

REIMBURSEMENT AGREEMENT
COMPLIANCE CERTIFICATE

Financial Statement Date: **March 31, 2014**

To: Royal Bank of Canada

Ladies and Gentlemen:

Reference is made to that certain Reimbursement Agreement, dated as of September 1, 2012 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement"), between the Minnesota Office of Higher Education (the "Issuer") and the Royal Bank of Canada (the "Bank"). Any term capitalized but not defined herein shall have the meaning ascribed thereto under the Agreement.

The undersigned hereby certifies as of the date hereof that he/she is the chief financial officer of the Issuer, and that, as such, he/she is authorized to execute and deliver this Certificate to the Bank on the behalf of Issuer, and that:

1. Attached hereto are the unaudited financial statements required by Section 5(f)(ii) of the Agreement for the fiscal quarter of the Issuer ended as of the above date.
2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and conditions (financial or otherwise) of Issuer during the accounting period covered by the attached financial statements.
3. A review of the activities of Issuer during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period, the Issuer performed and observed all its Obligations under the Agreement and the Related Documents, and to the best knowledge of the undersigned during such fiscal period, the Issuer performed and observed each covenant and condition of the Agreement and Related Documents applicable to it, and no Default or Event of Default has occurred and is continuing.
4. The representations and warranties of Issuer contained in Section 4 of the Agreement are true and correct on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date.
5. The reports and information attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of

April 23, 2014.

MINNESOTA OFFICE OF HIGHER EDUCATION

By: Timothy M. Geraghty
Name: Timothy M. Geraghty
Title: Chief Financial Officer

MINNESOTA OFFICE OF HIGHER EDUCATION

LOAN CAPITAL FUND

STATEMENT OF FINANCIAL POSITION

Unaudited

ASSETS

FY 2014 QTR 3

FY 2013 QTR 3

Liquid Assets

Cash	\$97,418,662.36	\$107,257,125.77
Cash Equivalents	\$0.00	\$0.00
Interest Income Receivable	\$31,757.12	\$51,398.02
Investments	\$56,192,450.97	\$97,334,175.38
	<u>\$153,642,870.45</u>	<u>\$204,642,699.17</u>

Loans Receivable

Allowance for Bad Debt	(\$10,368,559.58)	(\$11,068,701.00)
GRIP Loans	\$0.00	\$0.00
SELF II Loans	\$4,440,076.27	\$10,610,620.79
SELF III Loans	\$83,693,927.14	\$120,746,971.35
SELF IV Loans	\$349,107,756.48	\$398,249,331.41
SELF V Loans	\$210,208,073.08	\$160,935,234.17
	<u>\$637,081,273.39</u>	<u>\$679,473,456.72</u>

Loan Interest Receivable

GRIP Interest	\$0.00	\$0.00
SELF II Interest	\$5,023.74	\$11,071.04
SELF III Interest	\$126,764.93	\$200,670.92
SELF IV Interest	\$737,182.03	\$975,664.36
SELF V Interest	\$1,173,600.74	\$973,731.30
	<u>\$2,042,571.44</u>	<u>\$2,161,137.62</u>

Restricted Assets

Bad Debt Reserve	\$10,368,559.58	\$11,068,701.00
Cash	\$188,334,899.73	\$143,380,555.66
Funds Owed to LCF for Pledging	\$980,469.00	\$75,443.00
	<u>\$199,683,928.31</u>	<u>\$154,524,699.66</u>

Deferred Bond Costs

Deferred Bond Issuance Costs	\$0.00	\$4,504,597.91
	<u>\$0.00</u>	<u>\$4,504,597.91</u>

Deferred Origination Costs

SELF Deferred Origination Cost	\$1,362,271.19	\$1,436,048.89
	<u>\$1,362,271.19</u>	<u>\$1,436,048.89</u>

Accounts Receivable

Accounts Receivable	\$0.00	\$0.00
Prepaid Expenses	\$0.00	\$0.00
	<u>\$0.00</u>	<u>\$0.00</u>

Depreciable Assets

Depreciable Assets	\$0.00	\$2,973.26
	<u>\$0.00</u>	<u>\$2,973.26</u>

TOTAL ASSETS\$993,812,914.78\$1,046,745,613.23**LIABILITIES**

Accounts Payable

Accounts Payable	\$1,436,478.03	\$1,457,788.75
Bond Interest Payable	\$560,201.04	\$1,241,466.27
Excess Yield Liability	\$2,114,423.00	\$6,525,061.84
Funds Owed to LCF for Pledging	\$980,469.00	\$75,443.00
	<u>\$5,091,571.07</u>	<u>\$9,299,759.86</u>

Bonds Payable

Bond Premium	\$895,720.26	\$1,112,217.54
Bonds Payable	\$551,360,000.00	\$612,248,000.00
Discount on Bonds	(\$27,726.25)	(\$31,925.05)
	<u>\$552,227,994.01</u>	<u>\$613,328,292.49</u>

TOTAL LIABILITIES\$557,319,565.08\$622,628,052.35**NET POSITION**

Restricted

Restricted For Debt Service	\$264,939,756.87	\$292,241,116.72
Trust Net Assets	\$171,553,592.83	\$131,876,444.16
	<u>\$436,493,349.70</u>	<u>\$424,117,560.88</u>

TOTAL NET POSITION\$436,493,349.70\$424,117,560.88

MINNESOTA OFFICE OF HIGHER EDUCATION
LOAN CAPITAL FUND
STATEMENT OF REVENUE & EXPENSES
Unaudited

	FY 2014 QTR 3	FY 2013 QTR 3
<i>Revenue</i>		
Interest Income Grip	\$ 0.00	\$ 124.97
Interest Income SELF II	\$ 24,982.26	\$ 57,602.53
Interest Income SELF III	\$ 697,356.47	\$ 1,025,659.95
Interest Income SELF IV	\$ 2,801,165.26	\$ 3,283,068.68
Interest Income SELF V	\$ 2,529,521.47	\$ 1,926,463.59
	<u>\$6,053,025.46</u>	<u>\$6,292,919.72</u>
Investment Income	\$ 135,072.95	\$ 230,666.09
	<u>\$135,072.95</u>	<u>\$230,666.09</u>
Defaulted Grip Recoveries	\$ 8,366.47	\$ 6,555.90
Defaulted SELF Recoveries	\$ 1,975,869.76	\$ 2,248,217.54
	<u>\$1,984,236.23</u>	<u>\$2,254,773.44</u>
Gains/Losses on Investments/Bonds	\$ 0.00	\$ 0.00
	<u>\$0.00</u>	<u>\$0.00</u>
Total Revenue	<u>\$8,172,334.64</u>	<u>\$8,778,359.25</u>
<i>Expenses</i>		
Admin Expense SELF & GRIP	\$ 363,718.58	\$ 482,758.92
Loan Servicer Expense	\$ 966,361.80	\$ 1,031,783.45
	<u>\$1,330,080.38</u>	<u>\$1,514,542.37</u>
Amortization of bond discount	\$ 1,049.70	\$ 1,049.70
Amortization of Bond Issuance Costs	\$ 0.00	\$ 39,391.46
Amortization of bond premium	\$ (53,877.57)	\$ (54,300.57)
Bond Administration Expense	\$ 1,748,642.53	\$ 1,644,794.40
Bond Interest Expense	\$ 360,551.71	\$ 790,098.00
Defeasement of Bond Issuance Costs	\$ 0.00	\$ 0.00
Estimated Bond Excess Yield	\$ 0.00	\$ 0.00
	<u>\$2,056,366.37</u>	<u>\$2,421,032.99</u>
Defaulted Loans/Bad Debt Reserve	\$ 1,901,313.29	\$ 2,261,237.09
	<u>\$1,901,313.29</u>	<u>\$2,261,237.09</u>
Total Expenses	<u>\$5,287,760.04</u>	<u>\$6,196,812.45</u>
Revenue Over (Under) Expenses	<u><u>\$2,884,574.60</u></u>	<u><u>\$2,581,546.80</u></u>

**MINNESOTA OFFICE OF HIGHER EDUCATION
LOAN CAPITAL FUND
STATEMENT OF CASHFLOWS**

	FY 2014 QTR 3	FY 2013 QTR 3
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from loan holders	33,848,112.60	35,726,747.13
Cash paid for loan origination	(26,549,584.00)	(30,395,892.00)
Cash paid to employees & suppliers	(2,737,168.43)	(3,065,655.85)
investment Interest received		
Interest paid		
Net cash used in operating activities	4,561,360.17	2,265,199.28
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(87,977,271.09)	(114,045,330.79)
Proceeds from maturity of investments	95,773,213.32	57,764,243.47
investment Interest received	127,134.59	136,355.14
Net cash provided by investing activities	7,923,076.82	(56,144,732.18)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bonds	-	-
Capitalized Bond Issue Costs	-	(52,933.77)
Interest paid on bonds	(38,391.15)	(80,165.16)
Bond redemption	-	-
Net cash provided by financing activities	(38,391.15)	(133,098.93)
CASH FLOWS FROM NONFINANCING ACTIVITIES:		
Transferred to State General Fund	-	-
Net cash from other financial activities	-	-
NET INCREASE (DECREASE) IN CASH & CASH EQUIV:		
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	283,676,075.83	315,719,014.26
CASH & CASH EQUIVALENTS AT END OF PERIOD	296,122,121.67	261,706,382.43
RECONCILIATION OF NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Excess of revenues over expenses	3,057,225.49	3,127,119.30
Cash used in operating activities:		
Depreciation and amortization	-	-
Decrease (inc) in fair value of investments	(17,957.83)	(76,576.92)
Provision for loan losses	1,901,313.29	2,261,237.09
Write-off of loans	(1,898,174.71)	(2,228,787.09)
Origination of student loans	(26,549,584.00)	(30,395,892.00)
Transferred fund to General Fund per legislative action	-	-
Principal payments on student loans	27,434,645.20	29,130,112.47
Changes in assets and liabilities:		
(Increase) decrease in Interest Receivable	153,400.69	198,995.59
(increase) decrease in other assets	-	-
(decrease) increase in acct pay & accruals	480,492.04	248,990.84
Net Cash used in Operating Activities:	4,561,360.17	2,265,199.28