had occurred.

If a Default or an Event of Default exists but the Trustee has not required the transfer of the Revenue Account to the Trustee, the Board shall expend moneys from the Revenue Account solely to meet ordinary and current operation and maintenance expenses of the Project and debt service on the Bonds.

General Bond Reserve Account

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. In general, the General Bond Reserve Account secures certain Bonds of the Authority for which a deposit is made into the General Bond Reserve Account in compliance with the General Bond Resolution. In connection with the Bonds, the Authority will not require that the Board deposit funds into the General Bond Reserve Account. **The Bonds will not be secured by the General Bond Reserve Account, and Bondholders will have no right to require the Authority to apply moneys or investments in the General Bond Reserve Account to the payment of the Bonds or interest thereon.**

Permitted Investments

Moneys on deposit to the credit of the Construction Account, the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account, the Redemption Account or the Repair and Replacement Reserve Account shall be invested by the Trustee only in Authorized Investments described in Section 5.06 of the Indenture. Obligations so purchased shall be deemed at all times to be a part of the respective Account, but may from time to time be sold or otherwise converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to such Account. 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 Board 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 \$5,000 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 for the payment of principal of and interest on the Bonds or for the prior redemption or retirement of Bonds. 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 to be "arbitrage bonds" under Section 148 and related sections of the Internal Revenue Code of 1986 and regulations thereunder.

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by 1971 Minnesota Laws, Chapter 868, codified in Minnesota Statutes Sections 136A.25 through 136A.42, 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. The Executive Director of the Minnesota Higher Education Coordinating Board, and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

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 45 issues (including refunded and retired issues) totaling \$145,410,000, of which \$100,190,000 (excluding the Bonds) is outstanding as of October 2, 1987. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State 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.

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 participating institutions; it has no taxing power.

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

LITIGATION

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

LEGALITY

The Bonds will be subject to approval as to certain matters by Faegre & Benson of Minneapolis, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix III herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the Board and the State by the Attorney General of the State of Minnesota.

TAX EXEMPTION

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

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the Board, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds will bear additional interest. (See "THE LOAN AGREEMENT - Determination of Taxability" in Appendix IV). A determination that interest on the Bonds is includible in the computation of any alternative minimum tax imposed on individuals or that ownership of the Bonds results in the reduction or disallowance of any deduction under the Code is not a Determination of Taxability.

Interest on the Bonds is exempt from federal income taxes, including the alternative minimum tax imposed with respect to individuals and corporations and the environmental tax imposed with respect to corporations, except that (effective for taxable years beginning after 1986) interest on the Bonds will be included in the computation of "adjusted net book income" (or, for taxable years beginning after 1989, "adjusted current earnings"), which may be an item of tax preference includible in alternative minimum taxable income used in calculating the alternative minimum tax that may be imposed with respect to corporations.

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (determined as described above) over \$2 million. Regardless of whether a corporation is subject to the alternative minimum tax, the environmental tax applies with respect to taxable years beginning after December 31, 1986 and before January 1, 1992.

The Code imposes a 30% branch profits tax on the earnings and profits of a United States branch of certain foreign corporations attributable to its income effectively connected (or treated as effectively connected) with a United States trade or business. Included in the earnings and profits of a United States branch of a foreign corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Bonds. Existing United States income tax treaties may modify, reduce or eliminate the branch profits tax except in cases of "treaty shopping." The Code further provides that interest on the Bonds is includable in the calculation of modified adjusted gross income in determining whether Social Security or railroad retirement payments are to be included in taxable income of individuals.

Bondholders should consult their tax advisors with respect to the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability, or the inclusion of social security or other retirement payments in taxable income.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Faegre & Benson, Bond Counsel, under present laws and rulings: interest on the Bonds is exempt from Federal and Minnesota income tax purposes (other than Minnesota corporate and bank excise taxes measured by income). Interest on the Bonds is not treated as a preference item in calculating alternative minimum taxable income of individuals but is includable in "book income" or in "earnings and profits" for purposes of computing the alternative minimum tax and the environmental tax that may be imposed with respect to corporations. In addition, interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

CERTIFICATION

Officials of the Minnesota Higher Education Facilities Authority, the Minnesota State Board for Community Colleges and the City of Ely for and on behalf of their respective entities only will each, at Bond closing, furnish a certificate in substantially the following form:

The Official Statement prepared for the issuance of the Authority's \$1,300,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-P (Minnesota State Board for Community Colleges, Vermilion Community College Project), as of its date, September 30, 1987, and the date of this Certificate as it relates to _____, did not and does not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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THE MINNESOTA STATE BOARD FOR COMMUNITY COLLEGES

The Minnesota State Board for Community Colleges, an agency of the State of Minnesota, owns and operates the eighteen Community College System (the "System") throughout the State. The Board is comprised of nine members appointed by the Governor, with the advice and consent of the Senate. Certain conditions regarding their selection are established in State law. They are: (i) one member must be from each of the eight congressional districts; (ii) one member must be a senior citizen; (iii) two members must be community college graduates; and (iv) one member must be a community college student, or a person who has been a student during the past twelve months. Members are appointed to serve four-year terms, with the exception of the student member, who serves a two-year term. Members are eligible for re-appointment. The current members of the Board are:

<u>Member</u>	<u>Expiration of Term</u>
Clarence Harris, President	1-5-1991
Lee Antell, Vice President	1-2-1988
James B. Collier, Secretary	1-6-1990
Ruth Herring	1-5-1991
Franklin Iossi	1-7-1989
Elaine Markey	1-2-1989
Pierre Mattei	1-6-1990
Erin McCabe	1-5-1989
Richard Niemiec	1-4-1988

Through its statutory powers, the Board has authority to operate the System and the eighteen community colleges. The Board is responsible for the setting and implementation of policy in the following major areas:

- Legislative requests for operational funding and capital funding.
- Funding of colleges through formula allocations.
- The establishment of tuition rates.
- Operating policies.
- Academic programs.
- Occupational programs.
- Activity programs.
- Support services.
- Special services.
- Staffing levels for the System.
- The appointment of the Chancellor.
- The appointment of college presidents.
- Salaries and other benefits.

APPENDIX I

Authority to carry out the administration of the System is delegated by the Board to the Chancellor. As the authorized agent of the Board, the Chancellor supervises all operations and activities of the colleges. The present Chancellor is Dr. Gerald Christenson who has served in the position since July 1, 1983.

Each college is directly administered by a president, who reports to the Chancellor.

An advantage to System funding by Board-determined allocations, rather than directly by enrollment level, is that colleges historically have had adequate and on-going financial support, regardless of college size. All colleges in the Community College System have received this type of support for more than twenty years and have continually offered the needed programs and services, regardless of enrollment fluctuations.

VERMILION COMMUNITY COLLEGE

Vermilion Community College was established in 1922 as Ely Junior College and became a part of the Minnesota state-wide system of community colleges in 1964. In 1982, the College became part of the new five campus Arrowhead Community College administrative unit.

The College is accredited by the North Central Association of Colleges and Secondary Schools. The College, as a public institution, is eligible for participation in the programs of the Minnesota Higher Education Coordinating Board in accordance with Minnesota Statutes.

Academic Information

The College offers one- and two-year degrees in several programs. The university parallel/college transfer program is designed to offer lower-division and pre-professional preparation for students who intend to transfer to a four-year college. A student in this program may receive an Associate of Arts Degree, which confers junior-year status automatically at Minnesota State Universities.

The College also offers a variety of two-year degree and one-year certificate programs (vocational-technical programs) aimed at training for job entry after course completion. The College emphasizes career training in natural resource and environmental programs such as natural resource technology, environmental analysis technology, water resource technology, and parks and recreation technology. Two new programs instituted this year are aviation and information processing. A Vocational Certificate is awarded for successful completion of a one-year occupational program. The Associate in Applied Science degree is awarded for successful completion of a two-year occupational program.

The College also offers non-credit continuing education courses. Continuing Education Units (C.E.U.'s) are awarded for satisfactory completion. The College operates extension centers in Grand Marais, Grand Portage, Silver Bay and Two Harbors.

The College's academic year is on a quarter system. In addition to the regular day program, evening credit classes and a summer session are offered.

Minnesota residents who are high school graduates or have passed the General Education Development Examination are accepted for admission to the College.

Wisconsin, North Dakota and South Dakota students are also considered residents for admission and tuition purposes, since the State of Minnesota presently has a reciprocity agreement with each of those states. Non-resident students may be accepted if they rank in the upper half of their high school class, achieve an ACT score of 15 or above or a similar score on an equivalent test or are recommended for admission by the College's admissions committee.

Campus

The College moved to a newly-completed 40-acre campus in 1971. The campus facilities consist of six interconnected buildings with a central-circulation mall. The buildings are:

	Construction and Additions Dates
Classroom Building	1971
Physical Education Building	1971; 1987
College Services Building	1971; 1981
Fine Arts/Theater	1981
College Center	1987
Heating Plant	1986

The estimated value of the physical plant is \$10.7 million.

Currently, the College operates no student housing. Approximately two-thirds of the student body do not live in the immediate area and rent privately-owned student housing in the area including privately-owned residence halls, apartments, rooms and resort units. This issue will finance, in part, the construction of a 144-student residence facility to be operated by the College. Approximately one-third of the student body live within commuting distance of the College.

Student Body

The College's head count enrollment and full-year equivalent (FYE) enrollment, actual and projected, are:

Fiscal Year	Head Count (Actual)	FYE (Actual)	Fiscal Year	FYE (Projected)*
1983/84	810	507	1988/89	533
1984/85	746	496	1989/90	551
1985/86	975	482	1990/91	525
1986/87	746	471	1991/92	505
1987/88	(N/A)	520	1992/93	497

* Projected by the Minnesota State Board for Community Colleges and assumes the construction of the residence facility will result in attracting student who otherwise would not attend the College.

Tuition and Fees

Students in the Minnesota Community College System are charged tuition per credit, which is established annually by the Board.

APPENDIX I

<u>Year</u>	<u>Per Credit</u>	<u>Annual*</u>	<u>Per Credit</u>	<u>Annual*</u>
1987/88	\$27.50	\$1,320	\$41.25	\$1,980
1986/87	26.50	1,272	39.75	1,908
1985/86	26.00	1,248	52.00	2,496
1984/85	24.50	1,176	49.00	2,352
1983/84	22.50	1,080	45.00	2,160

* Assumes a normal 48-credit course load per year.

Other fees may be charged depending on the courses and activities selected.

Student Financial Aid

The following table is a five-year summary of student financial aid received from all sources:

	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>
Federal:					
SEOG	\$ 49,511	\$ 50,368	\$ 61,106	\$ 44,633	\$ 51,841
NDSL	38,914	18,126	20,550	23,766	36,337
Work-Study	198,582	279,186	239,344	211,703	231,074
Pell Grants	201,238	274,922	318,837	392,897	398,443
State:					
Grants	65,967	208,395	170,212	126,974	171,481
Guar. State Loans	412,227	395,166	502,383	462,109	510,490
Work-Study	15,477	16,750	17,496	12,772	22,513
College:					
Grants	-	4,735	7,393	2,489	-
Loans	10,125	11,918	15,147	16,833	10,051
Student Help	24,606	23,369	23,125	24,832	17,929
Community Grants and Scholarships	<u>7,720</u>	<u>7,002</u>	<u>10,851</u>	<u>14,108</u>	<u>17,140</u>
Other	<u>110,144</u>	<u>150,848</u>	<u>137,833</u>	<u>155,035</u>	<u>150,947</u>
Total	\$1,134,511	\$1,440,785	\$1,524,277	\$1,488,151	\$1,618,246
Aid Per FYE Student	\$ 2,274	\$ 2,836	\$ 3,136	\$ 3,111	\$ 3,443

Faculty and Staff

The College employs a total of 114 full- and part-time faculty and staff:

	<u>Full-Time</u>	<u>Part-time</u>
Administrative	8	2
Faculty	27	62
Classified	<u>12</u>	<u>3</u>
Total	47	67

Pensions

Classified employees belong to the Public Employees Retirement Association (PERA) and administrative and faculty employees are enrolled in the Teachers Retirement Association (TRA). Both PERA and TRA are State-wide contributory plans administered by the State.

Annual Receipts and Disbursements

The College's annual budget is set by the Board and the implementation of the budget or spending plan is monitored by the Board. Therefore, the College does not have independently audited financial statements. The following is a summary of actual receipts and disbursements for the operation of the College for the Fiscal Years ending June 30, 1983 through 1987.

	<u>F.Y. 1983</u>	<u>F.Y. 1984</u>	<u>F.Y. 1985</u>	<u>F.Y. 1986</u>	<u>F.Y. 1987</u>
Receipts:					
Board Appropriation	\$1,084,652	\$1,214,244	\$1,267,947	\$1,407,495	\$1,642,967
General Fees	434,564	539,078	551,661	550,188	574,913
Special Fees	15,197	12,022	11,569	19,674	117,131
State Work-Study	3,111	15,561	14,438	16,255	19,612
Federal Government Admin. Reimbursement	6,490	6,616	5,157	8,669	8,500
School District Reimbursement for Community Services	-	-	6,736	-	7,745
Other	30,947	40,416	25,154	25,381	19,827
Transfers In	<u>12,324</u>	<u>11,925</u>	<u>65,563</u>	<u>43,309</u>	<u>92,633</u>
Total	\$1,587,285	\$1,839,862	\$1,948,225	\$2,070,971	\$2,483,328
Disbursements:					
Personnel Salaries and Benefits	\$1,201,975	\$1,411,854	\$1,530,841	\$1,650,908	\$1,770,649
Non-Personnel	378,488	416,908	404,067	391,195	685,265
Transfers Out	<u>6,822</u>	<u>11,100</u>	<u>13,317</u>	<u>28,868</u>	<u>27,414</u>
Total	\$1,587,285	\$1,839,862	\$1,948,225	\$2,070,971	\$2,483,328

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THE CITY OF ELY, MINNESOTA

The City of Ely is located in northeastern Minnesota in St. Louis County on the Vermilion Iron Range within the Superior National Forest and at the entrance to the Boundary Waters Canoe Area. The City encompasses an area of approximately 1,700 acres.

The trend of the City's population over the past three decades has been:

1960 Census	5,438
1970 Census	4,904
1980 Census	4,820
1987 Estimate (State Demographers Office)	3,853

Employment

Some of the major employers in the City of Ely include:

<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
Ely Bloomenson Hospital	Medical	230
Vermilion Community College	Higher Education	114
Leustek and Sons	Heavy Construction	75
Independent School District 696	Public Education	59
U.S. Forest Service	Forest Management	47
St. Louis County	Local Government	35
State Dept. of Natural Resources	State Government	29

Source: Ely Community Profile, May, 1987, prepared by the Minnesota Department of Energy and Economic Development, and individual employers.

Historically, a substantial number of Ely residents have been employed by the taconite industry in St. Louis County. Although the taconite industry has cut back employment in the past few years and closed some plants, there are a number of plants still in operation which provide employment to Ely residents.

Because of its location within a national forest and its proximity to the two million acre Boundary Waters Canoe Area, tourism in the Ely area has become a major source of employment. There are 34 resorts within thirty miles of the City, 17 canoe outfitters, seven motels and ten campgrounds. City staff estimates that between 150,000 and 200,000 people pass through Ely yearly.

The June, 1987, unemployment rate in St. Louis County, excluding the City of Duluth, was 8.2%, compared to 4.8% for the State of Minnesota overall, as of June, 1987.

Summary of Building Permits Issued by the City

<u>Year</u>	<u>Number</u>	<u>Value</u>
1986	87	\$288,815
1985	60	549,365
1984	59	689,650
1983	46	935,850
1982	33	190,200

APPENDIX II

Development In The City

The City owns the 87-acre Ely Industrial Park which is improved with electricity, water and sewer. The City is in the process of hiring an economic development director who will work with the Ely Area Economic Development Council to attract commercial and industrial concerns to the City.

The City has formed a tax increment financing district in order to improve and renovate its downtown and other areas. A private developer has submitted plans to the City for construction of a \$3 million motel/convention center complex within the tax increment district.

Financial Institutions

Two full service banks are located in the City, Norwest Bank Ely, N.A., and Boundary Waters State Bank, which reported combined total deposits of \$49,465,103, as of December 31, 1986. These deposits represent an 8% increase over total deposits of a year earlier. Norwest Bank, Ely, insured by the FDIC, will be the initial depository bank for the Reserve Account. A branch of Queen City Federal Savings and Loan Association of Virginia, Minnesota is also located in the City.

City Organization and Services

The City has been a municipal corporation since 1917 and is governed by a home rule charter last adopted in 1984. The City has a Mayor-Council form of government consisting of a seven-member Council of which the Mayor is a voting member. Mr. Lee Tessier is the City Clerk-Treasurer. Mr. Tessier has held that position for two years and is a Certified Municipal Clerk.

The City owns and operates a municipal electric utility, a water utility, a sewer utility, and a municipal airport capable of handling commercial air service. The City's sewage treatment plant is being renovated to bring it up to current EPA standards. A federal grant of \$750,000 was given to the City for the project. Also, a new water treatment plant is in the planning stages with a total cost of \$1,040,000. The City has received a letter of commitment from the Farmers Home Administration for a \$500,000 loan and is in the process of applying for a \$500,000 grant from the State of Minnesota for the plant, which plant is scheduled to be in operation by 1990.

The City recently concluded a \$150,000 renovation of its Whiteside Park. This was accomplished with private donations and volunteer labor.

CITY PROPERTY VALUES

1986 Indicated Market Value of Taxable Property: \$46,167,522*

** Calculated by dividing the City's 1986 estimated market value of \$46,767,700 by the State Equalization Aid Review Committee's 1985 sales ratio of 101.3% for the City. (The 1986 sales ratio is not available yet.)*

1986 Taxable Assessed Value: \$9,624,166

Real Estate:		
Residential Homestead	\$6,424,049	66.7%
Residential Non-Homestead	1,307,341	13.6
Commercial/Industrial	1,683,844	17.5
Other	121,214	1.3
Personal Property	87,518	0.9
Total	\$9,624,166	100.0%

Trend of Values

<u>Year</u>	<u>Indicated Market Value</u>	<u>EARC Ratio</u>	<u>Assessor's Estimated Market Value</u>	<u>Taxable Assessed Value</u>
1986	\$46,167,522	101.3%	\$46,767,780	\$ 9,624,166
1985	45,435,143	101.3%	46,025,800	9,657,635
1984	55,841,560	93.6%	52,267,700	10,645,246
1983	63,232,320	88.8%	56,150,300	11,879,252
1982	63,320,285	88.8%	56,228,413	11,879,252

Property Valuations (Chapter 273, Minnesota Statutes)Assessor's Estimated Market Value

Each parcel of real property subject to taxation must, by statute, be appraised at least once every four years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value which is the value the assessor determines to be the price he believes the property to be fairly worth, and which is referred to as the "Estimated Market Value."

Indicated Market Value

Because Estimated Market Value as determined by an assessor may not represent the price of real property in the marketplace, the "Indicated Market Value" is generally regarded as more representative of actual values. The Indicated Market Value is determined by dividing the Estimated Market Value of a given year by the same year's sales ratio determined by the State's Equalization Aid Review Committee (the "EARC"). The EARC's sales ratio represents the overall relationship between the Estimated Market Value of property within the taxing unit and actual marketplace value.

Assessed Value

For purposes of determining "Assessed Value" or "Taxable Assessed Value" of real property, the Estimated Market Value of the property is reduced by the statutory formula applicable to the property's classification. The result is the Assessed Value or Taxable Assessed Value of the property.

The formulas for converting Estimated Market Value to Assessed Value represent a basic element of the State's property tax relief system, and are therefore subject to annual revision by the State Legislature.

APPENDIX II

Five of the Largest Taxpayers in the City

<u>Taxpayer</u>	<u>Type of Property/Business</u>	<u>Assessed Value</u>
Individual	Rental Property	\$177,882
Pine Manor Townhouses	Rental Property	121,768
Twin Ports Grocery	Retail/Wholesale Foods	102,125
Individual	Medical Clinic	64,487
Canadian Waters, Inc.	Canoe Outfitters	51,071

CITY INDEBTEDNESS

Legal Debt Limit

Legal Debt Limit (7 1/3% of assessed value)	\$705,740
Less: Outstanding Debt Subject to Limit	<u>0</u>
Legal Debt Margin	\$705,740

General Obligation Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 10-2-87</u>
1-27-1987	\$530,000	Sewer	1-1-2013	\$530,000

Revenue Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 10-2-87</u>
6-1-1978	\$560,000	Electric Revenue	3-1-1999	\$405,000

Indirect Debt

<u>Taxing Unit(a)</u>	<u>1986 Taxable Assessed Value</u>	<u>G.O. Debt As of 10-2-87</u>	<u>Debt Applicable To Value in City</u>	<u>Percent</u>	<u>Amount</u>
St. Louis County	\$745,001,599	\$5,675,000(b)	1.3%		\$75,775

(a) Only those overlapping units which have debt are included.

(b) The County does not make a tax levy for payment of this debt.

Debt Ratios

	<u>Direct G.O. Debt</u>	<u>Direct and Indirect G.O. Debt</u>
To 1986 Indicated Market Value	1.15%	1.31%
Per Capita (3,853 - current estimate)	\$138	\$157

CITY MILL RATES, LEVIES AND COLLECTIONS

Mill Rates Per \$1,000 of Assessed Value

	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>	
					Total	Debt Service
St. Louis County	47.59	52.14	58.33	63.00	69.98	-
City of Ely	32.78	37.82	47.66	65.24	70.76	-
ISD 696	42.02	49.52	51.40	48.48	47.24	-
Ordinance Update	-	0.07	0.08	0.06	0.07	-
Solid Waste Service Area	3.77	2.97	3.95	4.97	6.47	-
Solid Waste Management Board	-	-	-	-	0.69	-
Total	126.16	142.52	161.42	181.75	195.21	

Based on the City's current assessed value of \$9,624,166, the City would be required to make a levy of approximately 13.9 mills to support the annual debt service on the Bonds.

The foregoing mill rates are computed on the basis on total levies and taxable assessed values, and do not reflect reductions for property tax credits. Primary elements of Minnesota's property tax relief system are: the homestead credit and taconite credit, which are direct subsidies by the State to the taxpayer, as described in the following paragraph; the circuit breaker credit, which relates property taxes to income and provides relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases.

The homestead credit and taconite credit reduce the property taxes payable by the taxpayer, and the State reimburses the taxing unit for the aggregate amount of the credits. Effective July 15, 1986, the State shall pay to each taxing district, other than school districts, homestead and taconite credit in two equal installments on or before July 15 and December 15 during the year of collection. This tax relief mechanism is subject to modification by the State Legislature.

The circuit breaker credit and targeted credits are reimbursed to the taxpayer by the State upon application by the taxpayer.

Tax Collections for the City

<u>Levy/Collect</u>	<u>Amount of Levy</u>	<u>Collected During Collection Year</u>		<u>Collected As of 5-15-87</u>	
		<u>Amount*</u>	<u>Percent</u>	<u>Amount*</u>	<u>Percent</u>
1986/87	\$681,008		(In process of collection)		
1985/86	630,064	\$598,235	94.9%	\$605,855	96.2%
1984/85	507,353	472,883	93.2	484,124	95.4
1983/84	436,179	412,184	94.5	425,567	97.6
1982/83	389,402	372,523	95.7	386,374	99.2

* Includes the full amount of State-paid tax credits, which are paid directly to the City. For taxes payable in 1987, the City will receive \$212,426 as homestead credit and \$105,975 as taconite credit, totaling 47% of the total levy.

APPENDIX II

Property Tax Payments And Delinquencies (Chapters 276, 279-282 and 549, Minnesota Statutes)

Levies are certified to the County Auditor on or before October 10 in the year prior to collection. Statements for the collection of real property taxes and special assessments are mailed to property owners not later than January 31 of the year following certification of the levy. Two equal payments are due on or before May 15 and October 15 of the collection year. Payments of installments not collected as of these dates are declared delinquent as of the 16th of the respective month. All delinquencies are subject to an interest penalty, which, depending on the type of property, increases from 3% on the date of delinquency to 12% on December 16th of the collection year.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% interest penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the clerk of court files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated interest penalties. Those responding are settled by trial. The amount of the judgment is subject to a variable interest penalty determined annually by the State court administrator, and equal to the secondary market yield on one-year United States treasury bills, but in no event is the rate less than 8%.

Property owners subject to a tax lien judgment have three years in the case of non-homesteaded property and five years in the case of homestead property to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeited and title is transferred to the State of Minnesota. The county land commissioner then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

CITY CASH AND INVESTMENTS BY FUND As of July 31, 1987

<u>Fund</u>	<u>Cash & Investments</u>
General	\$523,270.92
Revenue Sharing	6,265.96
Parking Meter	5,236.60
Capital Projects	41,183.83
Enterprise	<u>288,511.37</u>
Total	\$865,468.68

ANNUAL FINANCIAL STATEMENTS

The City is audited annually by an independent certified public accounting firm. Data on the following pages has been extracted from the annual audited statements. The financial statements shown for the general, special revenue capital projects and debt service funds were prepared on the modified accrual basis of accounting. The accrual basis of accounting is followed in the enterprise funds. The reader should be aware that the complete audited financial statements may contain additional data which may interpret, explain or modify the information included here.

CITY OF ELY
ELY, MINNESOTA

COMBINED BALANCE SHEET
ALL FUND TYPES & ACCOUNT GROUPS
DECEMBER 31, 1986

	Governmental Fund Types				Proprietary Fund Types		Account Groups			Total (Memorandum Only) 1986	Total (Memorandum Only) 1985
	General	Special Revenue	Debt		Enterprise	General Assets (Unaudited)	Fixed Assets	Long-Term Debt			
			Fund	Capital Projects							
ASSETS											
Cash	\$ 64,202	\$ 28,845	\$ -	\$ 12,128	\$ 196,105	\$ -	\$ -	\$ -	\$ 301,280	\$ 141,054	
Investments	-	-	-	354,091	186,102	-	-	-	540,193	664,101	
Taxes Receivable	-	-	-	-	-	-	-	-	-	35,374	
Accounts Receivable	15,828	-	-	-	148,606	-	-	-	164,434	194,807	
Allowance for Estimated Uncollectibles	-	-	-	-	-	-	-	-	-	-	
Due from Other Funds	42,400	72,987	-	-	(10,000)	-	-	-	(10,000)	(18,972)	
Due from Other Governments	-	-	-	23,810	120,484	-	-	-	259,681	575,040	
Inventories of Supplies	-	-	-	-	85,503	-	-	-	85,503	163,372	
Restricted Cash	-	-	-	-	7,200	-	-	-	7,200	84,709	
Restricted Investments	-	-	-	-	5,646	-	-	-	5,646	7,500	
Land	-	-	-	-	5,943	-	-	-	230,159	5,360	
Buildings	-	-	-	-	714,894	-	-	-	4,824,026	225,887	
Improvements Other Than Buildings	-	-	-	-	1,970,766	-	-	-	5,538,920	5,536,990	
Machinery and Equipment	-	-	-	-	465,990	-	-	-	10,362,019	8,551,051	
Construction in Progress	-	-	-	-	46,174	-	-	-	1,763,484	1,649,571	
Accumulated Depreciation	-	-	-	-	(1,609,550)	-	-	-	74,096	1,781,838	
Amount to Be Provided for Retirement of General Long-Term Debt	-	-	-	-	-	-	-	-	(1,609,550)	(1,525,182)	
TOTAL	\$ 122,430	\$ 101,832	\$ -	\$ 390,029	\$ 2,333,863	\$ -	\$ -	\$ 815,000	\$ 815,000	\$ 18,887,500	\$ 18,887,500
LIABILITIES & FUND EQUITY											
Liabilities:											
Accounts Payable	\$ 13,643	\$ -	\$ -	\$ -	\$ 121,563	\$ -	\$ -	\$ -	\$ 135,206	\$ 154,351	
G.O. Bonds Payable	-	-	-	-	-	-	-	\$ 815,000	815,000	815,000	
Contracts Payable	-	-	-	-	-	-	-	-	-	74,426	
Due to Other Funds	72,987	38,717	-	54,414	93,562	-	-	-	259,680	575,040	
Accrued Liabilities	-	-	-	-	11,984	-	-	-	11,984	10,429	
Customer Deposits	-	-	-	-	8,241	-	-	-	8,241	8,542	
Revenue Bonds Payable	-	-	-	-	430,000	-	-	-	430,000	450,000	
Total Liabilities	\$ 86,630	\$ 38,717	\$ -	\$ 54,414	\$ 665,350	\$ -	\$ -	\$ 815,000	\$ 1,660,111	\$ 2,087,788	
Fund Equity:											
Contributed Capital	\$ -	\$ -	\$ -	\$ -	\$ 826,075	\$ -	\$ -	\$ -	\$ 826,075	\$ 826,075	
Investment in General Fixed Assets	-	-	-	-	-	14,770,854	-	-	14,770,854	14,627,296	
Retained Earnings, Unreserved	-	-	-	-	431,126	-	-	-	431,126	732,623	
Retained Earnings, Reserved	-	-	-	-	411,312	-	-	-	411,312	411,312	
Fund Balance - Reserved for Capital Project	\$ 35,800	63,115	\$ -	\$ 335,615	\$ -	\$ -	\$ -	\$ -	\$ 335,615	\$ 480,866	
Unreserved Fund Balance	-	-	-	-	-	-	-	-	98,915	(278,460)	
Total Fund Balance	\$ 35,800	63,115	-	335,615	-	-	-	-	434,530	202,406	
Total Fund Equity	\$ 122,430	\$ 101,832	\$ -	\$ 390,029	\$ 2,333,863	\$ -	\$ -	\$ 815,000	\$ 18,534,008	\$ 18,887,500	
TOTAL	\$ 122,430	\$ 101,832	\$ -	\$ 390,029	\$ 2,333,863	\$ -	\$ -	\$ 815,000	\$ 18,534,008	\$ 18,887,500	

APPENDIX II

CITY OF ELY ELY, MINNESOTA

COMBINED BALANCE SHEET ALL FUND TYPES & ACCOUNT GROUPS DECEMBER 31, 1985

	Governmental Fund Types			Proprietary Fund Types		Account Groups		Total	
	Fund Types			Fund Types		(Unaudited)		(Memorandum Only)	
	General	Special Revenue	Debt	General	Enterprise	Fixed Assets	Long-Term Debt	1985	1984
ASSETS									
Cash	\$ 65,015	\$ 55,380	\$	\$ 33,960	\$ (13,301)	\$	\$	\$ 141,054	\$ 345,436
Investments		26,409		254,359	383,333			664,101	1,165,955
Taxes receivable	35,374							35,374	16,784
Accounts receivable	10,154				184,653			194,807	210,222
Allowance for estimated uncollectibles	(8,972)				(10,000)			(18,972)	(10,000)
Due from other funds	19,953	52,351		67,414	435,322			575,040	566,612
Due from other governments	38,239			125,133				163,372	85,017
Inventories of supplies					84,709			84,709	79,062
Restricted cash					7,500			7,500	10,277
Restricted investments					5,360			5,360	5,087
Land					5,943	219,944		225,887	225,887
Buildings					714,894	4,822,096		5,536,990	5,536,990
Improvements other than buildings					1,970,766	6,580,285		8,551,051	8,377,588
Machinery and equipment					380,264	1,269,307		1,649,571	1,574,946
Construction in progress					46,174	1,735,664		1,781,838	1,005,889
Accumulated depreciation					(1,525,182)			(1,525,182)	(1,443,786)
Amount to be provided for retirement of General Long-Term Debt							815,000	815,000	815,000
TOTAL	\$ 159,763	\$ 134,140	\$ -0-	\$ 480,866	\$ 2,670,435	\$ 14,627,296	\$ 815,000	\$ 18,887,500	\$ 18,566,966
LIABILITIES & FUND EQUITY									
Liabilities:									
Accounts payable	\$ 21,841	\$ 485	\$	\$	\$ 132,025	\$	\$	\$ 154,351	\$ 249,849
Salaries payable								-0-	17,474
G.O. Bonds payable							815,000	815,000	815,000
Contracts payable	74,426							74,426	98,952
Due to other funds	408,863	66,748			99,429			575,040	566,612
Accrued liabilities					10,429			10,429	12,919
Customer deposits					8,542			8,542	11,319
Revenue bonds payable					450,000			450,000	465,000
Total Liabilities	505,130	67,233			700,425		815,000	2,087,788	2,237,125
Fund Equity:									
Contributed Capital					826,075			826,075	826,075
Investment in General Fixed Assets						14,627,296		14,627,296	13,623,776
Retained Earnings, Unreserved					732,623			732,623	840,664
Retained Earnings, Reserved					411,312			411,312	411,312
Fund Balance -									
Reserved for Capital Project				480,866				480,866	808,459
Unreserved Fund Balance	(345,367)	66,907						(278,460)	(180,445)
Total Fund Balance	(345,367)	66,907		480,866				202,406	628,014
Total Fund Equity	(345,367)	66,907		480,866	1,970,010	14,627,296		16,799,712	16,329,841
TOTAL	\$ 159,763	\$ 134,140	\$ -0-	\$ 480,866	\$ 2,670,435	\$ 14,627,296	\$ 815,000	\$ 18,887,500	\$ 18,566,966

CITY OF ELY
ELY, MINNESOTA

COMBINED BALANCE SHEET
ALL FUND TYPES & ACCOUNT GROUPS
DECEMBER 31, 1984

APPENDIX II

	Governmental Fund Types				Proprietary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt		Enterprise	Capital Projects	General Fixed Assets	General Long-Term Debt		
			Service Fund							
ASSETS										
Cash	\$ 239,166	\$ 60,017	\$	\$ 31,874	\$ 14,379	\$	\$	\$	\$	345,436
Investments				766,906	399,049					1,165,955
Taxes receivable	16,784									16,784
Accounts receivable	5,223				204,999					210,222
Allowance for estimated un- collectibles					(10,000)					(10,000)
Due from other funds	43,518	52,351		15,387	455,356					566,612
Due from other governments	79,331			9,097	532					88,960
Inventories of supplies					79,062					79,062
Restricted cash					10,277					10,277
Restricted investments					5,087					5,087
Land					5,943					225,887
Buildings					714,894			219,944		5,536,990
Improvements other than buildings								4,822,096		
Machinery and equipment					1,970,766			6,406,822		8,377,588
Construction in progress					368,151			1,206,795		1,574,946
Accumulated depreciation					37,770			968,119		1,005,889
Amount to be provided for retirement of General Long-Term Debt					(1,443,786)					(1,443,786)
TOTAL	\$ 384,022	\$ 112,368	\$ -0-	\$ 823,264	\$ 2,812,479	\$ 13,623,776	\$ 815,000	\$ 815,000	\$ 18,570,909	
LIABILITIES & FUND EQUITY										
Liabilities:										
Accounts payable	\$ 18,913	\$ 483	\$	\$	\$ 230,453	\$	\$	\$	\$	249,849
Salaries payable	17,474									17,474
G. O. Bonds payable								815,000		815,000
Contracts payable	98,952	69,553		10,862	14,737					98,952
Due to other funds	471,460				12,919					566,612
Accrued liabilities					11,319					12,919
Customer deposits					465,000					11,319
Revenue bonds payable										465,000
Total Liabilities	606,799	70,036		10,862	734,428			815,000	2,237,125	
Fund Equity:										
Investment in General Fixed Assets										13,623,776
Retained Earnings:										
Unreserved										840,664
Reserved										411,312
Contributed Capital										826,075
Designated for capital project										812,402
Undesignated Fund Balance (Deficit)	(222,777)	42,332	0	812,402						(180,445)
Total Fund Equity	(222,777)	42,332	0	812,402	2,078,051	13,623,776			16,333,784	
TOTAL	\$ 384,022	\$ 112,368	\$ 0	\$ 823,264	\$ 2,812,479	\$ 13,623,776	\$ 815,000	\$ 815,000	\$ 18,570,909	

CITY OF ELY
ELY, MINNESOTACOMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1986

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only) 1986	1985
REVENUES						
Taxes	\$ 318,748	\$ 51,521	\$ -	\$ -	\$ 370,269	\$ 252,573
Licenses and Permits	16,375	-	-	-	16,375	18,495
Intergovernmental	1,152,621	42,750	-	35,752	1,231,123	2,059,271
Charges for Services	81,152	-	-	-	81,152	53,977
Fines and Forfeits	12,165	-	-	-	12,165	16,537
Miscellaneous	39,892	4,578	-	20,623	65,093	102,232
Total Revenues	\$1,620,953	\$ 98,849	\$ -	\$ 56,375	\$1,776,177	\$2,503,085
EXPENDITURES						
General Government	357,925	-	-	-	357,925	299,429
Public Safety	556,070	-	-	-	556,070	494,855
Streets and Highways	479,096	-	-	-	479,096	464,196
Libraries	-	53,950	-	-	53,950	43,716
Culture and Recreation	16,522	-	-	-	16,522	62,079
Miscellaneous	202,964	5,605	55,284	-	263,853	775,316
Capital Outlay	-	29,998	-	-	29,998	21,557
Capital Projects	-	-	-	135,127	135,127	767,545
Total Expenditures	1,612,577	89,553	55,284	135,127	1,892,541	2,928,693
Excess of Revenues Over (Under) Expenditures	\$ 8,376	\$ 9,296	\$ (55,284)	\$ (78,752)	\$ (116,364)	\$ (425,608)
Other Sources: Transfers	378,748	52,752	55,284	-	486,784	55,272
Other Uses: Transfers	(5,957)	(65,840)	-	(55,284)	(127,081)	(55,272)
Prior Period Adjustment	-	-	-	(11,215)	(11,215)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 381,167	\$ (3,792)	\$ -	\$ (145,251)	\$ 232,124	\$ (425,608)
Fund Balance, Beginning of Year	(345,367)	66,907	-	480,866	202,406	628,014
Fund Balance, End of Year	\$ 35,800	\$ 63,115	\$ -	\$ 335,615	\$ 434,530	\$ 202,406

CITY OF ELY
ELY, MINNESOTA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1985

APPENDIX II

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only) 1985	1984
REVENUES						
Taxes	\$ 201,795	\$ 50,778	\$		\$ 252,573	\$ 184,773
Licenses and permits	18,495				18,495	14,626
Intergovernmental	1,574,322	37,790		447,159	2,059,271	3,211,136
Charges for services	53,977				53,977	73,564
Fines and forfeits	16,537				16,537	22,436
Miscellaneous	43,868	10,299		48,065	102,232	114,796
Total Revenues	1,908,994	98,867		495,224	2,503,085	3,621,331
EXPENDITURES						
General government	299,429				299,429	304,690
Public safety	494,855				494,855	475,858
Streets and highways	464,196				464,196	523,083
Libraries		43,716			43,716	49,018
Culture and recreation	62,079				62,079	129,663
Miscellaneous	711,025	9,019	55,272		775,316	1,229,186
Capital outlay		21,557			21,557	-0-
Capital projects				767,545	767,545	1,002,156
Total Expenditures	2,031,584	74,292	55,272	767,545	2,928,693	3,713,654
Excess of Revenues Over (Under) Expenditures	(122,590)	24,575	(55,272)	(272,321)	(425,608)	(92,323)
Other Sources:						
Transfers			55,272		55,272	297,258
Bond proceeds					-0-	810,110
Other Uses:						
Transfers				(55,272)	(55,272)	(320,806)
Excess of Revenues and Other Sources Over (Under)						
Expenditures and Other Uses	(122,590)	24,575	-0-	(327,593)	(425,608)	694,239
Fund Balance, beginning of year	(222,777)	42,332	-0-	808,459	628,014	(66,225)
Fund Balance, end of year	\$ (345,367)	\$ 66,907	\$ -0-	\$ 480,866	\$ 202,406	\$ 628,014

APPENDIX II

CITY OF ELY ELY, MINNESOTA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 1984

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
Revenues:					
Taxes	\$ 141,735	\$ 43,038	\$	\$	\$ 184,773
Licenses and permits	14,626				14,626
Intergovernmental	2,201,208	21,445		992,426	3,215,079
Charges for services	72,991	573			73,564
Fines and forfeits	22,436				22,436
Miscellaneous	53,796	11,278		49,722	114,796
Total Revenues	<u>2,506,792</u>	<u>76,334</u>		<u>1,042,148</u>	<u>3,625,274</u>
Expenditures:					
General government	304,690				304,690
Public safety	475,858				475,858
Streets and highways	523,083				523,083
Libraries		49,018			49,018
Culture and recreation	129,663				129,663
Miscellaneous	1,185,082	16,404	27,700		1,229,186
Capital projects				1,002,156	1,002,156
Total Expenditures	<u>2,618,376</u>	<u>65,422</u>	<u>27,700</u>	<u>1,002,156</u>	<u>3,713,654</u>
Excess (Deficit) of Revenues over Expenditures	(111,584)	10,912	(27,700)	39,992	(88,380)
Other Sources:					
Transfers	243,320		43,017	10,921	297,258
Bond proceeds				810,110	810,110
Other Uses:					
Transfers	(48,540)	(217,124)		(55,142)	(320,806)
Excess (Deficit) Revenues and Other Sources over Expenditures and Other Uses	83,196	(206,212)	15,317	805,881	698,182
Fund Balance - January 1	<u>(305,973)</u>	<u>248,544</u>	<u>(15,317)</u>	<u>6,521</u>	<u>(66,225)</u>
Fund Balance - Dec. 31	\$ <u>(222,777)</u>	\$ <u>42,332</u>	\$ <u>-0-</u>	\$ <u>812,402</u>	\$ <u>631,957</u>

CITY OF ELY
ELY, MINNESOTA
PROPRIETARY FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENSES &
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1986

	<u>1986</u>	<u>1985</u>
REVENUE	\$ 2,127,156	\$ 1,950,914
COST OF SALES		
Power Purchases	<u>1,240,282</u>	<u>1,248,088</u>
Gross Profit	<u>\$ 886,874</u>	<u>\$ 702,826</u>
OPERATING EXPENSES		
Salaries	\$ 321,381	\$ 331,901
Payroll Taxes	32,996	32,624
Health and Life	38,184	36,657
Office Supplies	2,784	2,088
Motor Fuels	10,449	17,370
Supplies	6,425	51,518
Postage and Telephone	8,343	9,010
Conference and Schools	4,261	4,597
Dues and Subscriptions	1,829	1,577
Utilities	110,391	103,858
Maintenance and Repairs	53,485	48,095
Depreciation	84,368	81,396
Insurance	42,311	43,956
Other Expenses	60,231	2,686
Sludge Disposal	11,820	13,000
Leases	21,947	10,974
Data Processing	<u>8,465</u>	<u>26,310</u>
Total Operating Expenses	<u>819,670</u>	<u>817,617</u>
Operating Income/(Loss) Before Other Income and Expenses	\$ 67,204	\$ (114,791)
Other Income/(Expense)	<u>(9,599)</u>	<u>6,750</u>
NET INCOME/(LOSS)	\$ 57,605	\$ (108,041)
Retained Earnings, Beginning of Year	1,143,935	1,251,976
Transfers	(359,702)	-
Prior Period Adjustments	<u>600</u>	<u>-</u>
Retained Earnings, End of Year	<u><u>\$ 842,438</u></u>	<u><u>\$ 1,143,935</u></u>

APPENDIX II

CITY OF ELY ELY, MINNESOTA

ENTERPRISE FUNDS COMBINED STATEMENT OF REVENUES, EXPENSES & CHANGES IN RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1984

REVENUE	\$ 2,065,026
COST OF SALES	
Power Purchases	<u>1,273,372</u>
Gross Profit	<u>791,654</u>
OPERATING EXPENSES	
Salaries	333,180
Payroll taxes	42,460
Health and life	41,900
Office supplies	1,657
Motor fuels	9,618
Supplies	38,495
Postage and telephone	7,989
Conference and schools	3,788
Dues and subscriptions	1,553
Utilities	97,885
Maintenance and repairs	67,040
Depreciation	91,269
Insurance	29,165
Other expenses	748
Sludge disposal	8,703
Data processing	<u>20,544</u>
Total Operating Expenses	<u>795,994</u>
Operating Income (Loss) before other Income and Expense	(4,340)
Other Income (Expense)	<u>16,606</u>
NET INCOME (LOSS)	12,266
Retained Earnings, Jan. 1, 1984	<u>1,239,704</u>
Retained Earnings, Dec. 31, 1984	<u>\$ 1,251,970</u>

PROPOSED FORM OF LEGAL OPINION

[Proposed form of legal opinion of
Faegre & Benson, Bond Counsel]

\$1,300,000

Minnesota Higher Education Facilities Authority
Mortgage Revenue Bonds, Series Two-P
(Minnesota State Board for Community Colleges,
Vermilion Community College Project)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered Mortgage Revenue Bonds, Series Two-P (Minnesota State Board for Community Colleges, Vermilion Community College Project), in the aggregate principal amount of \$1,300,000 (the "Bonds"), dated November 1, 1987, in the denomination of \$5,000 each and integral multiples thereof, maturing on January 1 in the years and amounts as follows:

\$35,000 in 1990,	\$ 60,000 in 1999,
\$35,000 in 1991,	\$ 65,000 in 2000,
\$40,000 in 1992,	\$ 70,000 in 2001,
\$40,000 in 1993,	\$ 80,000 in 2002,
\$45,000 in 1994,	\$ 85,000 in 2003,
\$45,000 in 1995,	\$ 90,000 in 2004,
\$50,000 in 1996,	\$100,000 in 2005,
\$55,000 in 1997,	\$105,000 in 2006, and
\$60,000 in 1998,	\$240,000 in 2007.

The Bonds are subject to optional redemption and prepayment, in whole or in part, and if in part in inverse order of maturity and by lot within a maturity, on January 1, 1998, and any interest payment date thereafter, at a price of par plus accrued interest. The Bonds are also subject to optional redemption in whole or in part in certain events of damage to or destruction or condemnation of the Project facilities, and in whole but not in part after a Determination of Taxability, as more fully provided in the Loan Agreement described below. Interest on the Bonds is payable on each January 1 and July 1, commencing July 1, 1988, at the rates per annum, according to years of maturity, as follows:

APPENDIX III

1990 maturities at	%,	1999 maturities at	%,
1991 maturities at	%,	2000 maturities at	%,
1992 maturities at	%,	2001 maturities at	%,
1993 maturities at	%,	2002 maturities at	%,
1994 maturities at	%,	2003 maturities at	%,
1995 maturities at	%,	2004 maturities at	%,
1996 maturities at	%,	2005 maturities at	%,
1997 maturities at	%,	2006 maturities at	%, and
1998 maturities at	%,	2007 maturities at	%.

In the event of a Determination of Taxability, the Bonds will bear additional interest at a rate of two percent (2.00%) per annum, as described in the Loan Agreement. Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the office of Norwest Bank Minneapolis, National Association, Minneapolis, Minnesota, as Trustee (the "Trustee").

The Bonds are issued pursuant to a Trust Indenture dated as of November 1, 1987, from the Authority to the Trustee (the "Indenture"), for the purpose of funding a loan from the Authority to the Minnesota State Board for Community Colleges, an agency of the State of Minnesota (the "Board"), as operator of Vermilion Community College, a Minnesota public institution of higher education located in the City of Ely, Minnesota (the "College"), in order to finance a part of the costs of acquiring, constructing and equipping a dormitory facility to house approximately 144 students on the campus of the College (as further described in the Loan Agreement mentioned below, the "Project"), pursuant to a Loan Agreement dated as of November 1, 1987, between the Authority and the Board (the "Loan Agreement"). We have examined executed counterparts of the Loan Agreement; the Indenture; a Combination Mortgage, Security Agreement and Fixture Financing Statement dated as of November 1, 1987 (the "Mortgage"), from the Board as owner of the Project building and the Project equipment, and the State of Minnesota (the "State") as owner of the Project site, to the Authority and assigned to the Trustee; a Security Agreement dated as of November 1, 1987, from the Board to the Trustee (the "Security Agreement"); a Guaranty Agreement dated as of November 1, 1987 (the "Guaranty Agreement") from the City of Ely (the "City") to the Authority and the Trustee, whereby the City pledges its full faith and credit and taxing power to guarantee the debt service loan repayment obligation of the Board; opinions of the Attorney General of the State of Minnesota; one of the executed Bonds (No. R-1); and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and

officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of the Attorney General of the State of Minnesota as to the Loan Agreement, the Mortgage and the Security Agreement having been duly authorized and executed and being binding upon the Board and the State and as to title to the Project site, without examining the records of the Board or the State or original title records or abstracts of title. We have also relied on the opinion of William Defenbaugh, Esq., City Attorney, as to the due authorization and execution of the Guaranty Agreement by the City.

We have not been engaged or undertaken to verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only matters set forth as our opinion in the Official Statement).

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

1. The Authority is an agency of the State of Minnesota with authority under 1987 Minnesota Laws, Chapter 400, Section 18, Subdivision 11, as amended by 1987 Minnesota Laws, Chapter 384, Article 3, Section 46, and Minnesota Statutes, Sections 136A.25 to 136A.42, to issue the Bonds, to lend the proceeds thereof to the Board and to execute and deliver the Loan Agreement and the Indenture and assign the Mortgage to secure the Bonds.

2. The Loan Agreement, the Indenture, the Mortgage, the Security Agreement and the Guaranty Agreement are valid and binding instruments of the parties thereto, enforceable in accordance with their terms.

3. The Bonds are secured by the assignment of the loan repayments payable by the Board under the Loan Agreement to the Trustee in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, the Mortgage on the Project facilities, a first lien on Project revenues pursuant to the Security Agreement, the obligation of the City under the Guaranty Agreement, and the pledge of the funds and investments held by the Trustee under the Indenture. The City of Ely shall levy ad valorem taxes on all taxable property within the City without limitation as to rate or amount, if necessary, to make any payment required under the Guaranty Agreement.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is exempt from inclusion in gross income for purposes of Federal

APPENDIX III

income taxation and is exempt from inclusion in taxable income for purposes of Minnesota income taxation (other than Minnesota corporate franchise and bank excise taxes measured by income) under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986 (the "Code"), but is includable in "book income" or in "earnings and profits" for the purpose of determining the "alternative minimum taxable income" of corporations for taxable years beginning after December 31, 1986. The alternative minimum taxable income is also used to determine the environmental tax imposed by Section 59A of the Code. In addition, interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Deductions for "losses incurred" by property and casualty insurance companies must be reduced by 15% of the interest received or accrued on the Bonds, and ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. The Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture, the Loan Agreement, the Mortgage, the Security Agreement and the Guaranty Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in accordance with general principles of law.

Dated at Minneapolis, Minnesota, November ____, 1987.

DEFINITION OF CERTAIN TERMS

Act: 1987 Minnesota Laws, Chapter 400, Section 18, Subdivision 11, as amended by 1987 Minnesota Laws, Chapter 384, Article 3, Section 46, together with Minnesota Statutes, Sections 136A.25 to 136A.42, Minnesota Statutes, as amended.

Additional Bonds: Any Additional Bonds issued by the Authority on behalf of the Board pursuant to section 2.09 of the Indenture.

Authority: The Minnesota Higher Education Facilities Authority.

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

Authorized Institution Representative: The person at the time designated to act on behalf of the Board and 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 Board by its Chairman, or by the Chancellor or any Vice Chancellor of the Minnesota Community College System. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under Article V of the Indenture and described in Section 5.05 thereof.

Board: The Minnesota State Board for Community Colleges, an agency of the State of Minnesota, as operator of the College, and any successor to its functions.

Bond and Interest Sinking Fund Account: The account established pursuant to the Indenture into which the Authority and Trustee shall deposit certain moneys for payment of principal of and interest on the Bonds.

Bonds: \$1,300,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Two-P (Minnesota State Board for Community Colleges, Vermilion Community College Project), and any Additional Bonds then outstanding.

Bond Closing: The original issuance, sale and delivery of the Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on October 14, 1987, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Sale Agreement: The Bond Sale Agreement dated as of October 14, 1987, between the Authority and the Board.

Business Day: Any day other than Saturday, Sunday, a legal holiday in the State of Minnesota, or any other day that banks or government offices in Minnesota are not open for business.

College: Vermilion Community College, a public institution of higher education, operated by the Board and located in Ely, Minnesota.

APPENDIX IV

Construction Account: The account established under the Indenture for the deposit of certain Bond proceeds to be used for the payment of Project Costs.

Debt Service Reserve Account: The Reserve Account established under the Indenture, into which at Bond closing will be placed \$130,000 of Bond proceeds. Moneys in the Debt Service Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient therefore and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the Board fails to provide for payment of any rebate.

Determination of Taxability: A Notice of Deficiency or ruling issued by the National Office or any District Office of the Internal Revenue Service or a final decision of a Court of competent jurisdiction determining that the interest payable on the Bonds is includable in gross income for purposes of federal income taxation by reason of the application of the provisions of Section 103 of the Internal Revenue Code, related sections and regulations thereunder, and in effect on the date of issuance of the Bonds. A determination that interest on the Bonds is includible in the computation of any alternative minimum tax or that ownership of bonds results in the reduction or disallowance of any deduction is not a Determination of Taxability.

Disbursing Agreement: The Disbursing Agreement between the Authority, the Board, the Trustee and the Minnesota Departments of Finance and Administration.

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

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

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

Guarantor: The City of Ely, Minnesota, a municipal corporation and political subdivision of the State of Minnesota, and any successor to its functions.

Guaranty Agreement: The Guaranty Agreement, dated November 1, 1987, from the Guarantor to the Authority and the Trustee, which unconditionally guarantees the full and prompt payment of all Bond repayments.

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

Indenture: The Trust Indenture between the Authority and Norwest Bank Minneapolis, N.A. of Minneapolis, Minnesota, as Trustee, dated as of November 1, 1987, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: The College.

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

Issue: The Bonds.

Land: The land and interests in land constituting the Project Site.

Loan Agreement: The Loan Agreement between the Authority and the Board, dated November 1, 1987, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the Board to the Trustee pursuant to Section 4.02 of the Loan Agreement.

Mortgage: The Combination Mortgage, Security Agreement and Fixture Financing Statement, dated as of November 1, 1987 from the Board as owner of the Project Building and Project Equipment, and the State, as owner of the Project Site, to the Authority, and assigned by the Authority to the Trustee, as amended or supplemented from time to time.

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

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 Board, (iv) the Mortgage and the Security Agreement, and (v) those additional encumbrances set forth in Exhibit C of the Mortgage.

Project: The acquisition, construction and equipping of a dormitory facility to house approximately 144 students on the campus of the College in Ely, Minnesota.

Project Building: The dormitory building constructed as part of the Project.

Project Costs: Costs properly payable from the Construction Account in relation to the Project.

Project Equipment: All furnishings, furniture, fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds and installed and located in or as part of the Project Buildings, or elsewhere as part of the Project.

Project Facilities: The Project Site, the Project Building, and the Project Equipment.

Project Revenues: All rents, fees, charges, and other payments received by the Board for use of the Project Facilities.

Project Site: The Land on which the Project Building is or will be located or improvements in connection with the Project are to be made.

Project Supervisor: The Project Supervisor and Alternate Project Supervisor, designated by the Commissioner of Administration of the State of Minnesota, for the purpose of taking all actions required of the Project Supervisor under the Loan Agreement or the Indenture.

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption

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Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account, (ii) to create and maintain the required reserve in the Debt Service Reserve Account or the Repair and Replacement Reserve Account, and (iii) to redeem or prepay outstanding Bonds or to purchase outstanding Bonds for redemption and cancellation. Moneys in the Redemption Account may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the Board fails to provide for payment of any rebate.

Regular Record Date: The 15th day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

Repair and Replacement Reserve Account: The Repair and Replacement Reserve Account created under the Indenture into which will be placed \$30,000 of Bond proceeds at Bond closing.

Revenue Account: The Revenue Account established under the Loan Agreement with a bank into which the Board shall deposit all Project Revenues and as to which the Board grants a security interest; the Revenue Account shall be transferred to and held by the Trustee if an Event of Default shall exist.

Security Agreement: The Security Agreement, dated November 1, 1987, from the Board to the Trustee, pledging and assigning a security interest in the Project Revenues and Revenue Account.

Series Two-P Bonds: The Bonds.

Special Record Date: The record date set by the Trustee for the purpose of paying defaulted interest.

State: The State of Minnesota.

Trust Estate: All the rights, interests and security given to the Trustee under the Indenture as security for the Bonds.

Trustee, Registrar, Paying Agent: Norwest Bank Minneapolis, N.A., Minneapolis, Minnesota.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

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

Construction of Project

The Board represents that the acquisition, construction and improvement of the Project are to be substantially completed by no later than December 31, 1988, subject only to "force majeure," as provided in the Loan Agreement. The Board agrees that all costs have been paid or will be paid 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, and no modifications to the Project will be made which result in increased Project Costs unless the Board causes the amount of the increase to be deposited into the Construction Account.

Loan Repayments

Under the Loan Agreement, the Board agrees to make Loan Repayments in amounts and at times sufficient to provide for payment in full of all principal of and interest on the Bonds when due. To provide for such payments the Board covenants to pay from Project Revenues for the account of the Authority in immediately available funds the following amounts:

- (a) On or before each October 10, January 10, and April 10, commencing October 10, 1988, into the Bond and Interest Sinking Fund Account, a sum equal to one-third of the aggregate amount payable as interest on and principal of the Series Two-P Bonds during the twelve month period beginning on the next succeeding July 1 (the payments of principal of and interest on the Bonds on July 1 of the year of the January and April deposits and on the next succeeding January 1); provided however, that there shall be credited against the payment due each April 10 and any amount by which the amount on deposit in the Bond and Interest Sinking Fund Account immediately prior to such payment exceeds two-thirds of the aggregate amount payable as principal of and interest on the Bonds during the twelve month period beginning on the next succeeding July 1; and
- (b) Forthwith into the Bond and Interest Sinking Fund Account the amount of any deficiency in the event that the funds on deposit in the Bond and Interest Sinking Fund Account on any Bond principal or interest payment date are for any reason insufficient to pay principal, premium (if any) and interest on the Series Two-P Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and
- (c) Prior to a date established for the optional redemption and prepayment of the Series Two-P Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Two-P Bonds called for redemption from the Redemption Account; and
- (d) Into the Debt Service Reserve Account forthwith any amounts then required to be deposited therein by Section 5.03 of the Indenture; and

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- (e) Into the Repair and Replacement Reserve Account forthwith the amount necessary to restore the balance to an amount not less than \$30,000; provided, that to the extent moneys are withdrawn from the Repair and Replacement Reserve Account during any Fiscal Year for payments of costs of unusual or extraordinary maintenance, repairs, renewals, replacement or renovation of the Project Facilities (not paid or to be paid for as part of the normal and ordinary expense of operation of the Project Facilities), the Board may repay the aggregate amount of such withdrawals in three equal installments, on October 10, January 10 and April 10 in the next succeeding Fiscal Year; and
- (f) into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.08(f) of the Loan Agreement and Section 5.07 of the Indenture, relating to the rebate of excess arbitrage earnings to the United States.

There is reserved to the Board the right to prepay all or part of the Loan and to redeem Bonds prior to their maturity in certain events as described in this Official Statement under "THE BONDS - Optional Prior Redemption."

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

Use of Project Facilities

The Board 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. The Board agrees to operate the Project Facilities as revenue producing student housing facilities. The Board agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of the interest on the Bonds under the Internal Revenue Code.

Maintenance of Project Facilities

The Board agrees that, so long as there are Bonds outstanding, the Board 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, interest on the Bonds will be exempt from federal income taxation, and the revenues of the Project Facilities will be sufficient to pay operating expenses and debt service on the Bonds. The Board may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities so long as (i) the tax-exempt status of the Bonds will not be affected thereby, (ii) such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, the Mortgage, the Security Agreement or the Act, (iii) the Board shall remain fully obligated under the Loan Agreement, the Mortgage and the Security Agreement as if such lease, sublease or agreement had not been made, and (iv) the Board shall determine, after reasonable investigation, that such lease, sublease, or agreement will not impair the revenue producing capacity of the Project Facilities or the ability of the Board to pay Loan Repayments and meet debt service on the Bonds.

Title to Property and Liens

Except for Permitted Encumbrances, the Board will not permit any liens to be established or to 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 Board 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 Board 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 Board shall promptly pay all such items.

Taxes and Other Governmental Charges

The Board will pay from Project Revenues all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the Board, the College or the Project Facilities, or any improvements, equipment or related property installed or bought by the Board therein or thereon, or the Bonds, the Loan Agreement, the Mortgage, the Security Agreement, the Guaranty Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Owners therein.

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

Insurance

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

- (a) Insurance against loss and/or damage to the Project Facilities, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Building.
- (b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of \$5,000,000 and aggregate for each year of \$7,000,000, and against liability for property damage in the minimum amount for each occurrence of \$100,000.
- (c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College.
- (d) Business interruption insurance with respect to the Project Facilities in an amount sufficient to pay all Loan Repayments to become due during any period during which all or part of the Project Facilities are unusable by reason of fire or other casualty, until the Project Facilities are rebuilt or (if elected by the Board) notice of redemption of all outstanding Bonds is delivered to the Trustee.

Casualty and business interruption insurance required by the Loan Agreement is to be carried in the names of the Board and the Trustee, as their respective interests may appear. All policies evidencing insurance required by paragraph (b) shall name the Trustee and the Authority, their members, employees and agents, as additional insureds.

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The Board is required to furnish to the Trustee policies or certificates or binders evidencing the required insurance. Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the Board and the Trustee at least thirty days before the cancellation or modification becomes effective.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and the Board shall either repair, rebuild or restore the damaged facilities, or redeem and prepay outstanding 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 the Project Building shall be taken in any proceeding involving the exercise of the right of eminent domain, the Board shall either redeem outstanding Bonds or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

To Maintain Existence and Accreditation of Institution

The Board agrees that during the term of the Loan Agreement it will maintain the College as a public 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 the College into another institution of higher education, or permit one or more other such institutions to consolidate with or merge into it, or transfer all or substantially all of the assets of the College to another institution except upon the conditions following: (i) if the surviving, resulting or transferee corporation, as the case may be, is other than the Board, such surviving, resulting or transferee institution shall assume in writing all of the obligations of the Board in the Loan Agreement, and shall be either a state university or college or a corporation and an institution of higher education under the laws of Minnesota, eligible to be a participating 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; (ii) the Board shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder; and (iii) the Board shall furnish to the Trustee and the Authority an independent report demonstrating that such consolidation, merger or transfer will not have a material adverse effect on the Project Revenues available to pay operating expenses of the Project Facilities and debt service on the Bonds.

College To Be Nonsectarian

The Board agrees that the College 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.

Determination of Taxability

In the event a Determination of Taxability is made that the Bonds are includible in gross income for purpose of federal income taxation under the provisions of the Internal

Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at a rate of two percent (2.00%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. The Board shall pay from Project Revenues, as a part of the Loan Repayments, all amounts required to pay additional interest on the Bonds.

In the event such a Determination of Taxability is made, the Board may cause the outstanding Bonds to be redeemed, as a whole and not in part, on the next practicable interest date and any interest payment date thereafter, at a redemption price of par plus accrued interest (including additional interest from the Date of Taxability).

A "Determination of Taxability," as described above, means a Notice of Deficiency or a ruling from the National Office or any District Office of the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that interest on the Bonds is includible in the gross income of the recipient under Section 103 of the Internal Revenue Code, related sections and regulations thereunder, as in effect on the date of issuance of the Bonds. A determination that interest on the Bonds is includible in the computation of an alternative minimum tax or that ownership of bonds results in the reduction or disallowance of any deduction is not a Determination of Taxability.

Financial and Parietal Covenants

The Board covenants and agrees, so long as the Bonds shall remain outstanding, to comply with the following provisions:

- (a) The Board shall establish, impose and collect rates and charges for the use of the Project Facilities which are estimated to be sufficient, together with any other moneys legally available to the Board which the Board in its sole discretion may have allocated for the purpose, to provide Project Revenues sufficient to pay all Loan Repayments and other payments required by the Loan Agreement when due, all current expenses of operation and maintenance of the Project Facilities and all other obligations of the Board with respect to the Project Facilities, as the same become due and payable. Without limiting the generality of the foregoing, the rates and charges established by the Board for use of the Project Facilities in each Fiscal Year shall be sufficient to provide not less than 100 percent of the budgeted expenditures with respect to the Project Facilities, including Loan Repayments, and amounts deemed necessary by the Board for maintenance, repair and replacement of the Project Facilities and to establish and maintain reserves for such purposes, for the Fiscal Year, and such rates and charges shall be sufficient, together with any balance in the Revenue account at the beginning of the Fiscal Year, to provide not less than 110 percent of such budgeted expenditures for the Fiscal Year.
- (b) Prior to the commencement of each Fiscal Year, the Board shall prepare or cause to be prepared a budget for the operation of the Project Facilities indicating the monthly expenditures anticipated during the Fiscal Year, including amounts estimated by the Board to be required for maintenance, repair and replacement of the Project Facilities and reserves deemed necessary by the Board for such purposes, and the projected monthly receipts to be deposited in the Revenue Account. The Board shall provide copies of each annual budget to the Trustee, the Authority and the Guarantor not later than 10 days after its adoption of the budget.
- (c) For purposes of the agreement in paragraph (a) and the budgets required to be prepared pursuant to paragraph (b), the Board shall assume a projected occupancy rate during the months of September through May in each Fiscal Year

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for the Project Facilities no greater than the average actual occupancy rate of the Project Facilities during September through May of the preceding Fiscal Year; provided, that for the first Fiscal Year of operation of the Project Facilities (or parts thereof) the Board may assume an occupancy rate for the months of September through May (or part thereof) no greater than 85 percent of the capacity of the Project Facilities. The Board shall assume an occupancy rate of zero for the months of June, July and August.

- (d) During the academic year (normally September through May), the Board shall rent units in the Project Facilities for periods not less than an academic quarter, except as units may be re-let for an unexpired term. Rental periods during the months of June, July and August may be of any length approved by the Board; provided that all such rentals shall terminate prior to the commencement of the next academic year.
- (e) All rents for occupancy of the Project Facilities shall be payable in advance in the full amount of the rent due for the entire rental period established pursuant to paragraph (d). Rental payments shall be nonrefundable, except to the extent (if any) that rental payments are received from a replacement tenant if a unit is re-let.
- (f) To the extent necessary to assure maximum occupancy of the Project Facilities, the Board shall require all non-commuting dependent students (as defined in Minnesota Rules, Part 4830.0100) at the College to live in the Project Facilities during the academic year.
- (g) So long as any Bonds are outstanding, the Board shall not issue or cause or permit to be issued any obligation (other than Additional Bonds) secured by a lien on the Project Facilities or the revenues and income therefrom which is on a parity with or prior to the lien of the Mortgage or the Security Agreement.

Other Covenants

The Board agrees to establish and maintain, according to the terms of Section 6.13 of the Loan Agreement, a Revenue Account into which the Board shall deposit all Project Revenues.

The Board further agrees to provide financial statements and other information pertaining to the College 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 perform all obligations imposed by the Internal Revenue Code and regulations thereunder so that the Bonds will not be "arbitrage bonds," including but not limited to making all required rebate payments to the United States required by the Code and regulations; and to observe all applicable State laws and regulations, including those of the Board, the Authority and the Minnesota Higher Education Coordinating Board, subject to the right of contest.

Events of Default

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

- (a) If the Board shall fail to make any Loan Repayment when due and such failure shall either (i) result in a failure to pay principal of or interest on any Bond when due, or (ii) continue for five Business Days after notice from the Trustee or the Authority to the Board that such payment has not been made; or
- (b) If the Board shall fail to comply with the provisions of Section 4.02(f) or 6.08(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or
- (c) If the College shall default in the observance of any of the financial and parietal covenants set forth in Section 6.12 of the Loan Agreement; or
- (d) If the Board shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the Board by the Authority or the Trustee; or
- (e) If there shall occur an event of default under the Mortgage or the Security Agreement; or
- (f) If the College, the Board or the City files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the College, the Board or the City; or
- (g) If a court of competent jurisdiction shall enter an order, judgment or decree against the College, the Board or the City in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the College, the Board or the City or of the whole or any substantial part of the property of the College, the Board or the City, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty days from the date of the entry thereof; or
- (h) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the College, the Board or the City or of the whole or any substantial part of the property of the College, the Board or the City, and such custody or control shall not be terminated within sixty days from the date of assumption of such custody or control.

The term "force majeure" as used in paragraph (d) above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials (other than the Board and the City), or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Institution. The provisions of paragraph (d) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the Board has taken all action reasonably possible to remedy such default within such thirty-day period, the default shall not

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become an Event of Default for so long as the Board shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The Board agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the Board from carrying out its agreements.

Remedies on Default

Whenever 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 may, with the consent of the City if there is no default under the Guaranty Agreement, declare all or any amount of Loan Repayments thereafter to become due and payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.
- (b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due or to foreclose the Mortgage or enforce the Security Agreement or the Guaranty Agreement or the performance and observance of any obligation, agreement or covenant of the Board under the Mortgage, the Security Agreement, or the Loan Agreement, or of the City under the Guaranty Agreement.
- (c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement, the Mortgage, or the Indenture in accordance with the provisions thereof.

Amendments

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

THE INDENTURE

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

Granting Clauses

Pursuant to the Indenture, the Authority grants to the Trustee, as security for the Owners 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 to become 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 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, the Board, the College or by anyone in behalf of them or with their written consent, to the Trustee, including, but not limited to, the Mortgage, the Security Agreement and the Guaranty Agreement.

Accounts

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

Trustee's Right to Payment

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

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 Owners; 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:

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- (a) If payment of the principal of any of the Bonds, when the same shall become due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), shall not be made; or
- (b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or
- (c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the Board (giving the Board the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Owners of not less than a majority in principal amount of the Bonds then outstanding; or
- (d) If any "event of default" on the part of the Board, as that term is defined in the Loan Agreement or Security Agreement, shall occur or if any "event of default," as that term is defined in the Mortgage, shall occur.

Remedies

Upon the occurrence of an Event of Default, the Trustee may, with the written consent of the City if the City is not in default under the Guaranty Agreement, and upon written request of the City or (if the City is in default under the Guaranty Agreement), the Owners of a majority in aggregate principal amount of Bonds outstanding, the Trustee shall, by notice in writing delivered to the Authority, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable subject, however, to the right of the City (if it is not in default of its obligations under the Guaranty Agreement) or the Owners of a majority in aggregate principal amount of Bonds then outstanding, by written notice to the Authority and to the Trustee, to annul such declaration and destroy its effect at any time if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds outstanding and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other indebtedness secured by the Indenture (except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last interest payment date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

In the case of the breach of any of the covenants or conditions of the Loan Agreement, the Mortgage, the Security Agreement, the Guaranty Agreement or the Indenture, the Trustee, anything therein contained to the contrary notwithstanding and without any request from any Bondholder (subject, however to its rights to indemnity and notice provided in the Indenture) shall be obligated to take such action or actions for the enforcement of its rights and the rights of the Owners and the rights of the Authority under the Loan Agreement, the Mortgage, the Security Agreement and the Guaranty Agreement as due diligence, prudence and care would require and to pursue the same with like diligence, prudence and care.

As more fully described in the "ACCOUNTS" section contained in the body of this Official Statement, the Board agrees to establish and maintain an account or accounts (the "Revenue Account") into which the Board shall deposit all Project Revenues promptly when received. If an Event of Default exists, the Trustee may require the transfer of all moneys in the Revenue Account to the Trustee and the assignment and delivery to the Trustee of such certificates of deposit, other investments or cash as shall then be credited to the Revenue Account. Thereafter, as long as the Event of Default exists, the Board is required to promptly deposit all Project Revenues with the Trustee for credit to the Revenue Account. If such Event of Default is cured, upon request of an Authorized Institution Representative, the Trustee shall return moneys and investments of the Revenue Account to the depository bank designated by the Board, and the Board may thereafter deposit to and use moneys in the Revenue Account as if no Event of Default had occurred. In addition, under the Loan Agreement, if a Default or an Event of Default exists but the Trustee has not required the transfer of the Revenue Account to the Trustee, the Board shall expend moneys from the Revenue Account solely to meet ordinary and current operation and maintenance expenses and debt service on the Bonds.

Upon the happening and continuance of an Event of Default, the Trustee shall demand and obtain possession of the Revenue Account, and may and shall upon the written request of the Owners of not less than a majority in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds of the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce the Loan Agreement, to foreclose the Mortgage, to enforce the Security Agreement, to enforce the Guaranty Agreement, 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 Owners. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Owners, as aforesaid, unless such Owners shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

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

Concerning the Owners

No Owner 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 or the

APPENDIX V

Mortgage, the Security Agreement or the Guaranty 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 Owners 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 action, suit or 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 Owners 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 Owners of all Bonds outstanding.

The Trustee, upon the written request of the Owners 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 Owners 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 Owners, 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 Owners, proof of ownership of Bonds and execution of consents and other instruments by Owners.

Defeasance

If the Authority and the Board shall:

- (a) pay or cause to be paid the principal of, and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or
- (b) provide for the payment of principal and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all 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 Board for 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 Owners 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 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, and shall also pay or provide for the payment of the unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148 of the Internal Revenue Code, then at the request of the Authority or the Board all the Trust Estate shall revert to the Authority and the Board as their interests appear, and 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 (after repaying to the City any amounts advanced by the City pursuant to the Guaranty Agreement) to the Board, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

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

Supplemental Indentures

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

- (a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Owners and owners of all Bonds under the Indenture;
- (b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority;
- (c) to evidence the succession of any other department, agency, body or corporation to the Authority;
- (d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental indentures or to

APPENDIX V

make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same; and

- (e) to create a series of and authorize Additional Bonds.

In addition and subject to the provisions set forth below, the Owners 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 Owners of all such Bonds (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture (except as provided in Section 2.09 of the Indenture with respect to Additional Bonds, 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 Owners of which are required to consent to such supplemental indenture.

Amendments to the Loan Agreement, Mortgage, Security Agreement and Guaranty Agreement

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

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement, the Mortgage, the Security Agreement or the Guaranty Agreement without the written approval or consent of the Owners 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 materially and adversely affect the availability or sufficiency of Project Revenues to make Loan Repayments without the consent of the Owners of all the Bonds then outstanding.

Registration

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 Owner or the Owner's authorized attorney satisfactory

to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Owner, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and interest rate of any authorized denominations. Payment of principal will be at the 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 the Owner's address as shown on the registration books of the Trustee.

THE MORTGAGE

At or prior to the closing, the Board, as owner of the Project Buildings and Equipment, and the State, as owner of the Land, will execute and deliver to the Authority, and the Authority will assign to the Trustee, a Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), to be dated as of November 1, 1987, to secure the Bonds. The following is a summary of certain provisions of the Mortgage.

Under the Mortgage, in order to secure the obligations of the Board under the Loan Agreement, including payment of Loan Repayments from Project Revenues in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Bonds, the State and the Board grant to the Trustee a first mortgage lien on an easement to construct, own, operate and maintain the Project Building, all improvements and additions thereto, and any building constructed by the Board in substitution therefor, and for access thereto from public streets, in, on, over and across the tracks, parcels and interests in the Land and all right, title and interest in and to the buildings now standing or hereafter constructed or placed upon the Land, including the Project Building, and a security interest in all Equipment located thereon and therein. The Land, the Project Building and Equipment together are herein referred to as the "Mortgaged Property." The Trustee is also granted a security interest in all of the general intangibles, rents, issues, condemnation awards, insurance proceeds and similar revenues and income arising from the ownership of the Mortgaged Property (to the extent the same may be perfected).

The Loan Agreement provides that the Board may remove Equipment from the Mortgaged Property, released from the lien of the Mortgage, upon the following conditions:

- (a) the Board may substitute equipment and related property for any Equipment, provided that such property so substituted shall not materially impair the character or revenue producing significance of the Mortgaged Property, and such substituted property shall be subject to the lien of the Mortgage in place of the replaced equipment;
- (b) the Board shall have the privilege of removing any Equipment without substitution therefor, provided that such removal does not impair the character or revenue producing significance of the Mortgaged Property and the Board deposits an amount equal to the then value of the removed Equipment into the Revenue Account.

The Mortgage does not create any liability on the part of the State of Minnesota to repay any of the indebtedness secured thereby, and neither the faith and credit, the taxing power, nor any property of the State other than the Mortgaged Property is pledged to the payment thereof. The covenants and duties of the State of Minnesota in the Mortgage are to be complied with and performed exclusively by its agency, the Board.

APPENDIX V

THE SECURITY AGREEMENT

At or prior to the closing, the Board will execute and deliver to the Trustee a Security Agreement (the "Security Agreement") to be dated as of November 1, 1987, to secure the Bonds. The following is a summary of certain provisions of the Security Agreement.

To secure its obligations under the Loan Agreement, the Board pledges and assigns to the Trustee a security interest in (a) all funds, securities and deposits held from time to time by a depository bank or the Trustee in the Revenue Account required to be created and maintained pursuant to the Loan Agreement, as described under the caption "ACCOUNTS" in the body of this Official Statement; (b) all rights to payment of rents, charges, fees and other payments for use of the Project Facilities; and (c) all other Project Revenues, as defined in the Loan Agreement. The Board agrees that it will not deposit Project Revenues elsewhere than in the Revenue Account and will not transfer the Revenue Account to any institution or depository other than the designated depository bank or the Trustee without compliance with procedures intended to protect the security interest of the Trustee in the Revenue Account.

From and after the occurrence of an "event of default" under the Loan Agreement or a default on the part of the Board in its obligations under the Security Agreement, moneys and investments in the Revenue Account may be used solely to pay debt service on the Bonds, to pay ordinary and necessary expenses of operation and maintenance of the Project Facilities, to restore the balance in the Debt Service Reserve Account, to restore the balance in the Repair and Replacement Reserve Account, and to reimburse the City for any advances by the City under the Guaranty Agreement not theretofore reimbursed. In addition, the Trustee may demand and receive possession of the Revenue Account; apply moneys in the Revenue Account and Project Revenues to the payment of amounts due under the Loan Agreement; exercise any rights and remedies available to it under the Loan Agreement, the Indenture, the Mortgage and the Guaranty Agreement; exercise all rights of an owner with respect to any securities included in the property pledged by the Security Agreement; exercise and enforce any and all rights and remedies available after default to a secured party under the Uniform Commercial Code, including the right to offer and sell the property pledged under the Security Agreement; receive payments of Project Revenues directly from the persons obligated to pay them; and exercise or enforce any and all other rights and remedies available by law against the collateral pledged in the Security Agreement, the Board or any other person or property.

THE GUARANTY AGREEMENT

At or prior to the closing, the City of Ely will execute and deliver to the Authority and the Trustee a Guaranty Agreement (the "Guaranty Agreement") to be dated as of November 1, 1987, to secure the Bonds. The following is a summary of certain provisions of the Guaranty Agreement.

The City absolutely and unconditionally guarantees the prompt payment of all Loan Repayments due and to become due from the Board attributable to principal of and interest on the Bonds ("Debt Service Loan Repayments") in the following manner:

On October 20, 1988, and on each January 20, April 20 and October 20 thereafter until the Bonds are fully paid, the Trustee shall notify the City in writing of (i) the amount of the Debt Service Loan Repayment due from the Board pursuant to the Loan Agreement

on the tenth day of such month, (ii) the amount of such Debt Service Loan Repayment paid by the Board, and (iii) the deficiency, if any. On September 1, 1989, and on each September 1 thereafter until the Bonds are fully paid, the Trustee shall notify the City of (A) the aggregate amount required to pay principal of and interest on the Bonds during the twelve month period beginning on the next succeeding July 1, (B) the amount on deposit in the Bond and Interest Sinking Fund Account and available to pay principal and interest on the Bonds on the dates specified in clause (A) (other than amounts, if any, transferred to the Bond and Interest Sinking Fund Account from the Debt Service Reserve Account or the Repair and Replacement Reserve Account and amounts, if any deposited by the Board in anticipation of the Debt Service Loan Repayment coming due on the next succeeding October 10), and (C) the amount, if any, by which the amount specified in clause (A) exceeds the amount specified in clause (B). If the amount determined pursuant to clause (C) is other than zero, the Trustee shall in the same notice request the City to levy a special general ad valorem tax upon all taxable property in the City, in an amount equal to 110 percent of the amount determined pursuant to clause (C), for collection in the following calendar year. The City shall thereupon (1) pay to the Trustee the amount determined pursuant to clause (C), or (2) levy a special general ad valorem tax on all taxable property in the City, in an amount not less than the amount requested, for collection in the following calendar year. The City shall request the County Treasurer of St. Louis County to pay the amount determined directly to the Trustee promptly upon collection, for deposit in the Bond and Interest Sinking Fund Account or, to the extent the Trustee has transferred moneys from the Debt Service Reserve Account or the Repair and Replacement Reserve Account to the Bond and Interest Sinking Fund Account to meet the payments of principal or and interest on the Bonds coming due on the next succeeding July 1 or January 1, to replenish the Debt Service Reserve Account or the Repair and Replacement Reserve Account. If such payment is not made directly to the Trustee by the County Treasurer, the City shall pay to the Trustee on or before June 30 and December 31 of the calendar year following notice from the Trustee that a payment or levy is required, one half of the amount, if any, determined pursuant to clause (C) above, for deposit in the Bond and Interest Sinking Fund Account or, to the extent the Trustee has transferred moneys from the Debt Service Reserve Account or Repair and Replacement Reserve Account to the Bond and Interest Sinking Fund Account to meet the payments of principal of and interest on the Bonds coming due on the next succeeding July 1 or January 1, to replenish the Reserve Account.

The obligation of the City to make such payments shall be absolute and unconditional and shall not be affected by any failure to levy the taxes required to be levied, by any failure of the County Treasurer to pay taxes collected directly to the Trustee, or by any delay in collection or delinquency in payment of taxes. All required calculations shall be based on amounts actually in hand on the date of calculation and shall not take into account anticipated investment earnings on such amounts.

In the event that after the City has made a payment required under the Guaranty Agreement (i) no default (as defined therein) exists under the Loan Agreement, the Indenture, the Mortgage, the Security Agreement or the Guaranty Agreement, and (ii) the amount on deposit in the Debt Service Reserve Account equals or exceeds the Reserve Requirement stated in the Indenture, and (iii) the amount on deposit in the Repair and Replacement Reserve Account equals or exceeds \$30,000, and (iv) the amount on deposit in the Bond and Interest Sinking Fund Account exceeds (x) the amount required to pay principal of and interest on the Bonds due or to become due in the current Fiscal Year after taking into account such principal and interest as shall theretofore have been paid by the Trustee to the Owners entitled thereto, plus (y) the aggregate Debt Service Loan Repayments theretofore coming due in the current Fiscal Year, the Trustee shall remit the excess to the City; provided that the aggregate of such excess remitted to the City shall never exceed the aggregate of all payments theretofore made by the City pursuant to the Guaranty Agreement.

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OFFICIAL BID FORM

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

SALE DATE: October 14, 1987

RE: \$1,300,000 Mortgage Revenue Bonds, Series Two-P (Minnesota State Board for Community Colleges, Vermilion Community College Project)

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$_____ (Note: This amount may not be less than \$1,267,500) and accrued interest to the date of delivery.

_____ % 1990	_____ % 1995	_____ % 2000	_____ % 2004
_____ % 1991	_____ % 1996	_____ % 2001	_____ % 2005
_____ % 1992	_____ % 1997	_____ % 2002	_____ % 2006
_____ % 1993	_____ % 1998	_____ % 2003	_____ % 2007
_____ % 1994	_____ % 1999		

In making this offer we accept all of the terms and conditions of the Official Terms of Offering published in the Official Statement dated September 30, 1987. In the event of failure to deliver these Bonds in accordance with the Official Terms of Offering as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

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

NET INTEREST COST: \$ _____

NET EFFECTIVE RATE: _____ %

Account Members

Account Manager

BY: _____

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

Executive Director

Received good faith check for return to bidder.
SPRINGSTED Incorporated _____.



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Account Manager

BY: _____

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

Executive Director

Received good faith check for return to bidder.
SPRINGSTED Incorporated _____.

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 3, 1862. It is a very important document, as it contains the President's annual message to Congress, which is a key part of the executive branch's communication with the legislative branch.

2. The second part of the document is a report from the Secretary of the Interior, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to the President, which is a key part of the executive branch's communication with the President.

3. The third part of the document is a report from the Secretary of the Treasury, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to the President, which is a key part of the executive branch's communication with the President.

4. The fourth part of the document is a report from the Secretary of the War, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to the President, which is a key part of the executive branch's communication with the President.

5. The fifth part of the document is a report from the Secretary of the Navy, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to the President, which is a key part of the executive branch's communication with the President.

6. The sixth part of the document is a report from the Secretary of the State, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to the President, which is a key part of the executive branch's communication with the President.

7. The seventh part of the document is a report from the Secretary of the War, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to the President, which is a key part of the executive branch's communication with the President.

8. The eighth part of the document is a report from the Secretary of the Navy, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to the President, which is a key part of the executive branch's communication with the President.

9. The ninth part of the document is a report from the Secretary of the State, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to the President, which is a key part of the executive branch's communication with the President.

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12. The twelfth part of the document is a report from the Secretary of the State, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to the President, which is a key part of the executive branch's communication with the President.

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14. The fourteenth part of the document is a report from the Secretary of the Navy, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to the President, which is a key part of the executive branch's communication with the President.

15. The fifteenth part of the document is a report from the Secretary of the State, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to the President, which is a key part of the executive branch's communication with the President.

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_____ % 1994	_____ % 1999		

In making this offer we accept all of the terms and conditions of the Official Terms of Offering published in the Official Statement dated September 30, 1987. In the event of failure to deliver these Bonds in accordance with the Official Terms of Offering as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

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

NET INTEREST COST: \$ _____

NET EFFECTIVE RATE: _____ %

Account Members

Account Manager

BY: _____

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

Executive Director

Received good faith check for return to bidder.
SPRINGSTED Incorporated _____.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the transparency and accountability of the organization. This section also outlines the various methods used to collect and analyze data, ensuring that the information is reliable and up-to-date.

2. The second part of the document focuses on the implementation of the proposed changes. It details the steps involved in the rollout process, from initial planning to final execution. This section also addresses potential challenges and provides strategies to overcome them, ensuring a smooth transition for all stakeholders involved.

3. The third part of the document discusses the long-term impact of the changes. It highlights the expected benefits, such as improved efficiency and cost savings, and provides a timeline for when these benefits are anticipated to be realized. This section also includes a summary of the key findings and recommendations for future action.

4. The final part of the document is a conclusion that summarizes the overall findings and provides a final recommendation. It reiterates the importance of the changes and encourages all stakeholders to support the implementation process. The document also includes a list of references and a glossary of terms for clarity.

